IMPORTANT NOTICE

In accessing the attached base prospectus (the "Base Prospectus") you agree to be bound by the following terms and conditions.

The information contained in the Base Prospectus may be addressed to and/or targeted at persons who are residents of particular countries only as specified in the Base Prospectus and is not intended for use, and should not be relied upon, by any person outside those countries. **Prior to relying on the information contained in the Base Prospectus, you must ascertain from the Base Prospectus whether or not you are an intended addressee of, and eligible to view, the information contained therein.**

The Base Prospectus does not constitute, and may not be used in connection with, an offer to sell or the solicitation of an offer to buy securities in the United States or 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 Base Prospectus 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 and may include notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, such securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. The securities described in the Base Prospectus will only be offered in offshore transactions to non-U.S. persons in reliance upon Regulation S under the Securities Act ("**Regulation S**")).

For a more complete description of restrictions on offers and sales of the securities described in the Base Prospectus, see pages i to vii and the section "*Subscription and Sale*".

BASE PROSPECTUS DATED 16 May 2017

NORDEA BANK AB (PUBL)

(Incorporated with limited liability in the Kingdom of Sweden)

€50,000,000,000
Euro Medium Term Note Programme

Nordea Bank AB (publ) ("**Nordea Bank AB**", "**Nordea**" or the "**Issuer**") has established a €50,000,000,000 Euro Medium Term Note Programme (the "**Programme**"). This base prospectus supersedes any previous Base Prospectus, Information Memorandum and Supplemental Information Memorandum in relation to the Programme. Any Notes (as defined below) issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein. This does not affect any Notes already in issue.

The Issuer may from time to time issue Euro Medium Term Notes (the "**Notes**") on a subordinated or unsubordinated basis, which expression shall include Bearer Notes and Registered Notes (each as defined below), denominated in any currency as may be agreed with the relevant Dealer(s) (as defined below). Notes issued pursuant to the Programme may include Notes issued by the Issuer designated as "**Swiss Franc Notes**", "**VP Notes**", "**VPS Notes**" or "**Swedish Notes**" in the applicable Final Terms or Pricing Supplement (each as defined below). The maximum amount of all Notes from time to time outstanding will not exceed €50,000,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject as further set out herein). For the purposes of calculating amounts outstanding under the Programme, all calculations will be made in euro.

Notes issued under the Programme (other than Exempt Notes) will have a denomination of at least €100,000 or its equivalent in any other currency.

The Notes will be issued on a continuing basis to one or more of the principal dealers or Swiss dealers specified herein and any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**" and together the "**Dealers**").

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.

Arranger

BofA Merrill Lynch

Dealers

Barclays	**BNP PARIBAS**
BofA Merrill Lynch	**Citigroup**
Credit Suisse	**Deutsche Bank**
Goldman Sachs International	**HSBC**
J.P. Morgan	**Morgan Stanley**
Natixis	**NatWest Markets**
Nordea	**RBC Capital Markets**
	Société Générale Corporate & Investment Banking
UBS Investment Bank	**UniCredit Bank**

The date of this Base Prospectus is 16 May 2017

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Prospectus Directive (as defined herein) and constitutes a base prospectus for the purposes of the Prospectus Directive. The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European law pursuant to the Prospectus Directive.

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments ("**MiFID**") in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive. The Central Bank has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

Application will be made (i) to the Irish Stock Exchange for Notes issued under the Programme (other than Exempt Notes (as defined herein)) to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Market**"), (ii) to the United Kingdom Financial Conduct Authority (the "**FCA**") and London Stock Exchange plc (the "**London Stock Exchange**") for Notes issued under the Programme (other than Exempt Notes) to be admitted to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange, and (iii) to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") and the Luxembourg Stock Exchange for Notes issued under the Programme (other than Exempt Notes) to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange, in each case during the period of 12 months after the date hereof. The Main Market, the regulated market of the London Stock Exchange and the regulated market of the Luxembourg Stock Exchange are regulated markets for the purposes of MiFID. Such approvals relate only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID and/or which are to be offered to the public in any Member State of the European Economic Area.

Application has been made to the Irish Stock Exchange for the approval of this Base Prospectus as base listing particulars (the "**Base Listing Particulars**"). Application has been made to the Irish Stock Exchange for Exempt Notes issued under the Programme during the 12 months from the date of this Base Listing Particulars to be admitted to the Official List and to trading on the Global Exchange Market (the "**GEM**") which is the exchange regulated market of the Irish Stock Exchange. The GEM is not a regulated market for the purposes of MiFID.

This Base Prospectus constitutes a Base Listing Particulars for the purposes of all Exempt Notes (including, without limitation, any Exempt Notes listed on the GEM) and, for such purposes, does not constitute a "prospectus" for the purposes of the Prospectus Directive. In the case of Exempt Notes, any reference in this Base Prospectus to "Base Prospectus" shall be deemed to be a reference to "Base Listing Particulars" unless the context requires otherwise.

The SIX Swiss Exchange Ltd (the "**SIX Swiss Exchange**") has approved the Programme as an "issuance programme" for the listing of bonds on the SIX Swiss Exchange in accordance with the listing rules of the SIX Swiss Exchange (the "**SIX Listing Rules**"). In respect of any Tranche (as defined herein) of Notes to be listed on the SIX Swiss Exchange during the period of 12 months from the date of this Base Listing Particulars, this Base Listing Particulars, together with the relevant Pricing Supplement, will constitute the listing prospectus for purposes of the SIX Listing Rules.

The Programme also permits Notes 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 (including the SIX Swiss Exchange, in the case of Swiss Franc Notes).

Notice of the aggregate principal amount of, interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein which are applicable to, each Tranche (as defined below) of Notes will be set forth in a final terms (the "**Final Terms**") or, in the case of Exempt Notes, a pricing supplement (the "**Pricing Supplement**"). In the case of Exempt Notes, any reference in this Base Prospectus to "Final Terms" shall be deemed to be a reference to "Pricing Supplement" unless the context requires otherwise.

This Base Prospectus, including the Annexes hereto, which form part of this Base Prospectus, should be read and construed together with any amendments or supplements hereto and with any other information incorporated by reference herein and, in relation to any Tranche of Notes, should be read and construed together with the relevant Final Terms.

Copies of each Final Terms in respect of a Tranche of Notes listed on any stock exchange and issued pursuant to this Base Prospectus will be available from the specified offices of each of the Paying Agents and (in the case of Notes which may be in registered form) from the specified office of the Registrar and each of the Transfer Agents (see "*Terms and Conditions of the Notes*" herein). In the case of a Tranche of Notes which is not admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system or which is not offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (including Exempt Notes), copies of the Final Terms will only be available for inspection during normal business hours at the specified office of the Fiscal Agent in London and the registered office of the Issuer by the holders of such Notes ("**Holders**").

The Issuer may agree with any Dealer(s) that Notes may be issued in a form not contemplated by the "*Terms and Conditions of the Notes*" herein, in which case a supplementary prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes. In the case of Exempt Notes, the relevant provisions relating to such Notes will be included in the relevant Pricing Supplement.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below 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 Notes) 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 Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Nordea Bank AB accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains 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 or any Dealer.

Neither the Dealers nor the Arranger have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Arranger as to the accuracy or completeness of the financial information contained in this Base Prospectus, or any other financial statements or any further information supplied in connection with the Notes. The Dealers and the Arranger accept no liability in relation to the financial information contained in this Base Prospectus or any other financial statements or their distribution or with regard to any other information supplied in connection with the Notes. The statements made in this paragraph are without prejudice to the responsibility of Nordea Bank AB in its capacity as Issuer under the Programme.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note 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 amended or 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 amended or 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 Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes see "*Subscription and Sale*".

THE NOTES 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 NOTES 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 AND MAY INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS. SEE "*SUBSCRIPTION AND SALE*".

IMPORTANT – EEA RETAIL INVESTORS - If the Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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 ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC ("IMD"), 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 Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. 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 the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the "**European Economic Area**" which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering/placement contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, **provided that** any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms or Pricing Supplement may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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.

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
Standard & Poor's Credit Market Services Europe Limited	AA- (negative outlook)
Fitch Ratings Limited	AA-

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

Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Issuer or to Notes already issued. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the EU and registered under the CRA Regulation will be disclosed in the Final Terms.

The European Securities and Markets Authority ("**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 (and such registration has not been withdrawn or suspended) 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 (and such endorsement action has not been withdrawn or suspended) or (2) the rating is provided by a credit rating agency not established in the EU, but which is certified under the CRA Regulation (and such certification has not been withdrawn or suspended).

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.

DEFINITIONS

In this Base Prospectus, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in the Relevant Member State. References to "**U.S.$**", "**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 "**Swiss Francs**", "**Swiss francs**" or "**CHF**" are to Swiss Francs, references to "**sterling**" are to Pounds Sterling, references to "**Yen**" are to Japanese Yen, references to "**SEK**" are to Swedish Krona, references to "**NOK**" are to Norwegian Kroner, references to "**DKK**" are to Danish Krone and references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan) (the "**PRC**").

INFORMATION INCORPORATED BY REFERENCE

The following information, which has previously been published or is published simultaneously with this Base Prospectus and has been submitted to and filed with the Central Bank, shall be deemed to be incorporated in, and to form part of this document:

(1) the terms and conditions set out on pages 69 to 107 of the base prospectus dated 13 May 2016 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-113206/2016-05-16_Base-Prospectus-for-Nordea-Bank-EMTN-Program-13-May-2016_EN.pdf);

(2) the terms and conditions set out on pages 69 to 108 of the base prospectus dated 8 May 2015 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (http://www.nordea.com/Images/33-58740/2015-05-08_Base-Prospectus-for-Nordea-Bank-EMTN%20Program-2015_EN.pdf);

(3) the terms and conditions set out on pages 65 to 103 of the base prospectus dated 8 May 2014 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (http://www.nordea.com/sitemod/upload/Root/www.nordea.com%20-%20uk/Investorrelations/prospectus_nordea_bank_AB_emtn_8_may_2014.pdf);

(4) the terms and conditions set out on pages 64 to 107 of the base prospectus dated 26 April 2013 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (http://www.nordea.com/sitemod/upload/Root/www.nordea.com%20-%20uk/Investorrelations/prospectus_nordea_bank_AB_emtn_26_april_2013.pdf);

(5) the terms and conditions set out on pages 43 to 83 of the base prospectus dated 27 April 2012 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (http://www.nordea.com/sitemod/upload/Root/www.nordea.com%20-%20uk/Investorrelations/prospectus_nordea_bank_AB_emtn_30_april_2012.pdf);

(6) the terms and conditions set out on pages 42 to 82 of the base prospectus dated 20 April 2011 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (http://www.nordea.com/sitemod/upload/Root/www.nordea.com%20-%20uk/Investorrelations/prospectus_nordea_bank_AB_emtn_20_april_2011.pdf);

(7) the terms and conditions set out on pages 41 to 81 of the base prospectus dated 30 April 2010 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (http://www.nordea.com/sitemod/upload/Root/www.nordea.com%20-%20uk/Investorrelations/prospectus_nordea_bank_AB_emtn_30_april_2010.pdf);

(8) the terms and conditions set out on pages 41 to 81 of the base prospectus dated 29 May 2009 relating to the Programme under the heading "*Terms and Conditions of the Notes*"

(http://www.nordea.com/sitemod/upload/Root/www.nordea.com%20-%20uk/Investorrelations/prospectus_nordea_bank_AB_29_may_2009.pdf); and

(9) the terms and conditions set out on pages 34 to 66 of the base prospectus dated 19 June 2008 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (http://www.nordea.com/sitemod/upload/Root/www.nordea.com%20-%20se/Investorrelations/grundprospekt_nordea_bank_AB_19_Juni_2008.pdf).

The Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which or portions of which are deemed to be incorporated herein by reference. Written or telephone requests for such documents should be directed to the Issuer at its principal office set out at the end of this Base Prospectus. In addition, such documents will be available from the principal office of Citibank, N.A. London Branch.

Copies of the annual and interim reports of the Issuer can be downloaded at http://www.nordea.com.

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

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

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DESCRIPTION OF THE NOTES

The following description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in the Terms and Conditions of the Notes or elsewhere in this Base Prospectus have the same meanings in this overview.

Issuer	Nordea Bank AB (publ)
Description	Euro Medium Term Note Programme
Arranger	Merrill Lynch International
Dealers	Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Natixis, Nordea Bank AB (publ), Morgan Stanley & Co. International plc, RBC Europe Limited, The Royal Bank of Scotland plc (trading as NatWest Markets), Société Générale, UBS Limited and UniCredit Bank AG as principal dealers for the Programme and UBS AG as Swiss dealer for the Programme (together with any other dealer(s) appointed from time to time by the Issuer, either generally in relation to the Programme or in relation to a particular Series of Notes)
Fiscal and Paying Agent	Citibank, N.A., London Branch or such other entity as may replace Citibank, N.A., London Branch as Fiscal Agent
Swiss Paying Agent	Citibank N.A., Sioux Falls, Zurich Branch or such other entity as may replace Citibank N.A., Sioux Falls, Zurich Branch as Swiss Paying Agent
Registrar and Transfer Agent	Citibank, N.A., acting through its New York office or such other entity as may replace Citibank, N.A., acting through its New York office as Registrar or Transfer Agent
VP Issuing Agent, VPS Paying Agent and Swedish Issuing Agent	Nordea Bank AB (publ) or such other entity as may replace Nordea Bank AB (publ) as VP Issuing Agent, VPS Paying Agent and Swedish Issuing Agent, respectively
Irish Listing Agent	Arthur Cox Listing Services Limited
Amount	The aggregate principal amount of Notes outstanding at any time shall not exceed €50,000,000,000 (or its equivalent in another currency calculated as described herein). The Programme size may be increased from time to time without the consent of the Holders of Notes in accordance with the Dealership Agreement.
Currencies	Any currency agreed between the Issuer and the relevant Dealer(s), subject to any applicable legal or regulatory restrictions.
Status and waiver of Set off	The Notes may be issued by the Issuer on a subordinated or an unsubordinated basis. The Unsubordinated Notes 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, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. If Unsubordinated Notes Waiver of Set-Off is stated to be applicable in the relevant Final Terms, no Holder of Notes shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in

respect of such Notes.

The Subordinated Notes constitute and will constitute direct and unsecured obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves. In the event of liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer, the rights and claims (if any) of Holders of any Subordinated Notes to payments of the Outstanding Principal Amount and any other amounts in respect of the Subordinated Notes (including any accrued and unpaid interest amount or damages awarded for breach of any obligations under the Conditions, if any are payable) shall (i) be subordinated to the claims of all Senior Creditors of the Issuer; (ii) rank at least *pari passu* with the claims of all subordinated creditors of the Issuer which in each case by law rank, or by their terms, are expressed to rank *pari passu* with the Subordinated Notes; and (iii) rank senior to any Junior Securities of the Issuer.

No Holder of Subordinated Notes shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Subordinated Notes.

Maturities

Such maturities as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price

The Notes may be issued at any price. The price and amount of the Notes to be issued will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Issuance in Series

The Notes are issued in separate series (each, a "**Series**") and the Notes of each Series will all be subject to identical terms whether as to currency, denomination, interest or maturity or otherwise. Further Notes may be issued as part of an existing Series (each, a "**Tranche**"), Notes in respect of which will be identical in all respects (except issue price, issue date and interest commencement date, which may or may not be identical).

Form of Notes

The Notes will be issued in bearer or registered form as specified in the relevant Final Terms.

Notes may be specified in the applicable Final Terms as "**VP Notes**". VP Notes will be issued in uncertificated and dematerialised book entry form, with the legal title thereto being evidenced by book entries in the register for such VP Notes kept by VP Securities A/S on behalf of the Issuer. Title to VP Notes will not be evidenced by any physical note or document of title. For the avoidance of doubt, the TEFRA C and TEFRA D Rules will not be applicable to VP Notes. Definitive Notes will not be issued in respect of any VP Notes. Nordea Bank AB (publ) will act as the VP Issuing Agent in respect of VP Notes.

Notes may be specified in the applicable Final Terms as "**VPS Notes**". VPS Notes will be issued by the Issuer pursuant to a Registrar Agreement with Nordea Bank AB (publ) as VPS Paying Agent and will be registered in uncertificated and dematerialised book entry form in accordance with Norwegian Securities Register Act 2002.

Notes may be specified in the applicable Final Terms as "**Swedish Notes**". Swedish Notes will be issued in uncertificated and dematerialised book entry form, with the legal title thereto being evidenced by book entries in the register for such Swedish Notes kept by Euroclear Sweden on behalf of the Issuer. Title to Swedish Notes will not be evidenced by any physical note or document of title. For the avoidance of doubt, the TEFRA C and

	TEFRA D Rules will not be applicable to Swedish Notes. Definitive Notes will not be issued in respect of any Swedish Notes. Nordea Bank AB (publ) will act as the Swedish Issuing Agent in respect of Swedish Notes.
Denomination of Notes	Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to (i) where such Notes are to be admitted to trading on a regulated market within the European Economic Area ("**EEA**") or offered to the public in circumstances which require the publication of a prospectus under the Prospectus Directive a minimum denomination of €100,000 (or, in the case of Notes not denominated in euros, the equivalent thereof in such foreign currency) and integral multiples of €1,000 (or, in the case of Notes not denominated in euros, 1,000 units of such foreign currency) in excess thereof; and (ii) compliance with all applicable legal and/or regulatory and/or central bank requirements.
Interest	Notes may be interest bearing or non-interest bearing. Notes may be issued as fixed rate, floating rate (based on LIBOR, EURIBOR, BBSW, BKBM, CDOR, CIBOR, HIBOR, JIBAR, MOSPRIME, NIBOR, SHIBOR, STIBOR, TIBOR, TIIE, TRLIBOR or WIBOR), zero coupon, reset or partly paid as set out in Condition 5. In respect of each Tranche of interest-bearing Notes, the date from which interest becomes payable and the due dates for interest will be specified in the relevant Final Terms.
Interest Payments	Interest may be paid monthly, quarterly, semi-annually, annually or at such other intervals as are described in the relevant Final Terms.
Redemption	The Notes may be redeemable at par or at such other redemption amount as may be specified in the relevant Final Terms. Early redemption of the Notes will be permitted for taxation reasons. In relation to Subordinated Notes only, redemption is permitted as a result of a Capital Event, a Tax Event, a Withholding Tax Event or at the option of the Issuer, in each case subject to the Conditions to Redemption set out in Condition 6(i). Early redemption will otherwise be permitted only to the extent specified in the relevant Final Terms. Notes denominated in Pounds Sterling may not be redeemed prior to one year and one day from the date of issue.
Taxation	All payments in respect of the Notes will be made without withholding or deduction for or on account of Swedish withholding taxes unless required by law. If such withholdings are required by Swedish law the Issuer will in certain circumstances pay certain additional amounts (in respect of interest only for Subordinated Notes) as described in, and subject to exceptions set out in, Condition 8 (*Taxation*).
Substitution and Variation	The Issuer may substitute or vary the terms of the Subordinated Notes as provided in Condition 17 (*Substitution and Variation*) if so specified in the relevant Final Terms.
Further Issues	The Issuer may from time to time, without the consent of the Holders of Notes or any Series, create and issue further Notes having the same terms and conditions as any Series of Notes in all respects (or in all respects except for the amount of the first payment of interest, if any, on them), which may be consolidated and form a single Series with the outstanding Notes of such Series.
Cross Default	None
Negative Pledge	None

Listing and Admission to Trading

Application will be made (i) to the Irish Stock Exchange for Notes issued under the Programme (other than Exempt Notes) to be admitted to the Official List and trading on the Main Market, (ii) to the United Kingdom Financial Conduct Authority and the London Stock Exchange for Notes issued under the Programme (other than Exempt Notes) to be admitted to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange, and (iii) to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") and the Luxembourg Stock Exchange for Notes issued under the Programme (other than Exempt Notes) to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange, in each case during the period of 12 months after the date hereof. The Main Market, the regulated market of the London Stock Exchange and the regulated market of the Luxembourg Stock Exchange are regulated markets for the purposes of MiFID. Such approvals relate only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID and/or which are to be offered to the public in any Member State of the European Economic Area.

Governing Law

English law governs the Notes and all non-contractual obligations arising out of or in connection with them except that (i) the subordination provisions applicable to Subordinated Notes are governed by Swedish law; (ii) the registration of VP Notes in the VP are governed by Danish law; (iii) the registration of VPS Notes in the VPS are governed by Norwegian law; and (iv) the registration of Swedish Notes in the book entry system and register maintained by Euroclear Sweden are governed by Swedish law. Holders of the Notes are entitled to the rights and subject to the obligations and liabilities arising under such regulations and legislation of such jurisdictions.

Selling Restrictions

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material including in the United States of America, the EEA, the United Kingdom, France, Sweden, The People's Republic of China, Hong Kong, Norway and the Republic of Italy, see "*Subscription and Sale*".

Ratings

Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Issuer or to Notes already issued. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the EU and registered under the CRA Regulation will be disclosed in the Final Terms. The Issuer cannot assure investors that any such ratings will not change in the future. A rating reflects only the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Terms and Conditions of the Notes

The terms and conditions applicable to each Series will be as agreed between the Issuer and the relevant Dealer(s) at or prior to the time of issuance of such Series, and will be specified in the relevant Final Terms. The terms and conditions applicable to each Series will therefore be the relevant Terms and Conditions of the Notes set out in this Base Prospectus, as supplemented, modified or replaced by the relevant Final Terms in relation to each Series.

Risk Factors

There are certain factors that may affect the Issuer's ability to fulfill its obligations under the Notes. These are set out under the heading "*Risk Factors*." Investors should carefully consider these risk factors and all of the information in this Base Prospectus before deciding to buy Notes.

RISK FACTORS

An investment in the Notes 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 Notes. 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 Notes. 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 Notes" 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 Notes issued under the Programme, but the inability of the Issuer to pay interest or principal on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes is exhaustive.

Risks Relating to Current 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 condition in the countries in which it operates, in particular the Nordic markets (Denmark, Finland, Norway and Sweden) and, to a lesser degree, in Russia and the Baltic countries. In recent years, the economic conditions in the Nordic region have, in general, developed more favorably relative to the rest of Europe, benefiting from generally sound public finances. However, there have been differences between countries within the region. In 2014, the Nordic economies, in general, developed positively, with stronger growth experienced in Sweden and Norway, albeit, in the case of Norway, with concerns about the effects of lower oil prices on the local economy. The growth in Denmark remained at a lower level while growth in Finland was subdued in 2014 and followed the more mixed picture seen in the euro area. In 2015, the Swedish economy grew in excess of 3 per cent. In Denmark, the economy experienced firm growth in the beginning of 2015 but the growth slowed somewhat in the second half of 2015. The Norwegian economy grew in the first part of 2015 but was increasingly impacted by the accelerated deterioration in oil prices later in the year. The Finnish economy remained more subdued in 2015, with growth rates fluctuating between positive and negative over the year. In 2016, the development of the Nordic economies was characterised by divergence. In Sweden, the development continued to be strong with growth again exceeding 3 per cent. In Denmark, the economy initially grew steadily but slowed somewhat in the second half of 2016. Still, the full-year development was positive, continuing the gradual improving trend. In 2016, Norway's economy initially maintained growth but was gradually adversely impacted following the deterioration in oil prices. Even though the Finnish economy grew in 2016, the economic picture in Finland remained more muted with growth rates fluctuating between positive and negative over the quarters. 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 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 European Central Bank in January 2015 and its subsequent expansion and extension to December 2017, and the uncertainty over the continued weak economic development of certain countries in the euro area, in particular Greece and Italy, and their remaining members of the euro area has continued. The market conditions have also been, and are likely to continue to be, affected by China's economic slowdown and increasing debt levels in China, the prospect of additional interest rate hikes in the United States and the significant decline and volatility in global oil prices. Geopolitical events, such as continued tensions in the Middle East and in eastern Ukraine, the United Kingdom's decision to withdraw from the EU and the results of the U.S. presidential election, 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.

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. 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 Nordea Group is subject to a variety of risks as a result of its operations, in particular in Russia and the Baltic countries*" 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. Due to volatility in foreign exchange and fixed income markets during the past years, this 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.

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 are 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 in any given period in the event of changes in interest rates could 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 Swedish and Norwegian banking businesses, as it prepares its consolidated financial statements in its functional currency, the euro. The Nordea Group's functional currency for its Danish banking business is the Danish krone, which is pegged to 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, against which the Nordea Group is required to hold a minimum level of capital, are denominated in local currencies, any significant depreciation of the euro against these local currencies would adversely impact the Nordea Group's capital adequacy ratios. While the Nordea Group generally follows a policy of hedging its foreign exchange risk by seeking to match the currency of its assets with the currency of the liabilities that fund them, there can be no assurances that the Nordea Group will be able to successfully hedge some or all of this currency risk exposure.

Risks Relating to Liquidity and Capital Requirements

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 part of the Nordea Group's liquidity and funding requirements is met through reliance on customer deposits, as well as ongoing access to wholesale lending 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 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 European and Swedish legislation. The Basel Committee on Banking Supervision (the "**BCBS**") proposed 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 EEA 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 a European Parliament and Council regulation (the "**CRR**") in each member state of the EEA (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 Swedish legislation implementing the CRD entered into force in August 2014.

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*" and "*—Risks Relating to the Notes—Regulatory action in the event of a failure of the Issuer could materially adversely affect the value of the Notes, including in a manner in resulting in Holders of the Notes losing all or a part of the value of their investment in the Notes or receiving a different security than the Notes*" below.

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 AB or its mortgage subsidiaries will be able to maintain their current ratings or that the Nordea Group can retain current ratings on its debt instruments. A reduction in the current long-term ratings of Nordea Bank AB 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.

Other Risks Relating to the Nordea Group's Business

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, IT and other systems (including the implementation of new systems and platforms), licenses 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, 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 fulfill 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. Any claims in this respect could have a material adverse effect on the Nordea Group's reputation, business, financial condition and results of operations.

The Nordea Group is subject to a variety of risks as a result of its operations, in particular in Russia and the Baltic countries.

The Nordea Group's operations in Russia and, to a lesser extent, also in the Baltic countries present various risks that do not apply, or apply to a lesser degree, to its businesses in the Nordic markets. Some of these markets 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 or other sanctions in response to such crises or tensions be imposed, this could have a further adverse effect on the economies in Russia, neighboring regions and other countries. Risks related to operating in Russia and the Baltic countries 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 these countries. For a discussion of the Nordea Group's agreement to combine its operations in Estonia, Latvia and Lithuania into a new bank with DNB ASA ("**DNB**"), see "*The Nordea Group — Legal Structure*."

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 faces competition in all markets.

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. 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.

There are risks and uncertainties associated with the proposed combination of Nordea's and DNB's operations in the Baltic countries.

On 25 August 2016, the Issuer announced that Nordea Bank AB and DNB had entered into an agreement to combine their operations in Estonia, Latvia and Lithuania into a new bank. The proposed combination is subject to customary closing conditions, including the requirement that Nordea Bank AB and DNB obtain the necessary regulatory approvals following satisfactory outcomes of discussions with regulators and authorities. Any delay in satisfying the closing conditions may also postpone the execution of the proposed combination, which the Issuer currently expects to take place in the second quarter of 2017. The failure to consummate the proposed combination as currently planned could result in the Nordea Group not obtaining the anticipated benefits of the combination.

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.

The financial services industry, including the Nordea Group, operates 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 Sweden, where the Nordea Group’s parent company Nordea Bank AB is based, Denmark, Finland, Norway, Russia, Estonia, Latvia, Lithuania, China, Germany, Luxembourg, Poland, Singapore, the United Kingdom and the United States. 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 investor decisions or may increase the costs of doing business in the Nordic markets, Russia and the Baltic countries, and such other markets where the Nordea Group carries out its business, (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 unfavorable political, military or diplomatic developments, in particular in Russia and the Baltic countries, producing legal uncertainty, which, in turn, 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. Most recently, the Swedish Government in February 2017 presented a proposal to amend the Swedish resolution fee regulations by raising the annual fee banks pay into Sweden's resolution reserve from the current 0.09 per cent. to 0.125 per cent. starting in 2018. Should the resolution fee proposal be implemented, the resolution fee payments by Swedish banks, including Nordea Bank AB, would increase. As of the date of this Base Prospectus, Nordea Bank AB is in the process of assessing the impact of this proposal on the Nordea Group along with options to address such impact, which may include, among other things, moving the corporate headquarters of the Nordea Group from Sweden to another jurisdiction.

Following a period of significant post-crisis regulatory initiatives in the United States, the U.S. government has after the recent presidential election 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 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.

CRD IV sets higher capital and liquidity requirements on banks, that are required, among other things, to hold more common equity tier 1 capital. Further, the Swedish Ministry of Finance, the Swedish Financial Supervisory Authority (the "**SFSA**") and the Central Bank of Sweden ("**Riksbanken**") announced in November 2011 that higher capital standards than those set forth in the Basel III framework would be required from systemically important banks, which include the Nordea Group. These higher standards have been applicable from 1 January 2015. The higher capital requirements, the continuing regulatory developments and higher demands on liquidity will likely result in the Nordea Group, similar to other financial institutions, to incur 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 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*" below.

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

The Swedish capital adequacy framework is based on the CRR and CRD IV. The capital and regulatory framework to which the Nordea Group is subject imposes certain requirements for the Nordea Group to hold sufficient levels of capital, including common equity tier 1 (CET1) capital, leverage 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.

CRD IV imposes certain restrictions, among others, on institutions that fail to meet the "combined buffer requirement," as described in further detail below. Under the CRR, institutions are required to hold a minimum amount of regulatory capital of 8.0 per cent. of risk exposure amount. 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 introduces capital buffer requirements that are in addition to the minimum capital requirement and required to be met with common equity tier 1 (CET1) capital. The Nordea Group is subject to a capital conservation buffer of 2.5 per cent., a systemic risk buffer of 3.0 per cent. and a further 2.0 per cent. requirement for systemic risk applied within the framework of the SFSA's supervisory review process (pillar 2). A countercyclical capital buffer will also be applicable for the Nordea Group where the rate is dependent on the different buffer rates in the different countries where Nordea has exposures. The buffer rate in Sweden has been 2.0 per cent. since 19 March 2017. For exposures in Norway, the current buffer rate of 1.5 per cent. will be increased to 2.0 per cent. from 31 December 2017.

Under Article 141 (Restrictions on distributions) of CRD IV (the "**Article 141 Restrictions**"), member states of the European Union 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 global systemically important institutions buffer and the other systemically important institution buffer, in each case as applicable to the institution) will be subject to restricted "discretionary payments" (which are defined broadly by CRD IV as payments relating to common equity tier 1 (CET1) capital, variable remuneration and payments on additional tier 1 instruments).

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 last distribution of profits or "discretionary payment" made. Such calculation will result in a "maximum distributable amount" in each 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 breach of the combined buffer requirement it may be necessary to reduce discretionary payments.

The SFSA has implemented the supervisory review and evaluation process within pillar 2, (that is, the assessment of the individual capital requirement of banks), such that a capital requirement under pillar 2 is always additional to the capital requirements according to the general capital requirements under pillar 1. The SFSA has also stated that, under normal circumstances, there will be no formal decision on pillar 2. The pillar 2 requirement will, therefore, not affect the level where the automatic restrictions on distributions linked to the "combined buffer requirement" come into effect. However, should the SFSA adopt a formal decision on the capital requirement under pillar 2, such requirements would be included in the minimum capital requirements and, therefore, affect the level at which automatic restrictions on distributions linked to the "combined buffer requirement" come into effect.

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

Total Loss-Absorbing Capacity

The Bank Recovery and Resolution Directive 2014/59/EU ("**BRRD**") was implemented in Sweden on 1 February 2016 through the Swedish Resolution Act (the "**Resolution Act**"). Nordea operates under the BRRD. To ensure that banks always have sufficient loss-absorbing capacity, the Resolution Act provides for the Swedish 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.

MREL/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 global systemically important banks ("**G-SIBs**") that conceptually correspond 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-absorbency capacity, which attempts to define an internationally agreed standard. As of the date of this Base Prospectus, the EU is working towards implementing the TLAC standard in EU legislation. In particular, the European Commission has proposed to incorporate TLAC into the capital requirements framework as an extension to the own funds requirements and as part of the November 2016 Proposals (as defined below).

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 regulatory capital (Basel III) buffers which must be met in addition to the TLAC minimum (see "*—CRD IV introduces capital requirements that are in addition to the minimum capital ratio*" above). 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. Based on the most recently updated FSB list of G-SIBs published in November 2016, Nordea constitutes a G-SIB. In accordance with the MREL Framework (as defined below) published by the Swedish National Debt Office ("**SNDO**") on 23 February 2017, the TLAC standard will not be applicable to Swedish banks pending the EU implementation of the standards.

According to the FSB standard, there is a particular need to ensure that authorities possess the necessary legal powers to expose the TLAC-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. TLAC-eligible instruments should, therefore, not include operational liabilities on which the performance of critical functions depends, and TLAC should be subordinated in some way to those operational liabilities. 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. To help ensure that there are sufficient resources available in resolution, the FSB expects that at least 33 per cent. of the minimum TLAC requirement is met by capital instruments in the form of debt liabilities plus other TLAC-eligible instruments that are not also eligible as regulatory capital.

On 23 February 2017, the SNDO, which has been assigned as the Swedish resolution authority, published a decision memorandum setting forth a final framework for MREL for Swedish banks (the "**MREL Framework**"). The MREL Framework includes, among other things, the following guidance: (i) the minimum MREL requirement shall comprise of the sum of a loss absorption amount (equivalent to the bank's total capital requirements excluding the combined buffer requirement and the pillar 2 macro-prudential components) and a recapitalisation amount (equivalent to the bank's total capital requirements, excluding the combined buffer requirement) and both amounts shall be based on the applicable capital requirements for banks, (ii) the recapitalisation amount of the minimum MREL requirement should be met with eligible liabilities and not own funds, and (iii) eligible liabilities, which are used to meet the recapitalisation amount of the minimum MREL requirement, should be subordinated. Specific MREL requirements to be applied from 1 January 2018 will be set for Swedish banks in accordance with the MREL Framework during the fourth quarter of 2017. However, the subordination requirement is subject to a phasing-in period and banks will not be required to meet MREL entirely with subordinated debt until 2022.

On 23 November 2016, the European Commission published legislative proposals for amendments to the CRR, CRD IV, the BRRD and the single resolution mechanism regulation establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as may be amended from time to time (the "**Single Resolution Mechanism Regulation**") and proposed an amending directive to facilitate the creation of a new asset class of "non-preferred" senior debt (the "**November 2016 Proposals**"). The November 2016 Proposals cover multiple areas, including the pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macro-prudential tools, a new category of "non-preferred" senior debt, the framework for MREL and the integration of the TLAC standard into EU legislation. The November 2016 Proposals are to be considered by the European Parliament and the Council of the European Union and, therefore, remain subject to change. The final version of the new legislation may not include all elements of the November 2016 Proposals and new or amended elements may be introduced through the course of the legislative process. Until the November 2016 Proposals are in final form, it is uncertain how the November 2016 Proposals will affect the Issuer or Holders of the Notes. In addition, the November 2016 Proposals also include phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, including potential changes to relevant accounting standards, which may in turn result in changes to the methodologies which the Nordea Group is required to adopt for the valuation of financial instruments. See also "— *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*" below.

Risks Relating to the TLAC and MREL Requirements

As it is difficult to predict the effect MREL and/or TLAC may have on the Nordea Group until MREL and TLAC requirements have been fully implemented, there is a risk that the requirements of MREL and/or TLAC could require the Nordea Group to issue additional MREL and TLAC eligible liabilities in order to meet the new requirements within the required timeframes and to hold additional funds and/or eligible liabilities in order to satisfy the MREL and/or TLAC requirements set for the Nordea Group, which may increase its compliance costs, delay, limit or restrict the execution of its strategy and may have a material adverse effect on the Nordea Group's capital structure as well as on its business, financial condition and results of operations. MREL and TLAC requirements are expected to have an impact across the market, including potentially adversely affecting the credit rating of the securities issued by the Nordea Group (including the Notes) and its competitors, and there is a risk that the relative impact may give rise to a reduction in the competitiveness of the Nordea Group. If the Nordea Group were to experience difficulties in raising MREL or TLAC eligible liabilities, it may have to reduce its lending or investments in other operations.

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

In the ordinary course of its business, 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 will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred.

The Nordea Group is involved in a variety of claims, disputes, legal proceedings and investigations in jurisdictions where it is active. These types of claims, disputes, legal proceedings or 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 licenses 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 and limitations on deductibility.

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 requirements of the tax authorities in the relevant countries. Nordea Bank AB has obtained advice from independent tax advisors in this respect. However, there can be no assurances that its interpretation of applicable laws, tax treaties, regulations or other rules or administrative practice is correct, or that such rules or practice are not changed, possibly with retroactive effect. For example, on 30 March 2016, the Swedish Government presented a proposal to abolish the income tax deductibility for interest payments on capital instruments and subordinated loans qualifying as additional tier 1 capital and tier 2 capital under the CRR. The proposal derived from a wider proposal that was presented by the former Swedish Government in 2014 but was never enacted. Following the approval of the proposal, the new rules entered into force on 1 January 2017 and apply to interest payments accruing from this date. Any future legislative changes or decisions by tax authorities may impair the tax position of the Nordea Group.

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 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. For example, in July 2014, the IASB issued IFRS 9 Financial Instruments, which will replace IAS 39 and IAS 32. IFRS 9 provides principles for classification of financial instruments, provisioning for expected credit losses and the new general hedge accounting model. IFRS 9, which has been endorsed by the EU, will be effective from 1 January 2018. Among other provisions, under IFRS 9, provisioning for expected credit losses on financial assets recognised at amortised cost or fair value through other comprehensive income depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the provision equals 12-month expected credit losses. If the credit risk has increased significantly, the provision equals the lifetime expected credit losses. The implementation of IFRS 9 is expected to lead to an increase in loan loss provisions and decrease equity in the period of initial application. As of the date of this Base Prospectus, Nordea Bank AB is not in the position to determine the impact of IFRS 9 on capital adequacy as the new rules for the transition to IFRS 9 expected to be issued by the BCBS are not yet final. Once the transitional rules cease to apply, Nordea Group anticipates the long term effects of IFRS 9 to be negative on capital adequacy as any reduction in equity is expected to reduce common equity tier 1 (CET1) capital. See also "*—Recent regulatory actions may affect the Nordea Group's funding needs*".

Nordea is in the process of assessing options, including moving the corporate headquarters of the Nordea Group, to address the impact of regulatory developments in Sweden.

As discussed above under "*—The Nordea Group is subject to extensive regulation that is subject to change*" the Swedish Government in February 2017 presented a proposal to amend the Swedish resolution fee regulations by raising the annual fee banks pay into Sweden's resolution fund from the current 0.09 per cent. to 0.125 per cent. starting in 2018 and to make this fee permanent. If the proposal is implemented, the resolution fee payments by banks domiciled in Sweden would increase and, in the case of Nordea, likely significantly. Nordea has maintained correspondence with the Swedish Government about the resolution fee proposal and the Swedish regulatory environment in general but, at the same time, is in the process of assessing the options to address the impact of Swedish regulatory developments, including the resolution fee proposal, on the Nordea Group. These options may include, subject to the receipt of necessary approvals, moving the corporate headquarters of the Nordea Group from Sweden to Denmark or Finland. See also "*The Nordea Group — Recent Developments —Relocation Assessment.*" Should Nordea decide to move the corporate headquarters of the Nordea Group from Sweden, there can be no assurances that any such relocation would not adversely affect the Nordea Group's business, results of operations and financial condition or the interests of Noteholders, including the value of the Notes.

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors.

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

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

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes 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;

(iv) understand thoroughly the terms of the relevant Notes and the behaviour of any relevant indices and financial markets; and

(v) 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 Notes 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 Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes may not be freely transferred.

Nordea Bank AB has not registered, and will not register, the Notes under the Securities Act or any other securities laws. Accordingly, the Notes 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, Nordea Bank AB cannot be certain of the existence of a secondary market for the Notes or the liquidity of such a market if one develops. Consequently, a Holder of Notes and an owner of beneficial interests in those Notes must be able to bear the economic risk of their investment in the Notes for the terms of the Notes.

There is no active trading market for the Notes.

The Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently 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 Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Although an application has been made for the Notes issued under the Programme to be admitted (i) to listing on the Official List of the Irish Stock Exchange and to trading on its Main Market; and (ii) to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange and (in the case of Exempt Notes only) to be admitted (i) to listing on the Official List of the Irish Stock Exchange and to trading on the GEM; and (ii) to listing on the SIX Swiss Exchange, there is no assurances that such applications will be accepted, that any particular Tranche of Notes 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 Notes.

Noteholders are subject to market volatility.

Holders of Notes should be aware that the secondary market for the Notes and instruments of this kind may be illiquid due to, among other things, the disruptions and volatility in the global financial markets that have continued through the recent years. The Issuer cannot predict when these circumstances will change.

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

A credit rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal by the relevant rating agency at any time. There can be no assurance that a rating assigned to a series of Notes 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 Notes is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes, and the market value and liquidity of the Notes may be adversely affected. Notes that are subject to a ratings downgrade may also be more susceptible to price volatility than they were prior to the downgrade or compared to higher-rated securities. In addition, the Issuer's credit ratings do not always mirror the risk related to individual Notes issued under the Programme. Real or anticipated changes in the Issuer's credit ratings generally will also affect the market value of the Notes. See also "*—Risks Relating to Liquidity* *and Capital Requirements—The Nordea Group's funding costs and its access to the debt capital markets depend significantly on its credit ratings*" above.

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. For example, in September 2014, Standard & Poor's published its revised criteria for determining issue credit ratings on bank and prudentially regulated finance company hybrid capital instruments in order to reflect the changes in the regulatory framework for such instruments. The application of this revised criteria resulted in Standard & Poor's lowering the credit ratings assigned to certain of the Issuer's capital and subordinated debt instruments.

To the extent permitted by a rating agency hired by the Issuer, the Issuer may decline a rating (which may include a non-investment grade rating) assigned by the hired rating agency to a Tranche of Notes, which would typically delay the publication of that rating by such rating agency for a period of 12 months. In addition to ratings assigned by any hired rating agencies, rating agencies not hired by the Issuer to rate a Tranche of Notes may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to any Notes, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. The decision to decline a rating assigned by a hired rating agency, the delayed publication of such rating or the assignment of a non-solicited rating by a rating agency not hired by the Issuer could adversely affect the market value and liquidity of the Notes.

Fixed Rate Notes are subject to Interest Rate Risks.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Gains on the transfer of the Notes may become subject to income taxes under PRC tax laws

Under the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of the Notes by non-PRC resident enterprise Holders or individual Holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The *PRC Enterprise Income Tax Law* levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise Holder from the transfer of the Notes, but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The *PRC Individual Income Tax Law* levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident individual Holder from the transfer of the Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and their respective relevant implementing rules.

According to the arrangement between the PRC and Hong Kong for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

If such gains are determined as income sourced in the PRC by the relevant PRC tax authorities, (i) the non-PRC resident enterprise Holders may be subject to EIT at the rate of 10 per cent. of the gains derived by such non-PRC resident enterprise Holders and (ii) the non-PRC resident individual Holders may be subject to IIT at the rate of 20 per cent. of the gains derived by such non-PRC resident individual Holders, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident Holders of the Notes reside that reduces or exempts the relevant EIT or IIT (however, qualified holders may not enjoy the treaty benefit automatically but through a successful application with the PRC tax authorities), the value of their investment in the Notes may be materially and adversely affected.

Risks relating to Partly Paid Notes.

Nordea Bank AB may issue Notes where the issue price is payable in more than one installment. Failure to pay any subsequent installment could result in an investor losing all of its investment.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Risks relating to Reset Notes.

Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the First Margin or Subsequent Margin (as applicable) as determined by the Determination Agent on the relevant Reset Determination Date (each such interest rate, a "**Subsequent Reset Rate**"). The Subsequent Reset Rate for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

The Notes may be issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

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

The Issuer will pay principal and interest on the Notes in the 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 Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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.

In respect of any Notes issued with a specific use of proceeds, such as a Green Bond, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer’s intention to apply the proceeds from an offer of those Notes whether directly or indirectly, for projects and activities that satisfy certain eligibility requirements that purports to promote climate-friendly and other environmental purposes ("**Green Assets**"). Prospective investors should have regard to the information in the relevant Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer that the use of such proceeds for any Green Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Green Assets. Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or “sustainable” or an equivalently-labeled project or as to what precise attributes are required for a particular project to be defined as “green” or “sustainable” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change following an investment decision. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Assets will meet or continue to meet on an ongoing basis any or all investor expectations regarding such “green”, “sustainable” or other equivalently-labeled objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Assets.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes and in particular with any Green Assets to fulfill any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion or certification was initially issued and the criteria and/or considerations that underlie such opinion or certification provider may change at any time. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated “green”, “environmental”, “sustainable” or other equivalently-labeled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Assets. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Green Assets in, or substantially in, the manner described in the relevant Final Terms, there can be no assurance that the relevant Green Asset and the use of the proceeds of such Notes will be, or will be capable of being, implemented in, or substantially in, such manner and/or in accordance with any timing schedule and that accordingly any proceeds of such Notes will be totally or partially used for such Green Assets. Nor can there be any assurance that such Green Assets will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Green Assets as aforesaid and/or withdrawal or amendment of any third party opinion or certification (whether or not solicited by the Issuer), and/or the amendment of any criteria on which such opinion or certification was given, or any such third party opinion or certification stating that the Issuer is not complying or fulfilling relevant criteria, in whole or in part, with respect to any matters for which such opinion or certification is opining or certifying and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid, may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Green Assets and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Noteholders are subject to credit risk on the Issuer.

Holders of the Notes issued under the Programme take a credit risk on the Issuer. A holder's ability to receive payment under the Notes is dependent on the Issuer's ability to fulfill its payment obligations, which in turn is dependent upon the development of the Issuer's business.

The Notes may be redeemed early.

Unless in the case of any particular Series of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Sweden or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with Condition 6(b) (and, in the case of Subordinated Notes, subject to compliance with certain regulatory conditions and approval by the SFSA).

Furthermore, the Issuer may be entitled to redeem Subordinated Notes if the tax treatment for the Issuer in respect of such Notes is negatively altered after the issue date (as set forth in Condition 6(c)) or if a Capital Event (as defined in Condition 6(d)) occurs, in each case subject to compliance with certain regulatory conditions and approval by the SFSA. These regulatory conditions include the requirement under CRD IV that if the Subordinated Notes are to be redeemed during the first five years after their issuance, the Issuer must demonstrate to the satisfaction of the SFSA that the event triggering such redemption was not reasonably foreseeable at the time of the issue of the Notes and, in the case of a call relating to the tax treatment of the Notes, that the adverse treatment is material and, in the case of a call relating to a Capital Event, that such change is sufficiently certain. These foreseeability and materiality conditions to redemption contained in CRD IV only apply to a redemption of Subordinated Notes occurring in the first five years after the issue date and, therefore, an issuer of regulatory capital securities, such as the Subordinated Notes, could opt to redeem such Notes for tax or regulatory reasons after the fifth anniversary of issue, including based upon an event that occurred within the first five years of issue. There can therefore be no assurances that Subordinated Notes will not be called for tax or regulatory reasons prior to any specified optional call date.

In addition, if in the case of any particular Series of Notes the relevant Final Terms specifies that the Notes are redeemable at the Issuer's option in certain other circumstances (in the case of Subordinated Notes, subject to compliance with certain regulatory conditions and approval by the SFSA), the Issuer may choose to redeem the Notes at a time when prevailing interest rates may be relatively low. In addition, an optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may, or is perceived to be able to, elect to redeem Notes, the market value of such Notes generally will not rise substantially above and may in fact decrease below the price at which they can be redeemed. This may also be true prior to any redemption period.

In the case of any redemption, an investor may not be able to reinvest the redemption proceeds in a comparable security with a rate of return that is as high as that of the relevant Notes.

Noteholders' rights and obligations may be amended at meetings of Noteholders.

The Terms and Conditions of the Notes and the Fiscal Agency Agreement (as defined in the Terms and Conditions of the Notes) contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit certain defined majorities to make decisions that modify the terms and conditions applicable to a Tranche of Notes and may affect the Noteholders' rights and obligations under the Notes, and that bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. At the meeting of Noteholders, the Noteholders also have authority to elect and give instructions to a representative to act on their behalf.

The terms and conditions of the Notes may be changed.

The terms and conditions applicable to each Tranche will be as agreed between the Issuer and the relevant Dealer at or prior to the time of issuance of such Tranche, and will be specified in the relevant Final Terms. The terms and conditions applicable to each Tranche will therefore be those set out in this Base Prospectus, subject to being completed by the relevant Final Terms in relation to each Tranche or (in the case of Exempt Notes only) as completed, amended and/or replaced by the relevant Pricing Supplement in relation to each Tranche.

The Fiscal Agency Agreement contains provisions, which are binding on the Issuer and the Holders of Notes, for convening meetings of the Holders of Notes of any Tranche to consider matters affecting their interests, including the modification or waiver of the terms and conditions applicable to any Tranche, although, any modification or waiver of the terms and conditions that affects Subordinated Notes cannot be made without the prior approval of the SFSA if required in accordance with the prevailing Applicable Banking Regulations.

The Issuer has the right to correct manifest errors in the Terms and Conditions of the Notes without the Noteholders' consent.

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

Changes in laws, regulations or administrative practice, or the interpretation thereof, after the date of this Base Prospectus may affect the Notes in general, the rights of Holders as well as the market value of the Notes. The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by English law, except for the subordination provisions relating to Subordinated Notes and all non-contractual obligations arising out of or in connection with them, which will be governed by, and construed in accordance with Swedish law; (i) the registration of VP Notes in the VP which will be governed by, and construed in accordance with, Danish law; (ii) the registration of VPS Notes in the VPS which will be governed by, and construed in accordance with, Norwegian law; and (iii) the registration of Swedish Notes 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 of England and Wales or Swedish laws, regulations or administrative practice after the date of issue of the relevant Notes or the interpretation thereof. Such changes in law may impact statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on the Notes. Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes that one or more regulatory or legislative changes, including those described above, could have on the Notes.

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 Denmark and therefore may not apply to 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 possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Nordea Group or the Holders, which could be material. For example, in the November 2016 Proposals, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks. These proposals amend many of the existing provisions set forth in CRD IV and the BRRD. These proposals are now being submitted for consideration by the European Parliament and Council. Until such time as the proposals are formally approved by the European Parliament and Council, there can be no assurances as to whether, or when, the proposed amendments will be adopted and whether they will be adopted in the manner as currently proposed and therefore it is uncertain how they will affect the Issuer, the Nordea Group or the Holders of the Notes.

The Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples.

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination (as defined in the relevant Final Terms) plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination, would need to purchase a principal amount of the Notes such that its holding amounts to a Specified Denomination.

The amount of Notes to be issued under the Programme may be changed.

The aggregate principal amount of Notes to be issued under the Programme is subject to increase or decrease as provided in the Dealership Agreement (as defined herein).

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

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 Sweden on 1 February 2016. On 23 November 2016, the European Commission published the November 2016 Proposals to, among other things, amend the BRRD. The November 2016 Proposals are in draft form and are still subject to the EU legislative process and national implementation. Therefore, it is unclear what the effect of such proposals may be on the Nordea Group, the Issuer or the Notes. See "*— Changes in laws, regulations or administrative practice or the interpretation thereof may affect the Notes*" above.

The powers granted to the authorities designated by member states of the European Union 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 (which could include Subordinated Notes) 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 Notes), whether unsubordinated or subordinated, of a failing financial institution and/or to convert certain debt claims (which could include the Notes) 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 group and before any other resolution action is taken. The BRRD, as implemented into Swedish law, 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 favorable 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 Notes could be subject to the bail-in power and the Subordinated Notes could be subject to the statutory write-down and conversion power. The determination that all or a part of the principal amount of the Notes will be subject to bail-in, or in the case of Subordinated Notes, statutory write-down and/or conversion, 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 Notes, or in the case of Subordinated Notes, exercise of the statutory write-down and/or conversion power, may result in the cancellation of all or a portion of the principal amount of, or interest on, the Notes 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 Notes into ordinary shares or other securities of Nordea or another person, including by means of a variation to the terms of the Notes to give effect to such application of the bail-in tool and/or the statutory write-down and/or conversion power (as the case may be). Accordingly, potential investors in the Notes should consider the risk that the bail-in tool and/or the statutory write-down and/or conversion power (as the case may be) may be applied in such a manner as to result in Holders of the Notes losing all or a part of the value of their investment in the Notes or receiving a different security than the Notes, which may be worth significantly less than the Notes 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 and/or the statutory write-down and/or conversion power (as the case may be) without providing any advance notice to the Holders of the Notes. Holders of the Notes may also have limited or no rights to challenge any decision of the resolution authority to exercise the bail-in power and/or the statutory write-down and/or conversion power (as the case may be) 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 the 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 Notes and/or the ability of the Issuer to satisfy its obligations under such Notes and could lead to the Holders of the Notes losing some or all of their investment in the Notes. Prospective investors in the Notes should consult their own advisors as to the consequences of the implementation of the BRRD.

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

The BRRD establishes 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 is implemented into national law and entered into force in Sweden on 1 July 2016, will increase 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 senior creditors of the Issuer, including the Holders of Notes, in the insolvency hierarchy. Furthermore, insured deposits are excluded from the scope of the bail-in powers.

There may be no rights of set-off or counterclaim.

Holders of Subordinated Notes and (to the extent applicable as set out in the relevant Final Terms) Unsubordinated Notes shall not be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Notes. Therefore, Holders of such Notes will not be entitled (subject to applicable law) to set-off the Issuer's obligations under such Notes against obligations owed by them to the Issuer.

Payments under the Notes may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act.

With respect to (i) Notes issued after the date that is six months after the date the term "foreign passthru payment" is defined in regulations filed with the U.S. Federal Register (the "**Grandfather Date**"), or (ii) Notes issued on or before the Grandfather Date that are materially modified after the Grandfather Date or (iii) other Notes treated as equity for U.S. federal income tax purposes issued at any time, the Issuer may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**") to withhold U.S. tax at a rate of 30 per cent. on all or a portion of payments of principal and interest which are treated as "foreign passthru payments" made on or after 1 January 2019, at the earliest, to an investor that does not provide information sufficient to determine whether it is a United States person or should otherwise be treated as holding a "United States account" of the Issuer or any financial institution through which payment on the Notes is made that is a non-U.S. financial institution that is not in compliance with FATCA. As of the date of this Base Prospectus, regulations defining the term "foreign passthru payment" have not yet been published. If the Issuer issues further Notes after the Grandfather Date pursuant to a reopening of a Series of Notes that was created on or before the Grandfather Date (the "**original Notes**") and such further Notes are not fungible with the original Notes for U.S. federal income tax purposes, payments on such further Notes may be subject to withholding under FATCA and, should the original Notes and the further Notes be indistinguishable for non-tax purposes, payments on the original Notes may also become subject to withholding under FATCA. The FATCA withholding tax may be triggered if: (i) the Issuer is a foreign financial institution (an "**FFI**," as defined in FATCA), and (ii) the Issuer, or any paying agent through which payments on the Notes are made, has agreed to provide the U.S. Internal

Revenue Service (the "**IRS**") or other applicable authority with certain information on its account holders (making the Issuer or such paying agent a "**Participating FFI**", as defined in FATCA) and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI that is making the payment to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of such FFI, or (b) any FFI through or to which payments on the Notes are made is not a Participating FFI or otherwise eligible to receive payments free from withholding under FATCA.

The United States has concluded a number of intergovernmental agreements with other jurisdictions in respect of FATCA. On 8 August 2014, the governments of Sweden and the United States signed an Agreement to Improve International Tax Compliance and to Implement FATCA (the "**Swedish IGA**"). Under the Swedish IGA, an entity classified as an FFI that is treated as resident in Sweden is expected to provide the Swedish tax authorities with certain information on U.S. holders of its securities. Information on U.S. holders will be automatically exchanged with the IRS. The Issuer is treated as an FFI and provided it complies with the requirements of the Swedish IGA and the Swedish legislation implementing the Swedish IGA, it should not be subject to FATCA withholding on any payments it receives and it should not be required to withhold tax on any "foreign passthru payments" that it makes. Although the Issuer may not be required to withhold FATCA taxes in respect of any foreign passthru payments it makes under the Swedish IGA, FATCA withholding may apply in respect of any payments made on the Notes by any paying agent.

If applicable, FATCA will be addressed in the relevant Final Terms or Pricing Supplement, as the case may be, with respect to Notes issued after the Grandfather Date. The application of FATCA to interest, principal or other amounts paid on or with respect to the Notes is not currently clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of a Holder's failure to comply with FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax.

Because the Global Notes 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.

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

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary, or as the case may be a common safekeeper 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 Note must rely on the procedures of the relevant clearing system(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such Holders will be permitted to act only to the extent that they are enabled by the relevant clearing system(s) to appoint appropriate proxies. Similarly, Holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

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

Investors in VP Notes, VPS Notes or Swedish Notes 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 Notes, VPS Notes or Swedish Notes 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 or Euroclear Sweden, as the case may be. Ownership of VP Notes, VPS Notes or Swedish Notes will be recorded and transfer effected only through the book entry system and register maintained by the VP, the VPS or Euroclear Sweden, as the case may be.

Additional Risks Relating to the Subordinated Notes

Under certain circumstances, the Issuer's ability to redeem or repurchase the Notes may be limited.

The rules under CRD IV prescribe certain conditions for the granting of permission by the SFSA to a request by the Issuer to redeem or repurchase the Notes. In this respect, the CRR provides that the competent authority (the SFSA in the case of the Issuer) shall grant permission to a redemption or repurchase of the Notes provided that either of the following conditions is met, as applicable to the Notes:

(i) on or before such redemption or repurchase of the Notes, the Issuer replaces the Notes with capital instruments of an equal or higher quality on terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the SFSA that its tier 1 capital and tier 2 capital would, following such redemption or repurchase, exceed the capital ratios required under CRD IV by a margin that the SFSA may consider necessary on the basis set out in CRD IV for it to determine the appropriate level of capital of an institution.

In addition, the rules under CRD IV provide that the SFSA may only permit the Issuer to redeem the Notes before five years after the Issue Date of the Notes if:

(a) the conditions listed in paragraphs (i) or (ii) above are met; and

(b) in the case of redemption due to the occurrence of a Capital Event, (i) the SFSA considers such change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the SFSA that the Capital Event was not reasonably foreseeable at the time of the issuance of the Notes; or

(c) in the case of redemption due to the occurrence of a Withholding Tax Event or Tax Event, the Issuer demonstrates to the satisfaction of the SFSA that such Withholding Tax Event or Tax Event is material and was not reasonably foreseeable at the time of issuance of the Notes.

The rules under CRD IV may be modified from time to time after the Issue Date of the Notes.

Some Notes are subordinated to most of the Issuer's liabilities.

If in the case of any particular Tranche of Notes the relevant Final Terms or Pricing Supplement, as the case may be, specifies that the Notes are subordinated obligations of the Issuer and the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the Holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt) in full before it can make any payments on the relevant Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant Subordinated Notes.

The principal rule under Swedish law provides that subordinated debt (debt which by its terms is, or is expressed to be, subordinated to all unsubordinated creditors) ranks equally with all other subordinated debt of a debtor. There are no statutes or precedents under Swedish law concerning priority among subordinated obligations.

The Issuer is not prohibited from issuing further debt, which may rank pari passu with or senior to the Subordinated Notes

There is no restriction on the amount of debt that the Issuer may issue that ranks senior to the Subordinated Notes or on the amount of securities that it may issue that rank *pari passu* with the Subordinated Notes. The issue of any such debt or securities may reduce the amount recoverable by Holders in the event of voluntary or involuntary liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer.

Remedies in case of default on Subordinated Notes are severely limited.

The Subordinated Notes will contain limited enforcement events relating to:

(i) non-payment by the Issuer of any amounts due under the Subordinated Notes. In such circumstances, as described in more detail in Condition 7(b) of the Terms and Conditions and subject as provided below, a Holder may institute proceedings in Sweden for the Issuer to be declared bankrupt (*konkurs*) or its winding-up or liquidation (*likvidation*) and prove or claim in the bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer; and

(ii) the bankruptcy (*konkurs*) or the winding-up or liquidation (*likvidation*) of the Issuer, whether in Sweden or elsewhere. In such circumstances, as described in more detail in Condition 7(b) of the Terms and Conditions, a Holder may declare its Subordinated Notes to be due and payable at its Outstanding Principal Amount, and prove or claim in the bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer.

However, in each case, the Holder of such Subordinated Note may claim payment in respect of the Subordinated Notes only in the winding up or liquidation or, as the case may be, bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer.

The Issuer could, in certain circumstances, substitute or vary the terms of Subordinated Notes.

To the extent that any Series of Subordinated Notes contains provisions relating to the substitution or variation of the Subordinated Notes, in certain circumstances, such as if a Capital Event, a Withholding Tax Event or a Tax Event has occurred and is continuing, the Issuer may, in accordance with Applicable Banking Regulations and without the consent or approval of the Holders, substitute the Subordinated Notes or vary the Conditions of the Subordinated Notes in order to ensure such substituted or varied Subordinated Notes continue to qualify as Tier 2 Capital in accordance with the Conditions. While the Issuer cannot make changes to the terms of the Subordinated Notes that, in its reasonable opinion, are materially less favorable to a Holder of such Subordinated Note, there can be no assurances as to whether any of these changes will negatively affect any particular Holder. In addition, the tax and stamp duty consequences of holding such varied Notes could be different for some categories of Holders from the tax and stamp duty consequences for them of holding the Notes prior to such substitution or variation.

Risks relating to Notes denominated in Renminbi

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") is set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and outside the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and outside the PRC for settlement of capital account items are being gradually developed.

Although from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite the Renminbi internationalisation pilot programme and efforts in recent years, there is no assurance that the PRC Government will not impose any interim or long-term restriction on cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the People's Bank of China ("**PBoC**") has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong (the "**Settlement Arrangements**"), has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi operations, and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC, although PBoC has also gradually allowed participating banks to access China's onshore inter-bank market for these banks' Renminbi purchase and sale business. The Renminbi Clearing Banks only have limited access to onshore liquidity for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where participating banks cannot source sufficient RMB through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. In August 2015, the PBoC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. Dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Investment in the Renminbi Notes is subject to currency risk

If the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the Renminbi Notes as a result of Inconvertibility, Non-transferability or Illiquidity (each, as defined in the Conditions), the Issuer shall be entitled, on giving not less than five or more than 30 calendar days' irrevocable notice to the investors prior to the due date for payment, to settle any such payment in U.S. Dollars on the due date at the U.S. Dollar Equivalent (as defined in the Conditions) of any such interest or principal, as the case may be.

Investment in the Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If Holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Clearsteam Banking S.A. and Euroclear Bank S.A./N.V. or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Final Terms, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Final Terms in accordance with prevailing rules and regulations or (iv) by transfer through the Cross-Border Interbank Payment System in accordance with relevant rules and regulations if so specified in the Final Terms. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws

Under the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise Holders or individual Holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The *PRC Enterprise Income Tax Law* levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise Holder from the transfer of Renminbi Notes but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The *PRC Individual Income Tax Law* levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident individual Holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and their respective relevant implementing rules.

According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC enterprise or individual resident Holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident Holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

Remittance of proceeds in Renminbi into or out of the PRC

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the PRC Government will not impose any interim or long-term restriction on capital inflow or outflow which may restrict RMB cross-border remittance, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

FORM OF THE NOTES

Notes may be issued as Bearer Notes (as defined below), Registered Notes (as defined below), VP Notes, VPS Notes or Swedish Notes, as specified in the relevant Final Terms. Notes in bearer form will not be exchangeable for Notes in registered form and Notes in registered form will not be exchangeable for Notes in bearer form.

Form of Bearer Notes

Notes of each Tranche of each Series to be issued in bearer form ("**Bearer Notes**" comprising a "**Bearer Series**") (except Swiss Franc Notes) will initially be represented by a temporary global note in bearer form (each a "**Temporary Global Note**"), without interest coupons ("**Coupons**") or talons for further Coupons ("**Talons**"). Notes may be issued in Classic Global Note ("**Classic Global Note**" or "**CGN**") or New Global Note ("**New Global Note**" or "**NGN**") form, as specified in the relevant Final Terms. Each Temporary Global Note which is not intended to be issued in a new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited with a common depositary on behalf of Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") on the relevant Issue Date. Each Temporary Global Note which is intended to be issued in New Global Note form, as specified in the relevant Final Terms, will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg on the relevant Issue Date.

The NGN form has been introduced to allow for the possibility of Notes being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time.

Interests in a Temporary Global Note will be exchangeable for interests in a permanent global note in bearer form (each, a "**Permanent Global Note**"), without Coupons or Talons, on or after the date 40 days after the later of the relevant Issue Date and the completion of distribution of all Notes of a Tranche of a Bearer Series (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Each Permanent Global Note which is not intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited with a common depositary on behalf of Clearstream, Luxembourg and Euroclear or any other relevant clearing system(s) on the relevant Exchange Date. Each Permanent Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg on the relevant Exchange Date.

The Permanent Global Note will be exchangeable in whole (but not in part) for definitive Bearer Notes in the limited circumstances more fully described herein.

In the case of Bearer Notes (or any Tranche thereof) having a maturity of more than 1 year from the Issue Date issued in accordance with TEFRA D, the Permanent Global Note, the definitive Bearer Notes and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Bearer Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or exercise or redemption of such Bearer Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or exercise or redemption will be treated as ordinary income.

Form of Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Registered Note**"). Each Global Registered Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

Form of Swiss Franc Notes

Each Tranche of Swiss Franc Notes will be denominated in Swiss francs, issued in bearer form and will be represented exclusively by a Permanent Global Note which shall be deposited by the Swiss Paying Agent with SIS, or such other depositary as may be approved by the SIX Regulatory Board of the SIX Swiss Exchange (SIS or any such other intermediary the "**Intermediary**"). Once the Permanent Global Note is deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Notes will constitute intermediated securities (*Bucheffekten*) ("**Intermediated Securities**") in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

Each Holder (as defined below) shall have a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global Note to the extent of his claim against the Issuer, **provided that** for so long as the Permanent Global Note remains deposited with the Intermediary the co-ownership interest shall be suspended and the Swiss Franc Notes may only be transferred or otherwise disposed of in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*), i.e., by the entry of the transferred Notes in a securities account of the transferee.

The records of the Intermediary will determine the number of Swiss Franc Notes held through each participant in that Intermediary. In respect of the Notes held in the form of Intermediated Securities, the holders of the Notes (the "**Holders**") will be the persons holding the Notes in a securities account (*Effektenkonto*) which is in their own name, or in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Notes for their own account in a securities account (*Effektenkonto*) which is in their name.

Neither the Issuer nor the Holders shall at any time have the right to effect or demand the conversion of the Permanent Global Note (*Globalurkunde*) into, or the delivery of, uncertificated securities (*Wertrechte*) or Definitive Notes (*Wertpapiere*).

No physical delivery of the Swiss Franc Notes shall be made unless and until Definitive Notes (*Wertpapiere*) are printed. Definitive Notes may only be printed, in whole, but not in part, if the Swiss Paying Agent determines, in its sole discretion, that the printing of the Definitive Notes (*Wertpapiere*) is necessary or useful or if, under Swiss or any other applicable laws and regulations the enforcement of obligations under the Swiss Franc Notes can only be ensured by means of presentation of Definitive Notes (*Wertpapiere*). Should the Swiss Paying Agent so determine, it shall provide for the printing of Definitive Notes (*Wertpapiere*) without cost to the Holders. Upon delivery of the Definitive Notes (*Wertpapiere*), the Permanent Global Note will be cancelled and the Definitive Notes (*Wertpapiere*) shall be delivered to the Holders against cancellation of the relevant Swiss Franc Notes in the Holders' securities accounts.

Form of VP Notes

Each Tranche of VP Notes will be issued in uncertificated and dematerialised book entry form in accordance with the Danish Securities Trading etc. Act (Consolidated Act No. 251 of 21 March 2017, as amended or replaced from time to time) (*Værdipapirhandelsloven*) and the Danish Government Regulation No. 819 of 26 June 2013, as amended. No global or definitive Notes will be issued in respect thereof. The holder of a VP Note will be the person evidenced as such by the register for such Note maintained by VP Securities A/S. Where a nominee in accordance with the Danish Securities Trading etc. Act is so evidenced it shall be treated as the holder of the relevant VP Note.

Pursuant to the issuance of VP Notes, the Issuer will certify that Nordea Bank AB (publ) is, on the date of issue of a Tranche of VP Notes, entered in the VP as the account holding institute (*kontoførende institut*) for the duly registered owners of the Notes of such Tranche. Title to the VP Notes will be evidenced by book entries in the records of the VP and will pass by registration in the registers between the direct or indirect accountholders at the VP in accordance with the legislation (including the Danish Securities Trading etc. Act), rules and regulations applicable to and/or issued by the VP that are in force and effect from time to time. If the Notes of such Tranche cease to be registered in the VP, Nordea Bank AB (publ) 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 register maintained by the VP. The relationship between Nordea Bank AB (publ) as the account holding institute and the VP will be governed by the provisions of Danish Government Regulation No. 819 of 26 June 2013, as amended, on the book entry etc. of dematerialised securities in a centralised securities depository. A VP Note may only be controlled by an account holding institute acting in such capacity on behalf of holders for the time being registered with such account holding institute.

Issues of VP Notes will be issued with the benefit of the Fiscal Agency Agreement. On the issue of VP Notes, the Issuer will send a copy of the applicable Final Terms to the Paying Agent, with a copy sent to the VP Issuing Agent. On delivery of the applicable Final Terms by the VP Issuing Agent to the VP and notification to the VP of the subscribers and their VP account details by the relevant Dealer, the VP Issuing Agent acting on behalf of the Issuer will credit each subscribing account holder with the VP with a nominal amount of VP Notes equal to the nominal amount thereof for which it has subscribed and paid.

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

The person evidenced (including any nominee) as a holder of the VP Notes shall be treated as the holder of such VP Notes for the purposes of payment of principal or interest on such VP Notes. The expressions "**Noteholders**" and "**holder of Notes**" and related expressions shall, in each case, be construed accordingly.

Form of VPS Notes

Each Tranche of VPS Notes will be issued in uncertificated and dematerialised book entry form cleared through the VPS. Legal title to the VPS Notes will be evidenced by book entries in the records of the VPS. Issues of VPS Notes will be issued with the benefit of the Fiscal Agency Agreement. On the issue of VPS Notes, the Issuer will send a copy of the applicable Final Terms to the Paying Agent, with copies sent to the VPS Paying Agent and the Fiscal Agent. On delivery of the applicable Final Terms by the VPS Paying Agent to the VPS and notification to the VPS of the subscribers and their VPS account details by the relevant Dealer, the VPS Paying Agent acting on behalf of the Issuer will credit each subscribing account holder with the VPS with a nominal amount of VPS Notes equal to the nominal amount thereof for which it has subscribed and paid.

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

Title to the VPS Notes 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 Note 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 Notes shall be treated as the holder of such VPS Notes for the purposes of payment of principal or interest on such VPS Notes. The expressions "**Noteholders**" and "**holder of Notes**" and related expressions shall, in each case, be construed accordingly.

Form of Swedish Notes

Each Tranche of Swedish Notes will be issued in uncertificated and dematerialised book entry form in accordance with the Swedish Financial Instruments Accounts Act (*lag (1998:1479) om kontoföring av finansiella instrument*) as amended (the "**SFIA Act**"). No global or definitive Notes will be issued in respect thereof. The holder of a Swedish Note will be the person evidenced as such by the register for such Note maintained by Euroclear Sweden on behalf of the Issuer. 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 Note.

Title to the Swedish Notes will pass by way of registration in the Euroclear Sweden Register, perfected in accordance with the legislation (including the SFIA Act), rules and regulations applicable to and/or issued by Euroclear Sweden that are in force and effect from time to time. Issues of Swedish Notes will be issued with the benefit of the Fiscal Agency Agreement. On the issue of Swedish Notes, the Issuer will send a copy of the applicable Final Terms to the Paying Agent, with copies sent to the Swedish Issuing Agent and the Fiscal Agent.

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

The person evidenced (including any nominee) as a holder of the Swedish Notes shall be treated as the holder of such Swedish Notes for the purposes of payment of principal or interest on such Swedish Notes. The expressions "**Noteholders**" and "**holder of Notes**" and related expressions shall, in each case, be construed accordingly.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Each Temporary Global Note, Permanent Global Note and Global Registered Note contains (except in relation to Swiss Franc Notes) provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out herein. Set out in this section (together with a description of the form of the Notes) is a summary of certain of those provisions.

Form of Bearer Notes

A Tranche of Bearer Notes of any particular Series (except Swiss Franc Notes) will be represented upon issue by a Temporary Global Note in bearer form without interest coupons, which will be deposited on or about the relevant closing date with a common depositary or depositaries for Euroclear and Clearstream, Luxembourg or any other relevant clearing system(s). Each Temporary Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or about the relevant closing date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. On or after the date which is 40 days after the later of the date of issue of the relevant Series or Tranche and the completion of distribution of all Notes of the relevant Series or Tranche and provided certification as to non-US beneficial ownership has been received, interests in a Temporary Global Note may be exchanged for interests in a Permanent Global Note in bearer form without interest coupons.

Each Permanent Global Note which is not intended to be issued in NGN form, as specified in the relevant Final Terms will be deposited on or about the relevant Exchange Date with a common depositary or depositaries for Euroclear and Clearstream, Luxembourg or any other relevant clearing system(s). Each Permanent Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or about the relevant Exchange Date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

If any interest payment on the Notes of a particular Series falls due whilst any of the Notes of that Series are represented by a Temporary Global Note, the related interest payment will be made on such Temporary Global Note only to the extent that certification as to non-US beneficial ownership has been received by Euroclear or Clearstream, Luxembourg or any other relevant clearing system(s) in accordance with the terms of such Temporary Global Note. Payments of amounts due in respect of a Permanent Global Note will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system(s) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable, in whole but not in part, for definitive Bearer Notes ("**Definitive Bearer Notes**") upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Notice) to the Fiscal Agent as described therein or (ii) only upon the occurrence of an Exchange Event. Notes for which the applicable Final Terms permit trading in the Clearing Systems in Tradable Amounts which are not a Specified Denomination will only be exchangeable for Definitive Bearer Notes upon an Exchange Event. For these purposes, "**Exchange Event**" means (a) that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Fiscal Agent is available; or (b) an Event of Default occurs under Condition 7 of the "*Terms and Conditions of the Notes*" in respect of any Note of the relevant Series, in all cases at the expense of the Issuer. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 of the "*Terms and Conditions of the Notes*" if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent. Definitive Bearer Notes will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons and will, if the principal thereof is repayable by instalments, have Receipts attached.

Payments in respect of Bearer Notes

Payments of principal, interest and any additional amounts pursuant to Condition 9, if any, in respect of the Bearer Notes when represented by a Temporary Global Note or a Permanent Global Note which is not intended to be issued in NGN form will be made against presentation and surrender or, as the case may be, presentation of the relevant Temporary Global Note or Permanent Global Note to or to the order of any of the Paying Agents. A record of each payment so made will be endorsed on the relevant schedule to the Temporary Global Note or Permanent Global Note by or on behalf of the Fiscal Agent, which endorsement will be *prima facie* evidence that such payment has been made.

Notices

So long as the Notes of any Series are represented by a Global Note, notices to Holders of Notes may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other relevant clearing system(s) for communication by them to entitled account holders in substitution for publication as required by the Conditions **provided that**, in the case of Notes listed with any listing authority(ies) or any stock exchange, the requirements (if any) of such listing authority(ies) or stock exchange(s) have been complied with.

Meetings

The holder of a Temporary Global Note, Permanent Global Note or Global Registered Note as the case may be, will be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders of Notes.

Cancellation

Cancellation of any Note surrendered for cancellation following its redemption will be effected by reduction in the principal amount of the relevant Temporary Global Note, Permanent Global Note or Global Registered Note as the case may be.

Issuer's Option

No drawing of Notes will be required under Condition 6(e) in the event that the Issuer exercises any option relating to those Notes while all such Notes which are outstanding are represented by a Temporary Global Note, Permanent Global Note or Global Registered Note, as the case may be. In such event standard procedures of Euroclear, Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or, as the case may be, such other relevant clearing system(s) shall operate to determine which interests in such Global Notes, are to be subject to such option.

Holder's Option

For so long as the Notes of any Series are represented by either a Temporary Global Note, a Permanent Global Note or Global Registered Note, as the case may be, the owner of a beneficial interest therein may exercise its option to redeem under Condition 6(g) (where such put option is specified in the relevant Final Terms as being applicable and such Notes are Unsubordinated Notes) by depositing the redemption notice with any Agent, together with an authority to Euroclear, Clearstream, Luxembourg or any other relevant clearing system(s) to effect redemption (in accordance with its operating procedures and rules) of the portion of the Temporary Global Note, Permanent Global Note or Global Registered Note, as the case may be, which represents the Notes then being redeemed.

Conditions apply

Until the whole of a Temporary Global Note, Permanent Global Note or Global Registered Note, as the case may be, has been exchanged as provided therein or cancelled in accordance with the Fiscal Agency Agreement, the holder of the Global Note shall be subject to the terms and conditions of the Notes set out herein and, subject as therein otherwise provided, shall be entitled to the same rights and benefits thereunder as if the bearer were the holder of the definitive Notes and Coupons represented by the relevant part of the relevant Global Note.

Record Date

Each payment in respect of a Global Registered Note 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 Note is being held is open for business.

Business Day

Notwithstanding the definition of "Business Day" in Condition 1, while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is deposited with a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, "**Business Day**" means:

(i) if the currency of payment is euro any day which is a TARGET2 Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Relevant Financial Centre; or

(ii) if the currency of payment is not euro a day on which dealings in foreign currencies may be carried on in the Relevant Financial Centre of the currency of payment and in each other (if any) Relevant Financial Centre.

FORM OF FINAL TERMS

A pro forma Final Terms for use in connection with the Programme is set out below. This pro forma is subject to completion to set out the terms upon which each Tranche of Notes is to be issued.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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 ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC ("IMD"), 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 Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

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.

Final Terms dated [•]

NORDEA BANK AB (PUBL)

Issue of
[Aggregate Nominal Amount of Tranche]
[Title of Notes]

Issued under the
€50,000,000,000 Euro Medium Term Note Programme

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 base prospectus dated 16 May 2017 [and the base prospectus supplement[s] dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. The Base Prospectus [and the base prospectus supplement[s]] [is] [are] available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Smålandsgatan 17, SE-105 71 Stockholm, Sweden and [has/have] been published on the Issuer's website http://www.nordea.com [and the following website(s) of the Financial Intermediaries named in these Final Terms: [•].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date:

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the base prospectus supplement[s] dated [•]]. This document comprises the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 16 May 2017 [and the base prospectus supplement[s] dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Base Prospectus] dated [original date] [and the base prospectus supplement[s] dated [•]].

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [original date] and [•] [and the base prospectus supplement[s] dated [•]]. The Prospectuses [and the base prospectus supplement[s]] [is] [are] available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Smålandsgatan 17, SE-105 71 Stockholm, Sweden and [has/have] been published on the Issuer's website http://www.nordea.com [and the following website(s) of the Financial Intermediaries named in these Final Terms: [•].]

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto) provided, however, that all references in this document to the "**Prospectus Directive**" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto) to the extent implemented in the relevant Member State and include any relevant implementing measures in the relevant Member State.

[Include whichever of the following apply or specify as "Not Applicable". Italics denote guidance for completing the Final Terms.]

1.	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Notes become fungible:	Not Applicable / The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as described in these Final Terms [which is expected to occur on

		or about [•]]
2.	Specified Currency:	[•]
3.	Aggregate Nominal Amount:	
	(i) Series:	[•]
	(ii) Tranche:	[•]
4.	Issue Price:	[•] per cent. of the Tranche [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
5.	(i) Specified Denominations:	[•] *(No Notes may be issued which have a minimum denomination of less than EUR100,000 (or nearly equivalent in another currency)* [*Where multiple denominations above EUR 100,000 (or equivalent) are being used and Notes are not being issued in registered form, the following sample wording should be followed:* So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing systems so permit, the Notes will be tradeable only in the minimum authorised denomination of [EUR 100,000] and higher integral multiples of [EUR 1,000], notwithstanding that no definitive notes will be issued with a denomination above [EUR 199,000].]
	(ii) Calculation Amount:	[•] [*If there is more than one Specified Denomination, insert the highest common factor of those Specified Denominations (note: there must be a common factor of two or more Specified Denominations)*]
6.	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	[•]
7.	Maturity Date:	[•] / Interest Payment date falling in or nearest to [•] *(in the case of Floating Rate Notes)*
8.	Interest Basis:	[•] per cent. Fixed rate / [LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ SHIBOR/ STIBOR/ TIBOR/ TIIE/ TRLIBOR/ WIBOR] ± [•] per cent. Floating Rate / Zero Coupon / Reset Notes
9.	Redemption/Payment Basis:	Redemption at par, subject to any purchase and cancellation or early redemption / Partly Paid / Instalment
10.	Put/Call Options:	Not Applicable / Investor Put / Issuer Call
11.	(i) Status of the Notes:	Unsubordinated / Subordinated
	(ii) Unsubordinated Notes Waiver of Set-Off:	Not Applicable / Applicable

12.	Authorisation:		Not Applicable / The issuance of the Notes was authorised by a decision of [•] dated [•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**		Applicable [from [•] to [•]] / Not Applicable (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[•] per cent. per annum payable [annually / semi-annually / quarterly / monthly] in arrear
	(ii)	Interest Payment Date(s):	[•] in each year[, adjusted [for payment purposes only] in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/, not adjusted] [*Insert the following option for Renminbi Notes if Interest Payment Dates are to be modified:* Interest Payment Dates will be adjusted for calculation of interest and for payment purposes in accordance with the [*specify applicable Business Day Convention*]]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	[Party responsible for calculating the Fixed Coupon Amount(s):	[*Include this item for Renminbi Notes only:* The Fiscal Agent/[•] shall be the Calculation Agent]
	(v)	Broken Amount(s):	Not Applicable / *Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*
	(vi)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) *(NB: Actual/Actual (ICMA) is normally only appropriate for Fixed Rate Notes denominated in euro)*
	(vii)	Determination Date(s):	[•] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long and short first or last coupon*] (*NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration*). (*NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)*).
14.	**Floating Rate Note Provisions**		Applicable [from [•] to [•]] / Not Applicable
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[•] in each year commencing on [•] up to and including [•] [No adjustments will be made to the Interest Amounts [except for the Broken Amount for the

			[first/last] Interest Payment date on [•]]]
	(ii)	Business Day Convention:	Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment *(N.B. Only the Following Business Day Convention (unadjusted)/Modified Following Business Day Convention (adjusted) can be applicable for Swedish Notes)*
	(iii)	Manner in which the Rate(s) of Interest is/are to be determined:	Screen Rate Determination
	(iv)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	Agent / [•]
	(v)	Screen Rate Determination:	
		• Reference Rate:	[LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR]
		• Interest Determination Date(s):	[•]
		• Relevant Screen Page:	[•]
		• Relevant Time:	As set out in Condition 5(b)(iv) / [•]
	(vi)	Linear Interpolation:	Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
	(vii)	Margin(s):	[±][•] per cent. per annum
	(viii)	Minimum Rate of Interest:	[•] per cent. per annum / Not Applicable
	(ix)	Maximum Rate of Interest:	[•] per cent. per annum / Not Applicable
	(x)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)
15.	**Zero Coupon Note Provisions**		Applicable / Not Applicable *(If not applicable, delete the remaining sub paragraphs of this paragraph)*
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•] per cent. per annum
	(iii)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis /

			30E/360 / Eurobond Basis / 30E/360 (ISDA)
16.	**Reset Note Provisions**		Applicable / Not Applicable
			(If not applicable, delete the remaining sub paragraphs of this paragraph)
	(i)	Initial Rate of Interest:	[•] per cent. per annum payable in arrear [on each Interest Payment Date]
	(ii)	First Margin:	[±][•] per cent. per annum
	(iii)	Subsequent Margin:	[±][•] per cent. per annum / Not Applicable
	(iv)	Interest Payment Date(s):	[•] [and [•]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with paragraph 16(xvi)]
	(v)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[•] per Calculation Amount / Not Applicable
	(vi)	Broken Amount(s):	[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] / Not Applicable
	(vii)	First Reset Date:	[•] [subject to adjustment in accordance with paragraph 16(xvi)]
	(viii)	Second Reset Date:	Not Applicable / [•] [subject to adjustment in accordance with paragraph 16(xvi)]
	(ix)	Subsequent Reset Date(s):	Not Applicable / [•] [and [•]] [subject to adjustment in accordance with paragraph 16(xvi)]
	(x)	Relevant Screen Page:	[•]
	(xi)	Mid-Swap Rate:	Single Mid-Swap Rate / Mean Mid-Swap Rate
	(xii)	Mid-Swap Maturity:	[•]
	(xiii)	Reference Banks:	[•]
	(xiv)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)
	(xv)	Reset Determination Dates:	[•] in each year / The provisions in the Conditions apply
	(xvi)	Business Day Convention:	Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment

	(xvii)	Relevant Financial Centre:	[•]
	(xviii)	Determination Agent:	[•]
	(xix)	Mid-Swap Floating Leg Benchmark Rate:	[LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR]

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**		Applicable / Not Applicable *(If not applicable, delete the remaining sub paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s):	[•] per Calculation Amount
	(iii)	Early redemption as a result of a Withholding Tax Event:	Not Applicable / The provisions in Condition 6(b) apply
	(iv)	Early redemption as a result of a Tax Event:	Not Applicable / The provisions in Condition 6(c) apply
	(v)	Early redemption as a result of a Capital Event:	Not Applicable / The provisions in Condition 6(d) apply
	(vi)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(vii)	Notice period:	[•]
18.	**Put Option**		Applicable / Not Applicable *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note:	[•] per Calculation Amount
	(iii)	Notice period:	[•]
19.	**Final Redemption Amount**		[Par/[•]] per Calculation Amount
20.	**Early Redemption Amount**		
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early		[Par] [Condition 6[(b)/(c)/(d)] applies]

	redemption:[1]	*(NB: No early redemption of Subordinated Notes may take place without the prior written consent of the SFSA)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:	[Bearer Notes:] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice] *(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes)* [Registered Notes: Individual Note Certificates / Global Registered Note [exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Note]] [The Notes are VP Notes in uncertificated and dematerialised book entry form] [The Notes are VPS Notes in uncertificated and dematerialised book entry form] [The Notes are Swedish Notes in uncertificated and dematerialised book entry form]
22.	New Global Note:	Yes / No / Not Applicable
23.	Additional cities for the purposes of the definition of Relevant Financial Centre:	Not Applicable / *Give details*
24.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	Yes. The Talons mature on [•] / No
25.	Details relating to Partly Paid Notes: amount of such payment comprising the Issue Price and date on which each payment is to be made:	Not Applicable / Applicable. Amount of payment comprising the Issue Price: [•]. Date of payment: [•]
26.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable / Applicable. Amount of instalment: [•]. Date of payment: [•]

[1] I.e. as a result of, in the case of Subordinated Notes only, a Capital Event or a Tax Event.

27.	Substitution and variation provisions:	Not Applicable / Condition 17 applies

SIGNATURE

Signed on behalf of Nordea Bank AB (publ):

By:

Duly authorised

Date:

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

Application has been made to the [Irish Stock Exchange/London Stock Exchange/ Luxembourg Stock Exchange] for the Notes to be admitted to the Official List and to trading on its regulated market with effect from [•].

(*Where documenting a fungible issue need to indicate that original securities are already admitted to trading*.)

2. **RATINGS**

The issuance of Notes itself has not been assigned any ratings solicited by the Issuer / The issuance of Notes itself is expected to be rated:

[•]

[Standard & Poor's Credit Market Services Europe Limited:	[•]]
[Moody's Investors Service Limited:	[•]]
[Fitch Ratings Limited:	[•]]

[Each of [•] is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

Save as discussed in "*Subscription and Sale*" in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer / [•]

4. **REASONS FOR THE OFFER AND TOTAL EXPENSES**

Reasons for the offer:	[•] [[See " Use of Proceeds" wording in Base Prospectus] / [•]]
Estimated total expenses [in relation to admission to trading]:	[•]

5. [***Fixed Rate Notes only*** **- YIELD**

Indication of yield:	[•] As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [***Floating Rate Notes only*** **- HISTORIC INTEREST RATES**

Details of historic Reference Rate can be obtained from [Reuters / [•]].]

7. **[THIRD PARTY INFORMATION**

[*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 inaccurate or misleading.]

8. **DISTRIBUTION**

(i)	If syndicated names of Managers:	Not Applicable / [•]
(ii)	Stabilising Manager(s) (if any):	Not Applicable / *Give name*
(iii)	If non-syndicated, name and address of Dealer:	Not Applicable / *Give name and address*
(iv)	U.S. Selling Restrictions:	Regulation S Category 2 *(In the case of Bearer Notes)* - TEFRA D/TEFRA C/TEFRA not applicable *(In the case of Registered Notes/VP Notes/VPS Notes/Swedish Notes)* -TEFRA Not Applicable
(v)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified.* *If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products, "Applicable" should be specified.*)

9. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
[Swiss Security Number:	[•]]
New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	Yes / No / Not Applicable *(in the case of Notes not issued in NGN form)* [Note that the designation "yes" means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [*include this text if "yes" selected in which case the Notes must be bearer Notes issued in NGN form*] [Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day

	credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [*this text may be appropriate to include if "no" is selected and the Notes are bearer Notes issued in NGN form*]
Clearing system(s) [and identification number, if applicable]:	Euroclear / Clearstream, Luxembourg / VP Securities A/S (VP identification number: 215993361) / VPS, the Norwegian Central Securities Depository (VPS identification number: [•]) / Euroclear Sweden, the Swedish Central Securities Depository (Euroclear Sweden identification number: [•])
Delivery:	Delivery [against/free of] payment
Name(s) and address(es) of additional [Paying Agent(s) / VP Issuing Agent(s) / VPS Paying Agent(s) / Swedish Issuing Agent(s) / Swiss Paying Agent(s)] (if any):	Not Applicable / *Give name and address*

FORM OF PRICING SUPPLEMENT

A pro forma Pricing Supplement for use in connection with Exempt Notes issued under the Programme is set out below. This pro forma is subject to completion and amendment to set out the terms upon which each Tranche of Exempt Notes is to be issued.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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 ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC ("IMD"), 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 Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

IMPORTANT NOTICE

In accessing the attached pricing supplement (the "Pricing Supplement") you agree to be bound by the following terms and conditions.

The information contained in the Pricing Supplement may be addressed to and/or targeted at persons who are residents of particular countries only as specified in the Pricing Supplement and/or in the Base Prospectus (as defined in the Pricing Supplement) 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 Pricing Supplement is not addressed. **Prior to relying on the information contained in the Pricing Supplement, you must ascertain from the Pricing Supplement and/or the Base Prospectus whether or not you are an intended addressee of the information contained therein.**

Neither the Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement will only be offered in offshore transactions to non-U.S. persons in reliance upon Regulation S.

Pricing Supplement dated [•]

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC AS AMENDED FOR THIS ISSUE OF NOTES.

NORDEA BANK AB (PUBL)

Issue of
[Aggregate Nominal Amount of Tranche]
[Title of Notes]

Issued under the
€50,000,000,000 Euro Medium Term Note Programme

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 base prospectus dated 16 May 2017 [and the base prospectus supplement[s] dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus [as so supplemented]. The Base Prospectus [and the base prospectus supplement[s]] [is] [are] available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Smålandsgatan 17, SE-105 71 Stockholm, Sweden.]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date:

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the base prospectus supplement[s] dated [•]]. This document comprises the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Prospectus dated 16 May 2017 [and the base prospectus supplement[s] dated [•]], which [together] constitute[s] a base prospectus, save in respect of the Conditions which are extracted from the [Base Prospectus] dated [original date] [and the base prospectus supplement[s] dated [•]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus dated [original date] and [•] 2017 [and the base prospectus supplement[s] dated [•]]. The Prospectuses [and the base prospectus supplement[s]] [is] [are] available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Smålandsgatan 17, SE-105 71 Stockholm, Sweden.]

[Include whichever of the following apply or specify as "Not Applicable". Italics denote guidance for completing this Pricing Supplement.]

1.	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Notes become fungible:	Not Applicable / The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as described in this Pricing Supplement [which is expected to occur on or about [•]]
2.	Specified Currency:		[•]
3.	Aggregate Nominal Amount:		
	(i)	Series:	[•]
	(ii)	Tranche:	[•]

4.	Issue Price:		[•] per cent. of the Tranche [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
5.	(i)	Specified Denominations:	[•] *(No Notes may be issued which have a minimum denomination of less than EUR 1,000 (or nearly equivalent in another currency)* [*Where multiple denominations above EUR 100,000 (or equivalent) are being used and Notes are not being issued in registered form, the following sample wording should be followed:* So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing systems so permit, the Notes will be tradeable only in the minimum authorised denomination of [EUR 100,000] and higher integral multiples of [EUR 1,000], notwithstanding that no definitive notes will be issued with a denomination above [EUR 199,000].]
	(ii)	Calculation Amount:	[•] [*If there is more than one Specified Denomination, insert the highest common factor of those Specified Denominations (note: there must be a common factor of two or more Specified Denominations)*]
6.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[•]
7.	Maturity Date:		[•] / Interest Payment date falling in or nearest to [•] *(in the case of Floating Rate Notes)*
8.	Interest Basis:		[•] per cent. Fixed rate / [LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ SHIBOR/ STIBOR/ TIBOR/ TIIE/ TRLIBOR/ WIBOR/ *other*] ± [•] per cent. Floating Rate / Zero Coupon / Reset Notes
9.	Redemption/Payment Basis:		Redemption at par, subject to any purchase and cancellation or early redemption / Partly Paid / Instalment
10.	Put/Call Options:		Not Applicable / Investor Put / Issuer Call
11.	(i)	Status of the Notes:	Unsubordinated / Subordinated
	(ii)	Unsubordinated Notes Waiver of Set-Off:	Not Applicable / Applicable
12.	Authorisation:		Not Applicable / The issuance of the Notes was authorised by a decision of [•] dated [•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**		Applicable [from [•] to [•]] / Not Applicable (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[•] per cent. per annum payable [annually / semi-annually / quarterly / monthly] in arrear
	(ii)	Interest Payment Date(s):	[•] in each year[, adjusted [for payment purposes only] in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/, not adjusted] [*Insert the following option for Renminbi Notes if Interest Payment Dates are to be modified:* Interest Payment Dates will be adjusted for calculation of interest and for payment purposes in accordance with the [*specify applicable Business Day Convention*]]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	[Party responsible for calculating the Fixed Coupon Amount(s):	[*Include this item for Renminbi Notes only:* The Fiscal Agent/[•] shall be the Calculation Agent]
	(v)	Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
	(vi)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) / *Other* *(NB: Actual/Actual (ICMA) is normally only appropriate for Fixed Rate Notes denominated in euro)*
	(vii)	Determination Date(s):	[•] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long and short first or last coupon*] (*NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration*). (*NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)*).
14.	**Floating Rate Note Provisions**		Applicable [from [•] to [•]] / Not Applicable
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[•] in each year commencing on [•] up to and including [•] [No adjustments will be made to the Interest Amounts [except for the Broken Amount for the [first/last] Interest Payment date on [•]]]

	(ii)	Business Day Convention:	Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment / *Other* *(N.B. Only the Following Business Day Convention (unadjusted)/Modified Following Business Day Convention (adjusted) can be applicable for Swedish Notes)*
	(iii)	Manner in which the Rate(s) of Interest is/are to be determined:	Screen Rate Determination
	(iv)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	Agent / [•]
	(v)	Screen Rate Determination:	
		• Reference Rate:	LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR / *other*
		• Interest Determination Date(s):	[•]
		• Relevant Screen Page:	[•]
		• Relevant Time:	As set out in Condition 5(b)(iv)/ [•]
	(vi)	Linear Interpolation:	Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
	(vii)	Margin(s):	[±][•] per cent. per annum
	(viii)	Minimum Rate of Interest:	[•] per cent. per annum[/Not Applicable]
	(ix)	Maximum Rate of Interest:	[•] per cent. per annum[/Not Applicable]
	(x)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) / *Other*
15.	**Zero Coupon Note Provisions**		Applicable / Not Applicable *(If not applicable, delete the remaining sub paragraphs of this paragraph)*
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•] per cent. per annum
	(iii)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) /

			Other
16.	**Reset Note Provisions**		Applicable / Not Applicable
			(If not applicable, delete the remaining sub paragraphs of this paragraph)
	(i)	Initial Rate of Interest:	[•] per cent. per annum payable in arrear [on each Interest Payment Date]
	(ii)	First Margin:	[±][•] per cent. per annum
	(iii)	Subsequent Margin:	[±][•] per cent. per annum / Not Applicable
	(iv)	Interest Payment Date(s):	[•] [and [•]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with paragraph 16(xvi)]
	(v)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[•] per Calculation Amount / Not Applicable
	(vi)	Broken Amount(s):	[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] / Not Applicable
	(vii)	First Reset Date:	[•] [subject to adjustment in accordance with paragraph 16(xvi)]
	(viii)	Second Reset Date:	Not Applicable / [•] [subject to adjustment in accordance with paragraph 16(xvi)]
	(ix)	Subsequent Reset Date(s):	Not Applicable / [•] [and [•]] [subject to adjustment in accordance with paragraph 16(xvi)]
	(x)	Relevant Screen Page:	[•]
	(xi)	Mid-Swap Rate:	Single Mid-Swap Rate / Mean Mid-Swap Rate
	(xii)	Mid-Swap Maturity:	[•]
	(xiii)	Reference Banks:	[•]
	(xiv)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)
	(xv)	Reset Determination Dates:	[•] in each year / The provisions in the Conditions apply
	(xvi)	Business Day Convention:	Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment

	(xvii)	Relevant Financial Centre:	[•]
	(xviii)	Determination Agent:	[•]
	(xix)	Mid-Swap Floating Leg Benchmark Rate:	[LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR]
	(xxi)	Other terms relating Reset Notes:	Not Applicable / [•]

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**		Applicable / Not Applicable *(If not applicable, delete the remaining sub paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s):	[•] per Calculation Amount
	(iii)	Early redemption as a result of a Withholding Tax Event:	Not Applicable / The provisions in Condition 6(b) apply
	(iv)	Early redemption as a result of a Tax Event:	Not Applicable / The provisions in Condition 6(c) apply
	(v)	Early redemption as a result of a Capital Event:	Not Applicable / The provisions in Condition 6(d) apply
	(vi)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(vii)	Notice period:	[•]
18.	**Put Option**		Applicable / Not Applicable *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note:	[•] per Calculation Amount
	(iii)	Notice period:	[•]
19.	**Final Redemption Amount**		[Par/[•]] per Calculation Amount
20.	**Early Redemption Amount**		
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early		[Par] [Condition 6[(b)/(c)/(d)] applies] *(NB: No early redemption of Subordinated Notes*

	redemption:[2]	*may take place without the prior written consent of the SFSA)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:	[Bearer Notes:] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice] *(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes)* [The Notes are Swiss Franc Notes in bearer form and will be represented on issue by a Permanent Global Note] [Registered Notes : Individual Note Certificates / Global Registered Note [exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Note]] [The Notes are VP Notes in uncertificated and dematerialised book entry form] [The Notes are VPS Notes in uncertificated and dematerialised book entry form] [The Notes are Swedish Notes in uncertificated and dematerialised book entry form]
22.	New Global Note:	Yes / No / Not Applicable
23.	Additional cities for the purposes of the definition of Relevant Financial Centre:	Not Applicable / *Give details*
24.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	Yes. The Talons mature on [•] / No
25.	Details relating to Partly Paid Notes: amount of such payment comprising the Issue Price and date on which each payment is to be made	Not Applicable / Applicable. Amount of payment comprising the Issue Price: [•]. Date of payment: [•]

[2] i.e. as a result of, in the case of Subordinated Notes only, a Capital Event or a Tax Event.

26.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable / Applicable. Amount of instalment: [•]. Date of payment: [•]
27.	Substitution and variation provisions:	Not Applicable / Condition 17 applies
28.	Other terms and conditions:	Not Applicable / *Give details*

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

SIGNATURE

Signed on behalf of Nordea Bank AB (publ):

By:

Duly authorised

Date:

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

None / Application has been made to [the Irish Stock Exchange / [•]] for the Notes to be admitted [to the Official List and to be admitted] to trading on [its Global Exchange Market / [•]] with effect from [•] / The Notes have been provisionally admitted to trading on the SIX Swiss Exchange with effect from [•]. Application for definitive listing on the SIX Swiss Exchange will be made as soon as is reasonably practicable thereafter. The last trading day is expected to be on [•] / *Other*

(*Where documenting a fungible issue need to indicate that original securities are already admitted to trading*.)

2. **RATINGS**

The issuance of Notes itself has not been assigned any ratings solicited by the Issuer / The issuance of Notes itself is expected to be rated:

[•]

[Standard & Poor's Credit Market Services Europe Limited:	[•]]
[Moody's Investors Service Limited:	[•]]
[Fitch Ratings Limited:	[•]]

[Each of [•] is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

Save as discussed in "*Subscription and Sale*" in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer / [•]

4. **REASONS FOR THE OFFER AND TOTAL EXPENSES**

Reasons for the offer:	[•] [[See " Use of Proceeds" wording in Base Prospectus] / [•]]
Estimated total expenses [in relation to admission to trading]:	[•]

5. **[*Fixed Rate Notes only* - YIELD**

Indication of yield:	[•] As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[*Floating Rate Notes only* - HISTORIC INTEREST RATES**

Details of historic Reference Rate can be obtained from [Reuters / [•]].]

7. **[THIRD PARTY INFORMATION**

[*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 inaccurate or misleading.]

8. **DISTRIBUTION**

If syndicated:

(i)	If syndicated names of managers:	Not Applicable / [•]
(ii)	Stabilising Manager(s) (if any):	Not Applicable / *Give name*
(iii)	If non-syndicated, name and address of Dealer:	Not Applicable / *Give name and address*
(iv)	U.S. Selling Restrictions:	Regulation S Category 2 *(In the case of Bearer Notes)* - TEFRA D/TEFRA C/TEFRA not applicable *(In the case of Registered Notes/VP Notes/VPS Notes/Swedish Notes)* -TEFRA Not Applicable *(In the case of Swiss Franc Notes)* - TEFRA D in accordance with usual Swiss practice
(v)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified.* *If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products, "Applicable" should be specified.*)

9. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
[Swiss Security Number:	[•]]
New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	Yes / No / Not Applicable *(in the case of Notes not issued in NGN form)* [Note that the designation "yes" means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [*include this text if "yes" selected in which case the Notes must be bearer Notes issued in NGN form*] [Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting

	them the Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [*this text may be appropriate to include if "no" is selected and the Notes are bearer Notes issued in NGN form*]
Clearing system(s) [and identification number, if applicable]:	Euroclear / Clearstream, Luxembourg / SIX SIS Ltd, Olten, Switzerland / VP Securities A/S (VP identification number: 215993361) / VPS, the Norwegian Central Securities Depository (VPS identification number: [•]) / Euroclear Sweden, the Swedish Central Securities Depository (Euroclear Sweden identification number: [•])
Delivery:	Delivery [against/free of] payment
Name(s) and address(es) of additional [Paying Agent(s) / VP Issuing Agent(s) / VPS Paying Agent(s) / Swedish Issuing Agent(s) / Swiss Paying Agent(s)] (if any):	Not Applicable / *Give name and address*

10. [***Swiss Franc Notes only*** **- DOCUMENTS AVAILABLE**

Copies of this Pricing Supplement and the Base Prospectus are available at [•].]

11. [***Swiss Franc Notes only*** **- REPRESENTATIVE**

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange, [•] has been appointed by the Issuer as representative to lodge the listing application with the SIX Swiss Exchange.]

12. [***Swiss Franc Notes only*** **- NO MATERIAL ADVERSE CHANGE / MATERIAL CHANGES SINCE THE MOST RECENT ANNUAL FINANCIAL STATEMENTS**

Except as disclosed in the Base Prospectus, there has been no material adverse change in the financial condition or operations of the Issuer since [31 December 2015], which would materially affect its ability to carry out its obligations under the Notes.]

13. [***Swiss Franc Notes only*** **- LAW AND JURISDICTION**

English law, courts of England (see Condition 18 of the Terms and Conditions of the Notes).]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, as completed by the relevant Final Terms or (in the case of Exempt Notes only) as completed, amended and/or replaced by the relevant Pricing Supplement, will be applicable to each Series of Notes.

The Notes are issued in accordance with the fiscal agency agreement (as amended and/or restated and/or replaced from time to time, the "**Fiscal Agency Agreement**") constituted by (1) the amended and restated fiscal agency agreement dated 16 May 2017 and made between Nordea Bank AB (publ) (the "**Issuer**"), Citibank, N.A. London Branch in its capacities as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A. London Branch in its capacity as such), Citibank N.A., Sioux Falls, Zurich Branch as Swiss paying agent (the "**Swiss Paying Agent**", which expression shall include any successor to Citibank N.A., Sioux Falls, Zurich Branch in its capacity as such), Citibank, N.A. acting through its New York office as registrar (the "**Registrar**" in relation to any Series of Notes except Swedish Notes, which expression shall include any successor to Citibank, N.A. in its capacity as such), certain financial institutions named therein in their capacity as paying agents (the "**Paying Agents**", which expression shall include the Fiscal Agent, the Swiss Paying Agent and any substitute or additional paying agents appointed in accordance with the Fiscal Agency Agreement), Nordea Bank AB (publ) in its capacity as issuing agent for VP Notes (as defined below) (the "**VP Issuing Agent**"), Nordea Bank AB (publ) in its capacity as Norwegian paying agent for VPS Notes (the "**VPS Paying Agent**") and Nordea Bank AB (publ) in its capacity as Swedish issuing agent for Swedish Notes (the "**Swedish Issuing Agent**") and (2) the supplemental Swiss agency agreement in respect of the Swiss Franc Notes (as defined below) dated 16 May 2017 and made between the Issuer and the Swiss Paying Agent.

The Notes have the benefit of a deed of covenant (the "**Deed of Covenant**") dated 16 May 2017 (as amended and/or restated and/or replaced from time to time), executed by the Issuer in relation to the Notes.

Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection at the specified office of each of the Paying Agents and the Registrar. All persons from time to time entitled to the benefit of obligations under any Notes 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 Notes.

The Notes are issued in series (each a "**Series**") made up of one or more Tranches, and each Series will be the subject of a final terms (each a "**Final Terms**") or, in the case of Exempt Notes, a pricing supplement (the "**Pricing Supplement**") which, in either case, completes and (in the case of Exempt Notes only) completes, amends and/or replaces these Terms and Conditions (the "**Conditions**"). In the case of Exempt Notes, any other reference in these Conditions to "Final Terms" shall be deemed to be a reference to the relevant Pricing Supplement.

Notes may be denominated in Swiss francs and cleared through SIX SIS AG, Olten Switzerland ("**Swiss Franc Notes**" and "**SIS**", respectively), or cleared through the Danish Securities Centre, VP Securities A/S ("**VP Notes**" and the "**VP**", respectively), the Norwegian Central Securities Depository which will be Verdipapirsentralen ASA ("**VPS Notes**" and the "**VPS**", respectively) or the Swedish Central Securities Depository which will be the Swedish Central Securities Depositary and Clearing Organisation Euroclear Sweden AB, incorporated in Sweden with Reg. No. 556112-8074 ("**Swedish Notes**" and "**Euroclear Sweden**").

Swiss Franc Notes will be issued in bearer form and will be represented exclusively by a Permanent Global Note which shall be deposited by the Swiss Paying Agent with SIS, or such other depositary as may be approved by the SIX Regulatory Board of the SIX Swiss Exchange. For the purposes of Swiss Franc Notes, references in these Conditions to "**Euroclear**" and/or "**Clearstream, Luxembourg**" shall be construed as including references to SIS, which expression shall include any other clearing institution recognised by the SIX Swiss Exchange with which the Permanent Global Note may be deposited from time to time), which shall be considered an additional or alternative clearing system for the purposes of these Conditions.

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

As the VP Notes will be in uncertificated and dematerialised book entry form, the Conditions applicable to VP Notes shall be deemed to be incorporated by reference in, and to form part of, the Deed of Covenant by which the VP Notes are constituted.

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

As the VPS Notes will be in uncertificated and dematerialised book entry form, the Conditions applicable to the VPS Notes shall be deemed to be incorporated by reference in, and to form part of, the Deed of Covenant by which the VPS Notes are constituted.

A registrar agreement dated 29 May 2009 (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 Notes.

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

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

As the Swedish Notes will be in uncertificated and dematerialised book entry form, the Conditions applicable to the Swedish Notes shall be deemed to be incorporated by reference in, and to form part of, the Deed of Covenant by which the Swedish Notes are constituted.

References in these Conditions to "**Notes**" are to the Notes of the relevant Series and any references to Coupons and Receipts, both as defined below, are to Coupons and Receipts relating to Notes of the relevant Series. References to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive.

1. **Interpretation**

(a) In these Conditions the following expressions have the following meanings:

"**Applicable Banking Regulations**" means at any time the laws, regulations, delegated or implementing acts, regulatory or implementing technical standards, rules, requirements, guidelines and policies relating to capital adequacy then in effect in Sweden including, without limitation to the generality of the foregoing, CRD IV, BRRD and those regulations, requirements, guidelines and policies relating to capital adequacy adopted by the SFSA, from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Nordea Group**)**;

"**BRRD**" means Directive 2014/59/EU of May 15, 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms, as the same may be amended or replaced from time to time.

"**Business Day**" means (unless varied or restated in the relevant Final Terms) a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in London and, in the case of Registered Notes, London or Luxembourg and:

(a) in relation to Notes denominated in euro, which is a TARGET2 Settlement Day; and

(b) in relation to Swedish Notes, Stockholm; and

(c) in relation to Notes denominated in any other currency, which is a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the Relevant Financial Centre; and

(d) in relation to payments due upon presentation and/or surrender of any Notes or Coupon, in the relevant place of presentation and/or surrender;

"**Business Day Convention**" means, in relation to any particular date, the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(1) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month; and

(2) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(3) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(4) "**No Adjustment**" or "**unadjusted**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**Capital Event**" means the determination by the Issuer, after consultation with the SFSA, that the Outstanding Principal Amount of the relevant series of Subordinated Notes ceases or would be likely to cease to be included in whole or in part, or count in whole or in part, towards the Tier 2 Capital of either the Issuer or the Nordea Group;

"**Conditions to Redemption**" means the conditions to redemption set out in Condition 6 or as otherwise specified in the relevant Final Terms;

"**CRD IV**" means the legislative package consisting of the CRD IV Directive, the CRR and any CRD IV Implementing Measures;

"**CRD IV Directive**" means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time;

"**CRD IV Implementing Measures**" means any regulatory capital rules or regulations, or other requirements, which are applicable to the Issuer or the Nordea Group and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer or the Nordea Group (on a solo or consolidated basis, as the case may be) to the extent required by the CRD IV Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof);

"**CRR**" means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

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

(i) 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

(ii) 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;

(b) 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);

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

(d) 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 year, 366;

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

(f) 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 Count Fraction = $$\frac{[360x(Y_2-Y_1)]+[30x(M_2-M_1)]+(D_2-D_1)}{360}$$

where:

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

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" 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

"$\mathbf{D_2}$" 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";

(g) 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

Day Count Fraction = $$\frac{[360x(Y_2-Y_1)]+[30x(M_2-M_1)]+(D_2-D_1)}{360}$$

where:

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

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" 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

"$\mathbf{D_2}$" 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

(h) 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 Count Fraction =

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

where:

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

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" 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

"$\mathbf{D_2}$" 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 Maturity Date 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;

"**Determination Agent**" has the meaning given in Condition 5(b)(iv);

"**First Margin**" means the margin specified as such in the relevant Final Terms;

"**First Reset Date**" means the date specified in the relevant Final Terms;

"**First Reset Period**" means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms, the Maturity Date;

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to Condition 5(c)(iii), the rate of interest determined by the Determination Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

"**Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

"**Illiquidity**" means the general Renminbi exchange market in Hong Kong becomes illiquid, other than as a result of an event of Inconvertibility or Non-transferability, as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers, as a result of which the Issuer cannot, having used its reasonable endeavours, obtain sufficient Renminbi in order fully to satisfy its obligation to pay interest or principal (in whole or in part) in respect of the Renminbi Notes;

"**Inconvertibility**" means that the Issuer determines (in good faith and in a commercially reasonable manner) that it is impossible or, having used its reasonable endeavours, impracticable, for it to convert any amount due in respect of the Renminbi Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility or impracticability is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the Relevant Series and it is impossible or, having used its reasonable endeavours, impracticable for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Initial Rate of Interest**" has the meaning specified in the relevant Final Terms;

"**Instalment Amount**" means, in relation to an Instalment Note, the amount of each instalment as may be specified in, or determined in accordance with the provisions of, the Final Terms. To the extent that an Instalment Amount requires determination, such amount may be determined by a Determination Agent;

"**Interest Commencement Date**" means the Issue Date of the Notes (as specified in the Final Terms) or such other date as may be specified as such in the Final Terms;

"**Interest Payment Date**" has the meaning specified in Condition 5(b)(ii);

"**Issue Date**" has the meaning specified in the relevant Final Terms;

"**Junior Securities**" means the share capital and any obligation of the Issuer ranking or, expressed to rank, junior to the Subordinated Notes;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Mid-Swap Maturity**" has the meaning given in the relevant Final Terms;

"**Mid-Market Swap Rate**" means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency, such day count basis as determined by the Determination Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the relevant Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency, such day count basis as determined by the Determination Agent);

"**Mid-Market Swap Rate Quotation**" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"**Mid-Swap Floating Leg Benchmark Rate**" means the rate as specified in the relevant Final Terms;

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to Condition 5(c)(iii), either:

(a) if Single Mid-Swap Rate is specified in the relevant Final Terms, the rate for swaps in the Specified Currency:

   (i) with a term equal to the relevant Reset Period; and

   (ii) commencing on the relevant Reset Date,

   which appears on the Relevant Screen Page; or

(b) if Mean Mid-Swap Rate is specified in the relevant Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

   (i) with a term equal to the relevant Reset Period; and

   (ii) commencing on the relevant Reset Date,

   which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the Relevant Financial Centre of the Specified Currency on such Reset Determination Date, all as determined by the Determination Agent;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Non-transferability**" means that the Issuer determines (in good faith and in a commercially reasonable manner) that it is impossible or, having used its reasonable endeavours, impracticable, for it to deliver Renminbi (i) between accounts inside Hong Kong or (ii) from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility or impracticability is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the Relevant Series and it is impossible or, having used its reasonable endeavours, impracticable for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Nordea Group**" means the Issuer and its Subsidiaries.

"**Original Principal Amount**" means, in respect of a Note, the principal amount of the Note as issued on the Issue Date;

"**Outstanding Principal Amount**" means, (i) in respect of an Instalment Note, its principal amount on the Issue Date less any principal amount on which interest shall have ceased to accrue in accordance with Condition 5(d)(iv); and (ii) in respect of a Note other than that specified in (i) above, the principal amount of the Note on the Issue Date as reduced by any partial redemptions or repurchases from time to time;

"**PRC**" means the People's Republic of China;

"**Qualifying Securities**" has the meaning given in Condition 17;

"**Rate Calculation Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and New York City;

"**Rate Calculation Date**" means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Terms and Conditions;

"**Rate of Interest**" means (i) in the case of Notes other than Reset Notes, the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions; and (ii) in the case of Reset Notes, the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

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

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

"**Relevant Financial Centre**" means, unless otherwise specified in the Final Terms:

(a) in relation to Notes denominated in Australian Dollars, Sydney;

(b) in relation to Notes denominated in Canadian Dollars, Toronto;

(c) in relation to Notes denominated in Chinese Renminbi, Hong Kong or Beijing as specified in the Final Terms;

(d) in relation to Notes denominated in Danish Krone, Copenhagen;

(e) in relation to Notes denominated in Hong Kong Dollars, Hong Kong;

(f) in relation to Notes denominated in Japanese Yen, Tokyo;

(g) in relation to Notes denominated in Polish Zloty, Warsaw;

(h) in relation to Notes denominated in Pounds Sterling, London;

(i) in relation to Notes denominated in Mexican Pesos, Mexico City;

(j) in relation to Notes denominated in New Zealand Dollars, Wellington and Auckland;

(k) in relation to Notes denominated in Norwegian Kroner, Oslo;

(l) in relation to Notes denominated in Russian Roubles, Moscow;

(m) in relation to Notes denominated in South African Rand, Johannesburg;

(n) in relation to Notes denominated in Swedish Krona, Stockholm;

(o) in relation to Notes denominated in Swiss francs, Zurich;

(p) in relation to Notes denominated in United States dollars, New York City; and

(q) in relation to Notes denominated in any other currency, such financial centre or centres as may be specified in relation to the relevant currency and for the purposes of the definition of "**Business Day**" in the 2006 ISDA Definitions (as amended and updated from time to time), as published by the International Swaps and Derivatives Association, Inc. or as specified in the relevant Final Terms;

"**Relevant Screen Page**" means the page specified in the relevant Final Terms;

"**Renminbi**", "**RMB**" or "**CNY**" means the official currency of the PRC;

"**Renminbi Dealer**" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong;

"**Reset Date**" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable), in each case as adjusted (if so specified in the relevant Final terms) in accordance with Condition 5 as if the relevant Reset Date was an Interest Payment Date;

"**Reset Determination Date**" means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period, or in each case as specified in the relevant Final Terms;

"**Reset Note**" means a Note on which interest is calculated at reset rates payable in arrear on a fixed date or dates in each year and/or at intervals of one, two, three, six or 12 months or at such other date or intervals as may be agreed between the Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

"**Reset Period**" means the First Reset Period or a Subsequent Reset Period, as the case may be;

"**Second Reset Date**" means the date specified in the relevant Final Terms;

"**Senior Creditors**" means creditors of the Issuer (i) who are depositors and/or other unsubordinated creditors of the Issuer; or (ii) who are subordinated creditors of the Issuer (whether in the event of liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer or otherwise) other than those whose claims by law rank, or by their terms are expressed to rank, pari passu with or junior to the claims of the Holders of the Subordinated Notes;

"**SFSA**" means the Swedish Financial Supervisory Authority (*Finansinspektionen*) and any successor or replacement thereto or any other authority having primary responsibility for the prudential oversight and supervision of the Issuer;

"**Spot Rate**" means, for a Rate Calculation Date, the spot USD/RMB exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the spot rate at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date as the most recently available USD/RMB official fixing rate for settlement on the due date for payment reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate;

"**Subordinated Notes**" has the meaning given in Condition 4(b);

"**Subsequent Margin**" means the margin specified as such in the relevant Final Terms;

"**Subsequent Reset Date**" means the date or dates specified in the relevant Final Terms;

"**Subsequent Reset Period**" means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date;

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to Condition 5(c)(iii), the rate of interest determined by the Determination Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin;

"**Subsidiary**" has the meaning given in the Swedish Companies Act (2005:551);

"**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;

"**TARGET2 Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Tax Event**" means the receipt by the Issuer of an opinion of counsel in the relevant Taxing Jurisdiction (experienced in such matters) to the effect that, as a result of

(i) any amendment to, or change in, the laws or treaties (or any regulations thereunder) of the Taxing Jurisdiction affecting taxation;

(ii) any governmental action in the Taxing Jurisdiction; or

(iii) any amendment to, or change in, the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in the Taxing Jurisdiction, irrespective of the manner in which such amendment, change, action, pronouncement, interpretation or decision is made known,

which amendment or change is effective or such governmental action, pronouncement, interpretation or decision is announced, on or after the Issue Date of the relevant Series of Subordinated Notes:

(A) the Issuer is, or will be, subject to additional taxes, duties or other governmental charges with respect to such Subordinated Notes or is not, or will not be, entitled to claim a deduction in respect of payments in respect of such Subordinated Notes in computing its taxation liabilities (or the value of such deduction would be materially reduced); or

(B) the treatment of any of the Issuer's items of income or expense with respect to such Subordinated Notes as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Issuer will not be respected by a taxing authority, which subjects the Issuer to additional taxes, duties or other governmental charges;

"**Taxing Jurisdiction**" means the Kingdom of Sweden or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any other jurisdiction or any political subdivision thereof or any authority or agency therein or thereof, having power to tax in which the Issuer is treated as having a permanent establishment, under the income tax laws of such jurisdiction;

"**Tier 2 Capital**" means tier 2 capital for the purposes of the Applicable Banking Regulations;

"**Unsubordinated Notes**" has the meaning given in Condition 4(a); and

"**U.S. Dollar Equivalent**" of a Renminbi amount means the relevant Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Rate Calculation Date as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date.

(b) In these Conditions:

(i) if the Notes are Zero Coupon Notes (as specified in the relevant Final Terms), references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include any other redemption amount, any additional amounts in respect of principal which may be payable under Condition 8 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 8 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) if an expression is stated in Condition 1(a) (*Interpretation - Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "Not Applicable" then such expression is not applicable to the Notes;

(vii) any reference to the Agency Agreement or Deed of Covenant shall be construed as a reference to the Agency Agreement or Deed of Covenant, as the case may be, as amended and/or supplemented up to (and including) the Issue Date of the Notes; and

(viii) references to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

2. **Form and Denomination**

(a) ***Form***

Notes, other than VP Notes, VPS Notes and Swedish Notes, are issued in bearer form or registered form, as specified in the relevant Final Terms, and are serially numbered.

The VP Notes are issued in uncertificated and dematerialised book entry form in accordance with the Danish Securities Trading etc. Act (*Værdipapirhandelsloven*), as amended or replaced from time to time and the Danish Executive Order on Book Entry, etc. of dematerialised Securities in a Central Securities Depositary (*Bekendtgørelse om registrering m.v. af fondsaktiver i en værdipapircentral*) as amended from time to time.

The VPS Notes are issued in uncertificated and dematerialised book entry form in accordance with the Norwegian Securities Register Act 2002 (*lov om registrering av finansielle instrumenter 2002 5. juli nr. 64*).

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

(b) ***Form of Bearer Notes***

Notes issued in bearer form ("**Bearer Notes**"), other than Swiss Franc Notes, will be represented upon issue by a temporary global note (a "**Temporary Global Note**") in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement. On or after the date which is forty days after the completion of the distribution of the Notes (the "**Exchange Date**") of the relevant Series and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (substantially in the form set out in the Temporary Global Note) has been received, interests in the Temporary Global Note may be exchanged for:

(i) interests in a permanent global note (a "**Permanent Global Note**") representing the Notes of that Series and in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement; or

(ii) if so specified in the relevant Final Terms, definitive notes ("**Definitive Notes**") serially numbered and in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement.

If any date on which a payment of interest is due on the Notes of a Series occurs whilst any of the Notes of that Series are represented by the Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in the form set out in the Temporary Global Note) has been received by Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or by any other clearing system to which Notes or any interest therein may from time to time be credited. Payments of principal or interest (if any) on a Permanent Global Note will be made through Euroclear and Clearstream, Luxembourg without any requirement for certification.

Interests in the Permanent Global Note will, unless the contrary is specified in the relevant Final Terms, be exchangeable at the cost and expense of the Issuer in whole (but not in part), at the option of the Holder of such Permanent Global Note for Definitive Notes if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system(s) is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently or does in fact do so or (b) an Event of Default occurs under Condition 7 in respect of any Note of the relevant Series. Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery of such Definitive Notes duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the Holder of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the Holder requesting such exchange. If default is made by the Issuer in the required delivery of Definitive Notes and such default is continuing at 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange, such Permanent Global Note will become void in accordance with its terms but without prejudice to the rights of the Account Holders (as defined in the Deed of Covenant) with Euroclear and Clearstream, Luxembourg in relation thereto under the Deed of Covenant.

Interest bearing Definitive Notes will, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be prerequisite to the payment of interest in certain circumstances specified below **provided that** interest bearing Definitive Notes, if so specified in the relevant Final Terms, have attached thereto at the time of initial delivery Coupons and one Talon for further Coupons (a "**Talon**", together with the Coupons in such case and where the context so permits, the "**Coupons**") entitling the holder thereof to further Coupons and a further Talon.

Bearer Notes, the principal amount of which is repayable by instalments ("**Instalment Notes**") have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

(c) ***Form of Registered Notes***

Notes issued in registered form ("**Registered Notes**") will be in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement. Each Tranche of Registered Notes will be in the form of either individual Note certificates ("**Individual Note Certificates**") or a global registered Note (a "**Global Registered Note**"), in each case as specified in the relevant Final Terms. Global Registered Notes may be exchangeable for Individual Note Certificates in accordance with its terms. Registered Notes will not be exchangeable for Bearer Notes.

(d) ***Form of Swiss Franc Notes***

Swiss Franc Notes will be denominated in Swiss francs, issued in bearer form and will be represented exclusively by a Permanent Global Note which shall be deposited by the Swiss Paying Agent with SIS, or such other depositary as may be approved by the SIX Regulatory Board of the SIX Swiss Exchange (SIS or such other intermediary, (the "**Intermediary**")). Once the Permanent Global Note is deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Notes will constitute intermediated securities (*Bucheffekten*) ("**Intermediated Securities**") in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

Each Holder (as defined in Condition 3 below) shall have a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global Note to the extent of his claim against the Issuer, **provided that** for so long as the Permanent Global Note remains deposited with the Intermediary the co-ownership interest shall be suspended and the Swiss Franc Notes may only be transferred or otherwise disposed of in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*), i.e. by the entry of the transferred Swiss Franc Notes in a securities account of the transferee.

Neither the Issuer nor the Holders shall at any time have the right to effect or demand the conversion of the Permanent Global Note (*Globalurkunde*) into, or the delivery of, uncertificated securities (*Wertrechte*) or Definitive Notes (*Wertpapiere*).

No physical delivery of the Swiss Franc Notes shall be made unless and until Definitive Notes (*Wertpapiere*) are printed. Definitive Notes may only be printed, in whole, but not in part, if the Swiss Paying Agent determines, in its sole discretion, that the printing of the Definitive Notes (*Wertpapiere*) is necessary or useful. Should the Swiss Paying Agent so determine, it shall provide for the printing of Definitive Notes (*Wertpapiere*) without cost to the Holders. Upon delivery of the Definitive Notes (*Wertpapiere*), the Permanent Global Note will be cancelled and the Definitive Notes (*Wertpapiere*) shall be delivered to the Holders against cancellation of the relevant Swiss Franc Notes in the Holders' securities accounts.

(e) ***Form of VP Notes***

A Tranche or a Series of VP Notes (as the case may be), if so specified in the applicable Final Terms, may be cleared 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 Notes shall be regarded as Registered Notes for the purposes of these Conditions. No physical Notes or certificates will be issued in respect of the VP Notes and the provisions in these Conditions relating to presentation, surrendering or replacement of such physical VP Notes or certificates shall not apply to the VP Notes. The Issuer will certify that Nordea Bank AB is, on the Issue Date of a Tranche or a Series of VP Notes (as the case may be), entered in the VP as the account holding institute (*kontoførende institut*) for the duly registered owners of the Notes of such Tranche or Series (as the case may be).

(f) ***Form of VPS Notes***

The VPS Notes shall be regarded as Registered Notes 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 Notes or certificates will be issued in respect of the VPS Notes and the provisions in these Conditions relating to presentation, surrendering or replacement of such physical Notes or certificates shall not apply to the VPS Notes.

(g) ***Form of Swedish Notes***

The Swedish Notes shall be regarded as Registered Notes 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 Notes or certificates will be issued in respect of the Swedish Notes and the provisions in these Conditions relating to presentation, surrendering or replacement of such physical Swedish Notes or certificates shall not apply to the Swedish Notes.

(h) ***Denomination of Bearer Notes***

Bearer Notes will be in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Notes of one denomination may not be exchanged for Bearer Notes of any other denomination.

(i) ***Denomination of Registered Notes***

Registered Notes will be in the minimum denomination specified in the relevant Final Terms or unless otherwise specified in the relevant Final Terms integral multiples thereof.

(j) ***Denomination of VP Notes***

VP Notes are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. VP Notes of one denomination may not be exchanged for VP Notes of any other denomination.

(k) ***Denomination of VPS Notes***

VPS Notes are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. VPS Notes of one denomination may not be exchanged for VPS Notes of any other denomination.

(l) ***Denomination of Swedish Notes***

Swedish Notes are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. Swedish Notes of one denomination may not be exchanged for Swedish Notes of any other denomination.

(m) ***Currency of Notes***

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

For the purposes of these Conditions, references to Notes shall, as the context may require, be deemed to be Temporary Global Notes, Permanent Global Notes, Definitive Notes or, as the case may be, Registered Notes.

3. **Title**

(a) ***Title to Bearer Notes, Registered Notes, Swiss Franc Notes, VP Notes, VPS Notes and Swedish Notes***

Title to the Bearer Notes (excluding Swiss Franc Notes), Receipts and Coupons passes by delivery. References herein to the "**Noteholders**" or "**Holders**" of Bearer Notes or of Receipts or Coupons signify the bearers of such Bearer Notes or such Receipts or Coupons.

Title to the Registered Notes passes by registration in the register which is kept by the Registrar. References herein to the "**Noteholders**" or "**Holders**" of Registered Notes signify the persons in whose names such Notes are so registered.

Title to the VP Notes will be evidenced by book entries in the records of the VP and will pass by registration in the registers maintained by the VP 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 Note 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 Notes only, "**Note Holder**" or "**Holder**" means, as the context requires, the person who is for the time being shown in the book entry system and register maintained by VP as the holder of a VP Note and shall also include any person duly authorised to act as a nominee and registered as a holder of the VP Notes. If the Notes of such Tranche cease to be registered in the VP, Nordea Bank Danmark A/S 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 register maintained by the VP.

Title to the VPS Notes 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 Note 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 Notes only, "**Note Holder**" or "**Holder**" means, as the context requires, the person in whose name a VPS Note 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 Notes.

Title to the Swedish Notes 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 Note 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 Notes only, "**Note Holder**" or "**Holder**" means, as the context requires, the person in whose name a Swedish Note 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 Notes.

The Holder of any Note or Coupon 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.

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 Notes.

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

A Registered Note 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, or is an integral multiple of, the minimum denomination specified in the relevant Final Terms) upon the surrender of the Registered Note 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 Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

Each new Registered Note to be issued upon the transfer of Registered Notes 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 Notes 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 Notes 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.

One or more VP Notes may be transferred in accordance with VP Rules. Each new VP Note to be issued shall be available for delivery within three business days of receipt of the request and the surrender of the VP Notes for exchange. Delivery of the new VP Note(s) shall be made to the same VP account on which the original VP Notes were registered. In this Condition 3(b) (*Transfer of Registered Notes, VP Notes, VPS Notes and Swedish Notes*) in relation to VP Notes 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 Notes 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 Note to be registered during any closed period pursuant to the then applicable VP Rules.

All transfers of VP Notes are subject to any cut-off dates applicable to such VP Notes 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.

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

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

Exchange and transfer of VPS Notes 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 Note to be registered during any closed period pursuant to the then applicable VPS Rules.

One or more Swedish Notes may be transferred in accordance with the Euroclear Sweden Rules. Exchange and transfer of Swedish Notes 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 Note to be registered during any closed period pursuant to the then applicable Euroclear Sweden Rules.

All transfers of Swedish Notes are subject to any cut-off dates applicable to such Swedish Notes 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.ncsd.eu.

(c) ***Swiss Franc Notes***

The records of the Intermediary will determine the number of Notes held through each participant in that Intermediary. In respect of the Notes held in the form of Intermediated Securities, the holders of the Notes (the "**Holders**") will be the persons holding the Notes in a securities account (*Effektenkonto*) which is in their own name, or in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Notes for their own account in a securities account (*Effektenkonto*) which is in their name.

4. **Status**

(a) ***Status—Unsubordinated Notes***

This Condition 4(a) is applicable in relation to Notes specified in the relevant Final Terms as being Unsubordinated or not specified as being subordinated (the "**Unsubordinated Notes**").

The Unsubordinated Notes 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, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

If Unsubordinated Notes Waiver of Set-Off is stated to be applicable in the relevant Final Terms, no Holder of Notes shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Notes.

(b) ***Status—Subordinated Notes***

This Condition 4(b) is applicable in relation to Notes specified in the relevant Final Terms as being Subordinated Notes (the "**Subordinated Notes**").

The Subordinated Notes constitute and will constitute direct and unsecured obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves. In the event of liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer, the rights and claims (if any) of Holders of any Subordinated Notes to payments of the Outstanding Principal Amount and any other amounts in respect of the Subordinated Notes (including any accrued and unpaid interest amount or damages awarded for breach of any obligations under these Conditions, if any are payable) shall (i) be subordinated to the claims of all Senior Creditors of the Issuer; (ii) rank at least *pari passu* with the claims of all subordinated creditors of the Issuer which in each case by law rank, or by their terms, are expressed to rank *pari passu* with the Subordinated Notes; and (iii) rank senior to any Junior Securities of the Issuer.

No Holder of Subordinated Notes shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Subordinated Notes.

5. **Interest**

Notes may be interest bearing or non-interest bearing, as specified in the relevant Final Terms. In the case of non-interest bearing Notes, a reference price and yield will, unless otherwise agreed, be specified in the relevant Final Terms. The Final Terms in relation to each Series of interest-bearing Notes shall specify which of Conditions 5(a), 5(b) and/or 5(c) shall be applicable **provided that** Condition 5(d) will be applicable to each Series of interest-bearing Notes as specified therein, save, in each case, to the extent inconsistent with the relevant Final Terms.

(a) ***Interest—Fixed Rate Note Provisions***

This Condition 5(a) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable. Each Note in relation to which this Condition 5(a) is applicable shall bear interest on its Outstanding Principal Amount (or if it is a Partly Paid Note, the amount paid up) from and including its Issue Date to, but excluding, the date of final maturity thereof (each date as specified in the relevant Final Terms) at the rate or rates per annum specified in the relevant Final Terms, **provided that** in the case of Swedish Notes, such Swedish Note shall bear interest on its Outstanding Principal Amount (or if it is a Swedish Partly Paid Note, the amount paid up) from, but excluding, its Issue Date to and including the date of final maturity thereof (each date as specified in the relevant Final Terms) at the rate or rates specified in the relevant Final Terms. Interest will be payable in arrear on such dates as are specified in the relevant Final Terms and on the date of final maturity thereof. The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product (i) in respect of a Note denominated in U.S. dollars, on the basis of a 360 day year consisting of 12 months of thirty days each and, in the case of an incomplete month, the actual number of days elapsed and (ii) in the case of a Note denominated in a currency other than U.S. dollars, on the basis of the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by (x) in the case of Notes where interest is scheduled to be paid only by means of regular annual payments, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the next scheduled Interest Payment Date or (y) in the case of Notes where interest is scheduled to be paid other than only by means of regular annual payments, the product of the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the next scheduled Interest Payment Date and the number of Interest Payment Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figures by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For the purposes of this Condition 5, a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(b) ***Interest—Floating Rate Note Provisions***

(i) This Condition 5(b) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable. Notes in relation to which this Condition 5(b) is applicable shall bear interest on its Outstanding Principal Amount (or if it is a Partly Paid Note, the amount paid up) at the rates per annum determined in accordance with this Condition 5(b).

(ii) Such Notes shall bear interest from and including their Issue Date, to, but excluding, the date of final maturity thereof (each date as specified in the relevant Final Terms), **provided that** in the case of Swedish Notes, such Swedish Notes shall bear interest from, but excluding, their Issue Date to and including the date of final maturity thereof (each date as specified in the relevant Final Terms). Interest will be payable on each date (an "**Interest Payment Date**") which falls such period of months as may be specified in the relevant Final Terms after such Issue Date or, as the case may be, after the preceding Interest Payment Date. If any Interest Payment Date would otherwise fall on a date which is not a Business Day (as defined in Condition 1), it shall be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the preceding Business Day unless it is specified in the relevant Final Terms that if any Interest Payment Date would otherwise fall on the date which is not a Business Day, it shall be postponed to the next Business Day. If such Issue Date or any succeeding Interest Payment Date falls on the last Business Day of the month, each subsequent Interest Payment Date shall be the last Business Day of the relevant month. Each period beginning on (and including) such Issue Date and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**", **provided that** in the case of Swedish Notes, each period beginning on (but excluding such Issue Date and ending on (and including) the first Interest Payment Date and each period on (but excluding) an Interest Payment Date and ending on (and including) the next Interest Payment Date shall be the relevant Interest Period.

(iii) The Final Terms in relation to each Series of Notes in relation to which Floating Rate Note Provisions or Reset Note Provisions are specified as being applicable shall specify which page (the "**Relevant Screen Page**") on the Reuters Screen or any other information vending service shall be applicable. For these purposes, "**Reuters Screen**" means the Reuters Money 3000 Service (or such other service as may be nominated as the information vendor for the purpose of displaying comparable rates in succession thereto).

(iv) The Rate of Interest (as defined herein) applicable to such Notes for each Interest Period shall be determined by the Fiscal Agent or such other agent as may be specified in the relevant Final Terms (the "**Determination Agent**") on the following basis:

(A) if the Reference Rate is a composite quotation or customarily supplied by one entity, then:

(1) where the Reference Rate is based on the London interbank offered rate ("**LIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(2) where the Reference Rate is based on the Euro-zone inter-bank offered rate ("**EURIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in euro for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(3) where the Reference Rate is based on the Australian bank bill swap rate ("**BBSW**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Australian Dollars for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(4) where the Reference Rate is based on the New Zealand bank bill rate ("**BKBM**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates

for deposits) in New Zealand Dollars for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(5) where the Reference Rate is based on the Canadian dealer offer rate ("**CDOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Canadian Dollars for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(6) where the Reference Rate is based on the Copenhagen interbank offered rate ("**CIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Danish Krone for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(7) where the Reference Rate is based on the Hong Kong interbank offered rate ("**HIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(8) where the Reference Rate is based on the Johannesburg interbank agreed rate ("**JIBAR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(9) where the Reference Rate is based on the Moscow prime offered rate ("**MOSPRIME**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Russian Roubles for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(10) where the Reference Rate is based on the Oslo interbank offered rate ("**NIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Norwegian Kroner for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(11) where the Reference Rate is based on the Shanghai interbank offered rate ("**SHIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Chinese Renminbi for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(12) where the Reference Rate is based on the Stockholm interbank offered rate ("**STIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Swedish Krona for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(13) where the Reference Rate is based on the Tokyo interbank offered rate ("**TIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates

for deposits) in Japanese Yen for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(14) where the Reference Rate is based on the Mexican interbank equilibrium interest rate ("**TIIE**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Mexican Peso for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(15) where the Reference Rate is based on the Turkish Lira interbank offer rate ("**TRLIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Turkish Lira for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(16) where the Reference Rate is based on the Warsaw interbank offered rate ("**WIBOR**") the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in Polish Zloty for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(17) where the Reference Rate is based on the interbank offered rate in a Relevant Financial Centre specified in the relevant Pricing Supplement, the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the Interest Determination Date;

(18) if no such rate for deposits so appears (or, as the case may require, if fewer than two such rates for deposits so appear), the Determination Agent will request appropriate quotations and will determine the arithmetic mean of the rates at which deposits in the relevant currency are offered by four major banks in the Relevant Financial Centre at approximately the Relevant Time on the first day of the relevant Interest Period to prime banks in the interbank market of the Relevant Financial Centre in each such case for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;

(19) if fewer than two rates are so quoted, the Determination Agent will determine the arithmetic mean of the rates quoted by major banks in the Relevant Financial Centre, selected by the Determination Agent at approximately the Relevant Time on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the Relevant Time; and

(B) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Determination Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(1) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(2) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period; provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Determination Agent shall determine such rate at such time and by reference to such sources as it determines appropriate,

and the Rate of Interest applicable to such Notes during each Interest Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the relevant Final Terms and the rate (or, as the case may be, the arithmetic mean) so determined **provided that**, if the Determination Agent is unable to determine a rate (or, as the case may be, an arithmetic mean) in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to such Notes during such Interest Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean) last determined in relation to such Notes in respect of a preceding Interest Period.

For the purpose of these Conditions "**Euro-zone**" means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty on European Union as amended, and as used in this Condition 5 (*Interest*), "**business day**" means a day on which commercial banks and foreign exchange markets settle payments in the financial centre(s) specified for each Interest Determination Date; "**Interest Determination Date**" means the date specified as such in the Final Terms or if none is so specified, means (i) in the case of LIBOR, the second London Banking Day before the first day of the relevant Interest Period, or in the case of Notes denominated in Pounds Sterling, the first London Banking day of the relevant Interest Period or in the case of euro-LIBOR, the second TARGET2 Settlement Day before the first day of the relevant Interest Period, (ii) in the case of EURIBOR, the second TARGET2 Settlement Day before the first day of the relevant Interest Period, (iii) in the case of BBSW, the first Sydney business day of the relevant Interest Period, (iv) in the case of BKBM, the first Auckland and Wellington business day of the relevant Interest Period, (v) in the case of CDOR, the second Toronto business day prior to the first day of the relevant Interest Period, (vi) in the case of CIBOR, the second Copenhagen business day prior to the first day of the relevant Interest Period, (vii) in the case of HIBOR, the first Hong Kong business day of the relevant Interest Period, (viii) in the case of JIBAR, the first Johannesburg business day of the relevant Interest Period; (ix) in the case of MOSPRIME, the first Moscow business day before the first day of the relevant Interest Period, (x) in the case of NIBOR, the second Oslo business day before the first day of the relevant Interest Period, (xi) in the case of SHIBOR, the second Shanghai business day before the first day of the relevant Interest Period, (xii) in the case of STIBOR, the second Stockholm business day before the first day of the relevant interest period, (xiii) in the case of TIBOR, the second Tokyo business day before the first day of the relevant Interest Period, (xiv) in the case of TIIE, the first Mexico City business day before the first day of the relevant Interest Period, (xv) in the case of TRLIBOR, the second Istanbul business day before the first day of the relevant Interest Period, (xvi) in the case of WIBOR, the first Warsaw business day of the relevant Interest Period, or, in the case of Exempt Notes, such other Interest Determination Date as shall be specified in the applicable Pricing Supplement; "**Reference Rate**" means (i) LIBOR; (ii) EURIBOR; (iii) BBSW, (iv) BKBM, (v) CDOR, (vi) CIBOR, (vii) HIBOR, (viii) JIBAR, (ix) MOSPRIME, (x) NIBOR, (xi) SHIBOR, (xii) STIBOR, (xiii) TIBOR, (xiv) TIIE, (xv) TRLIBOR,(xvi) WIBOR, in each case for the relevant Interest Period, as specified in the applicable Final Terms, or, in the case of Exempt Notes, such other Reference Rate as shall be specified in the applicable Final Terms; "**Relevant Financial Centre**" has the meaning given to such term in Condition 1 and "**Relevant Time**" means the time specified as such in the Final Terms or if none is so specified, means (i) in the case of LIBOR, 11.00 a.m. London time, (ii) in the case of EURIBOR, 11.00 a.m. Brussels time, (iii) in the case of BBSW, 10.00 a.m. Sydney time, (iv) in the case of BKBM, 11.00 a.m. Wellington time, (v) in the case of CDOR, 10.00 a.m. Toronto time, (vi) in the case of CIBOR, 11.00 a.m. Copenhagen time, (vii) in the case of HIBOR, 11.00 a.m. Hong Kong time, (viii) in the case of JIBAR, 12.00 p.m. Johannesburg time, (ix) in the case of MOSPRIME, 12.30 p.m. Moscow time, (x) in the case of NIBOR, 12.00 p.m. Oslo time, (xi) in the case of SHIBOR, 11.30 a.m. Beijing time, (xii) in the case of STIBOR, 11.00

a.m. Stockholm time, (xiii) in the case of TIBOR, 11.00 a.m. Tokyo time, (xiv) in the case of TIIE, 2.30 p.m. Mexico City time, (xv) in the case of TRLIBOR, 11.15 a.m. Istanbul time, (xvi) in the case of WIBOR, 11.00 a.m. Warsaw time or, in the case of Exempt Notes, such other time as shall be specified in the applicable Pricing Supplement.

(v) The Determination Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the Calculation Amount specified in the relevant Final Terms for the relevant Interest Period. The amount of interest shall be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the actual number of days in the Interest Period concerned divided by 360 (or, in the case of the Notes denominated in Pounds Sterling, 365 (or, if any portion of such Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion divided by 366 and (ii) the actual number of days in the remainder of such Interest Period divided by 365)) or by such other number as may be specified in the relevant Final Terms, rounding the resulting figure to the nearest sub-unit of the currency in which such Notes are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. Where the Specified Denomination of such a Note comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner above) for each Calculation Amount comprising the Specified Denomination, without any further rounding. For this purpose, a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(c) ***Interest—Reset Note Provisions***

(i) This Condition 5(c) is applicable to the Notes only if the Interest - Reset Note Provisions are specified in the relevant Final Terms as being applicable.

(ii) Such Notes shall bear interest on their Outstanding Principal Amount:

(A) from (and including) the Interest Commencement Date specified in the relevant Final Terms until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;

(B) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

(C) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on the Interest Payment Date(s) so specified in the relevant Final Terms (subject to adjustment as described in Condition 5(f)) and on the Maturity Date. The Rate of Interest and the Interest Amount payable shall be determined by the Determination Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 5(a).

(iii) If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Determination Agent shall request each of the Reference Banks to provide the Determination Agent with its Mid-Market Swap Rate Quotation as at approximately 12 (noon) in the Relevant Financial Centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Determination Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset

Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Determination Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Determination Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

(d) ***Interest—Supplemental Provisions***

(i) Condition 5(d)(ii) shall be applicable in relation to Notes in relation to which Floating Rate Note Provisions or Reset Note Provisions are specified in the relevant Final Terms as being applicable, Condition 5(d)(iii) shall be applicable in relation to all interest-bearing Notes, Condition 5(d)(iv) shall be applicable in relation to Instalment Notes and Conditions 5(d)(vi) and 5(e)(vii) shall be applicable in relation to Notes in relation to which Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(ii) *Notification of Rates of Interest, Interest Amounts and Interest Payment Dates*

The Determination Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount or floating amount or, Instalment Amount or any other rate of interest, interest or reset period to be determined or calculated by it to be notified to the Issuer and the Fiscal Agent. The Fiscal Agent will cause all such determinations or calculations to be notified to the other Paying Agents and, in the case of Registered Notes, the Registrar (from whose respective specified offices such information will be available) as soon as practicable after such determination or calculated but in any event not later than the fourth London Banking Day thereafter and, in the case of Notes listed on a stock exchange, cause each such Rate of Interest, floating rate, Interest Amount or floating amount or, as the case may be, Instalment Amount to be notified and/or published according to the requirements of that stock exchange. The Determination Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or last day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without notice in the event of the extension or abbreviation of the relevant Interest Period or calculation period. For the purposes of these Conditions, "**London Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and "**TARGET2 Settlement Day**" has the meaning set out below.

(iii) The determination by the Determination Agent of all rates of interest, amounts of interest, and Instalment Amounts for the purposes of this Condition 5 shall, in the absence of manifest error, be final and binding on all parties.

(iv) Interest shall accrue on the Outstanding Principal Amount of each Note during each Interest Period (as defined in Condition 5(b)(ii)) from and including the Interest Commencement Date, **provided that** in the case of Swedish Notes, interest shall accrue on the Outstanding Principal Amount of each Swedish Note during each Interest Period from but excluding the Interest Commencement Date. Interest will cease to accrue in respect of each instalment of principal on, but excluding, the due date for payment of the relevant Instalment Amount, **provided that** in the case of Swedish Notes interest will cease to accrue in respect of each instalment of principal on and including the due date for payment of the relevant Instalment Amount, unless upon due presentation or surrender thereof (if required), payment in full of the relevant Instalment Amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the interest rate then applicable or such other rate as may be specified for this purpose in the Final Terms until, but excluding, the date, or in the case of Swedish Notes, including the date, on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which the Fiscal Agent having received the funds required to make such payment, gives notice to the Holders of the Notes in accordance with Condition 14 (*Notices*) that the Fiscal Agent has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

(v) In the case of partly-paid Notes (other than partly-paid Notes which are non-interest bearing) interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as indicated in the applicable Final Terms.

(vi) If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(vii) Unless otherwise specified in the relevant Final Terms, including where the Minimum Rate of Interest is specified as being "Not Applicable" in the relevant Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(e) ***Non-Interest Bearing Notes***

If any principal amount or Instalment Amount in respect of any Note which is non-interest bearing is not paid when due, interest shall accrue from and including such due date, or in the case of Swedish Notes from but excluding such due date, on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation/Accrual Yield defined in the Final Terms or at such other rate as may be specified for this purpose in the Final Terms until but excluding, or in the case of Swedish Notes until and including, the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or the Registrar, as the case may be, having received the funds required to make such payment, gives notice to the Holders of the Notes in accordance with Condition 14 that the Fiscal Agent or the Registrar, as the case may be has received the required funds, (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated by multiplying the product of the Amortisation/Accrual Yield and the overdue sum by the Day Count Fraction as specified for this purpose in the Final Terms.

(f) ***Interest—Supplemental Provision for Renminbi Notes***

This Condition 5(f) shall apply to Fixed Rate Notes denominated in Renminbi (the "**Renminbi Notes**") only where the Final Terms for the relevant Renminbi Notes specify that the Interest Payment Dates are subject to adjustment.

For such Notes, the relevant Fixed Coupon Amount shall be calculated by the Calculation Agent by multiplying the product of the relevant Rate of Interest and the Calculation Amount by the relevant Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, with CNY0.005 being rounded upwards. The Calculation Agent shall cause any Fixed Coupon Amount so calculated and the relevant Interest Payment Date to be notified to the Fiscal Agent, the Issuer, the Holders in accordance with Condition 14 (*Notices*) and, if the Notes admitted to listing and/or trading on any stock exchange and the rules of such exchange so require, the relevant stock exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange.

6. Redemption and Purchase

(a) ***Redemption at Maturity***

Unless previously redeemed, or purchased and cancelled, Notes shall be redeemed at their principal amount (or at such other redemption amount as may be specified in the relevant Final Terms) (or, in the case of Instalment Notes, in the Instalment Amounts and in such number of instalments as may be specified in or determined in accordance with the provisions of, the Final Terms) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Final Terms.

(b) ***Early Redemption for Taxation Reasons - Withholding Tax***

If, in relation to any Series of Notes and if specified as applicable in the Final Terms, as a result of any change in the laws of any Taxing Jurisdiction or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the Issue Date of such Notes or, in the case of Unsubordinated Notes, any earlier date specified in the relevant Final Terms on the occasion of the next payment due in respect of such Notes the Issuer would be required to pay additional amounts as provided in Condition 8 (a "**Withholding Tax Event**"), the Issuer may, at its option and with respect to Subordinated Notes, subject to the Conditions to Redemption set out in Condition 6(i) having given not less than thirty nor more than sixty days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 14 (which notice shall be irrevocable) redeem all (but not some only, unless and to the extent that the relevant Final Terms specifies otherwise, in relation to Unsubordinated Notes) the Notes of the relevant Series at its Outstanding Principal Amount (or such other redemption amount as may be specified in the relevant Final Terms or at the redemption amount referred to in Condition 6(h), together with accrued interest (if any) thereon.

(c) ***Early Redemption of Subordinated Notes as a result of a Tax Event***

Upon the occurrence of a Tax Event (if specified as applicable in the Final Terms), but subject to the Conditions to Redemption set out in Condition 6(i), the Issuer may having given not less than thirty days' nor more than sixty days' notice (ending, in the case of Subordinated Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 14 (which notice shall be irrevocable) redeem all (but not some only) of the outstanding Subordinated Notes at any time at a redemption amount equal to their Outstanding Principal Amount (or such other redemption amount as may be specified in the relevant Final Terms or at the redemption amount referred to in Condition 6(h)) together with interest accrued to but excluding the date of redemption, subject to these Conditions.

(d) ***Early Redemption of Subordinated Notes as a result of a Capital Event***

Upon the occurrence of a Capital Event (if specified as applicable in the Final Terms), but subject to the Conditions to Redemption set out in Condition 6(i), the Issuer may, at its option, having given not less than thirty days' nor more than sixty days' notice (ending, in the case of Subordinated Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 14 (which notice shall be irrevocable) redeem all (but not some only) of the Subordinated Notes at any time at a redemption amount equal to their Outstanding Principal Amount (or such other redemption amount as may be specified in the relevant Final Terms or at the redemption amount referred to in Condition 6(h)) together with interest accrued to but excluding the date of redemption, subject to these Conditions.

(e) ***Optional Early Redemption (Call)***

If this Condition 6(e) is specified in the relevant Final Terms as being applicable, then the Issuer may (subject, in the case of Subordinated Notes, to the Conditions to Redemption set out in Condition 6(i)), upon the expiry of the appropriate notice, redeem in whole (but not, unless and to the extent that the relevant Final Terms specifies otherwise, in part in relation to Unsubordinated Notes), the Notes of the relevant Series at its Outstanding Principal Amount or such other redemption amount as may be specified in the relevant Final Terms), together with accrued interest (if any) thereon. Notes denominated in Pounds Sterling may not be redeemed prior to one year and one day from the Issue Date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount shall in no event be greater than the maximum or be less than the minimum so specified.

The appropriate notice referred to in this Condition 6(e) is a notice given by the Issuer to the Fiscal Agent, the Registrar (in the case of Registered Notes) and the Holders of the Notes of the relevant Series, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

(i) the Series of Notes subject to redemption;

(ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the Outstanding Principal Amount of the Notes of the relevant Series which are to be redeemed;

(iii) the due date for such redemption, which shall be not less than thirty days (as more particularly specified in the relevant Final Terms) after the date on which such notice is validly given and which is, in the case of Notes which bear interest at a floating rate, a date upon which interest is payable; and

(iv) the amount at which such Notes are to be redeemed, which shall be their Outstanding Principal Amount (or such other amount as may be specified in the relevant Final Terms) together with, in the case of Notes which bear interest, accrued interest thereon.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

(f) ***Partial Redemption***

If some only of the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 6(e):

(i) in the case of Bearer Notes, the Notes shall be redeemed *pro rata* to their Outstanding Principal Amount by being drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair, subject always to compliance with all applicable laws, and the rules of each listing authority, stock exchange and/or quotation system (if any) on which the Notes have then been admitted to listing, trading and/or quotation and, if applicable, the rules of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion); and

(ii) in the case of Registered Notes, the Notes shall be redeemed *pro rata* to their Outstanding Principal Amount, subject always as aforesaid.

(g) ***Optional Early Redemption (Put)***

If this Condition 6(g) is specified in the relevant Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note (other than a holder of a Subordinated Note) of the relevant Series, redeem such Note on the date or the next of the dates specified in the relevant Final Terms at its Outstanding Principal Amount (or such other redemption amount as may be specified in the relevant Final Terms), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date so specified (as more particularly specified in the relevant Final Terms), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Note, any Paying Agent or, in the case of a Registered Note, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar.

(h) ***Early Redemption of Non-Interest Bearing Notes***

The redemption amount payable in respect of any non-interest bearing Note upon redemption of such Note pursuant to Condition 6(b) or 6(c) or 6(d) or, if applicable Condition 6(e) or 6(g) or upon it becoming due and payable as provided in Condition 7 shall be the Amortised Face Amount (calculated as provided below) of such Notes.

(i) Subject to the provisions of sub-paragraph (ii) below, the Amortised Face Amount of any such Note shall be the sum of (A) the Reference Price specified in the relevant Final Terms and (B) the aggregate amortisation of the difference between the principal amount of such Note from its Issue Date to the date on which such Note becomes due and payable at a rate per annum (expressed as a percentage) equal to the Accrual Yield specified in the relevant Final Terms compounded annually and the Reference Price. Where such calculation is to be made for a period of less than one year, it shall be made on the basis of a 360 day year consisting of 12 months of 30 days each or such other calculation basis as may be specified in the relevant Final Terms.

(ii) If the redemption amount payable in respect of any such Note upon its redemption pursuant to Condition 6(b) or 6(c) or 6(d) or, if applicable Condition 6(e) or 6(g) or upon it becoming due and payable as provided in Condition 7 is not paid when due, the redemption amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (i) above, except that sub-paragraph shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph will continue to be made (as well after as before judgment), until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the principal amount of such Note.

(i) ***Conditions to Redemption***

In the case of Notes specified in the relevant Final Terms as being Subordinated Notes, the Issuer may redeem the Notes in accordance with Condition 6(b), 6(c), 6(d) or 6(e) (and give notice thereof to the Holders) only if it has been granted the permission of the SFSA (if such permission is then required under the Applicable Banking Regulations) and:

(i) on or before such redemption or repurchase of the Notes, the Issuer replaces the Notes with capital instruments of an equal or higher quality on terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the SFSA that its Tier 2 Capital would, following such redemption or repurchase, exceed the capital ratios required under CRD IV by a margin that the SFSA may consider necessary on the basis set out in CRD IV for it to determine the appropriate level of capital of an institution; and

(iii) in the case of redemption before five years after the issue date of the Notes if:

(A) the conditions listed in paragraphs (i) or (ii) above are met; and

(B) in the case of redemption due to the occurrence of a Capital Event, (i) the SFSA considers such change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the SFSA that the Capital Event was not reasonably foreseeable at the time of the issuance of the Notes; or

(C) in the case of redemption due to the occurrence of a Withholding Tax Event or Tax Event, the Issuer demonstrates to the satisfaction of the SFSA that such Withholding Tax Event or Tax Event is material and was not reasonably foreseeable at the time of issuance of the Notes,

(the "**Conditions to Redemption**").

(j) ***Purchase of the Notes***

The Issuer and its subsidiaries (if any) may at any time purchase Notes in the open market or otherwise and at any price provided that in the case of interest-bearing Definitive Notes, any unmatured Receipts and Coupons appertaining thereto are purchased therewith and provided that in the case of any Subordinated Notes, any such purchases shall be in accordance with the Applicable Banking Regulations and subject to the prior permission of the SFSA (if such permission is then required under the Applicable Banking Regulations).

(k) ***Cancellation of Redeemed and Purchased Notes***

All Notes redeemed or purchased in accordance with this Condition 6 and, in the case of interest bearing Definitive Notes, any unmatured Coupons attached thereto or surrendered or purchased therewith will be cancelled and may not be reissued or resold. References in this Condition 6 to the purchase of Notes by the Issuer shall not include the purchase of Notes in the ordinary course of business of dealing in securities or the purchase of Notes otherwise than as beneficial owners.

(l) ***Procedure for Payment upon Redemption***

Any redemption of the VP Notes, VPS Notes, or Swedish Notes pursuant to this Condition 6 shall be in accordance with, in the case of VP Notes, the VP Rules, in the case of VPS Notes, the VPS Rules and in the case of Swedish Notes, the Euroclear Sweden Rules.

7. **Events of Default**

(a) ***Events of Default—Unsubordinated Notes***

(i) This Condition 7(a) is applicable in relation to Notes specified in the relevant Final Terms as being Unsubordinated Notes.

(ii) The following events or circumstances (each an "**Event of Default**") shall be events of default in relation to the Notes:

(A) default is made by the Issuer in the payment of any principal for a period of 14 days or any interest for a period of 30 days in respect of any such Notes, after in each case the date when due; or

(B) default is made by the Issuer in the performance or observance of any other obligation, condition or provision binding on it under any of such Notes and such default continues for 45 days after written notice of such failure has first been given to the Fiscal Agent by the Holder of any such Note at the time outstanding, requiring the Issuer to remedy the same; or

(C) an order is made or an effective resolution is passed for the dissolution or liquidation of the Issuer (except for the purposes of a merger, reconstruction or amalgamation under which the continuing entity effectively assumes the entire obligation of the Issuer under the Notes) or the Issuer is adjudicated or found bankrupt or insolvent by any competent court; or

(D) the Issuer stops payment or (except for the purposes of such a merger, reconstruction or amalgamation as is referred to in sub-paragraph (iii) above) ceases to carry on the whole or substantially the whole of its business, or an encumbrancer takes possession or a receiver is appointed of the whole or any part of the undertaking or assets of the Issuer or a distress of execution is levied or enforced upon or sued out against any of the chattels or property of the Issuer and is not in any such case discharged within 30 days, or any order is made or effective resolution passed by the Issuer applying for or granting a suspension of payments or appointing a liquidator, receiver or trustee of the Issuer or of a substantial part of its undertaking or assets.

(iii) If any Event of Default shall occur in relation to any Series of Notes, other than VPS Notes, any Holder of any Note of the relevant Series may by written notice to the Issuer declare such Note and (if the Note is interest bearing) all interest then accrued on such Note to be forthwith due and payable, whereupon the same shall become immediately due and payable at its principal amount (or, in the case of a Note which is not interest bearing, at the redemption amount referred to in Condition 6(h) or such other amount as may be specified in the relevant Final Terms) without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless prior to the time when the Issuer receives such notice all Events of Default in respect of all the Notes shall have been cured.

(iv) If an Event of Default shall occur in relation to any Series of VPS Notes, any Holder of any VPS Note of the relevant Series may by written notice to the Issuer and the VPS Paying Agent declare such VPS Note and (if the VPS Note is interest bearing) all interest then accrued on such VPS Note to be forthwith due and payable, whereupon the same shall become immediately (or on such later date on which the relevant VPS Notes have been transferred to the account designated by the VPS Paying Agent and blocked for further transfer by the VPS Paying Agent in accordance with the VPS Rules) due and payable at its principal amount (or, if the VPS Notes of that Series are non interest bearing VPS Notes, at the redemption amount referred to in Condition 6(c) (*Redemption and Purchase*) or such other amount as may be specified in the relevant Final Terms) without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such VPS Notes to the contrary notwithstanding, unless prior to the time when the Issuer receives such notice all Events of Default in respect of all the VPS Notes shall have been cured.

(b) ***Events of Default—Subordinated Notes***

(i) This Condition 7(b) is applicable in relation to Notes specified in the relevant Final Terms as being Subordinated Notes.

(ii) The following events or circumstances (each an "**Event of Default**") shall be an event of default in relation to the Notes:

(iii) If:

(A) the Issuer shall default in the payment of any principal for a period of 7 days after the date when due in respect of any such Note which has become due and payable in accordance with any redemption of such Notes; or

(B) the Issuer shall default for a period of 14 days in the payment of interest due on any such Note on an Interest Payment Date or any other date on which the payment of interest is compulsory; or

(C) an order is made or an effective resolution is passed for the winding up or liquidation of the Issuer (except for the purpose of a merger, reconstruction or amalgamation under which the continuing entity effectively assumes the entire obligations of the Issuer under the Notes) or the Issuer is otherwise declared bankrupt (*konkurs*) or put into liquidation (*likvidation*), in each case, by a court or agency or supervisory authority in the Kingdom of Sweden or elsewhere having jurisdiction in respect of the same,

the Holder of any Note may:

(x) (in the case of (A) and (B) above) institute proceedings for the Issuer to be declared bankrupt (*konkurs*) or its winding-up or liquidation (*likvidation*), in each case, in the Kingdom of Sweden and not elsewhere, and prove or claim in the bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer; and/or

(y) (in the case of (C) above) prove or claim in the winding up or liquidation or as the case may be, bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer, whether in the Kingdom of Sweden or elsewhere and instituted by the Issuer itself or by a third party

but (in either case) the Holder of such Note may claim payment in respect of the Note only in the winding up or liquidation or as the case may be, bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer.

(iv) In any of the events or circumstances described in Condition 7(b)(iii)(C) above, the Holder of any Note may, by notice to the Issuer, declare such Note to be due and payable, and such Note shall accordingly become due and payable at its Outstanding Principal Amount together with accrued interest to the date of payment but subject to such Holder only being able to claim payment in respect of the Note in the winding up or liquidation or as the case may be, bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer.

(v) The Holder of any Note may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to Conditions 7(b)(ii) or 7(b)(iii) above, any obligation for the payment of any principal or interest in respect of the Notes) **provided that** the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it, except with the prior approval of the SFSA.

(vi) No remedy against the Issuer, other than as provided in Conditions 7(b)(iii), 7(b)(iv) and 7(b)(v) above shall be available to the Holders of Notes, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations or undertakings with respect to the Notes.

8. Taxation

(a) All amounts payable in respect of the Notes (whether in respect of interest, or, in the case of Unsubordinated Notes only, principal, redemption amount or otherwise) by or on behalf of the Issuer will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Sweden or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holders after such withholding or deduction shall equal the respective amounts which would have been receivable in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to payment in respect of any Note presented for payment:

(i) in Sweden;

(ii) by or on behalf of a Holder who is liable to such taxes or duties in respect of such Note by reason of such Holder having some connection with Sweden other than the mere holding of such Note; or

(iii) more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or

(iv) by or on behalf of, a Holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

(b) For the purposes of these Conditions, the "**Relevant Date**" means the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Fiscal Agent or, as the case may be, the Registrar (or, in respect of Swiss Franc Notes only, the Swiss Paying Agent) on or prior to such due date, it means the first date on which the full amount of such moneys has been so received and notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 14.

(c) Any reference in these Conditions to principal, redemption amount and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or any undertaking given in addition thereto or in substitution therefore.

(d) Notwithstanding anything in Conditions 8 or 9 to the contrary, none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any treaty, law, regulation, intergovernmental agreement implementing legislation or other official guidance enacted by Sweden implementing FATCA, or any agreement between the Issuer or any other person making payments on behalf of the Issuer and the United States or any authority thereof implementing FATCA.

9. Payments

(a) ***Payments—Bearer Notes***

(i) This Condition 9(a) is applicable in relation to Bearer Notes.

(ii) Payment of amounts (including accrued interest) due on the redemption of Bearer Notes will be made against presentation and, save in the case of a partial redemption by reason of insufficiency of funds or payment of an Instalment Amount (other than the final Instalment Amount), surrender of the relevant Bearer Notes to or to the order of any of the Paying Agents.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Note will be made against presentation of the Bearer Note together with (whether applicable) the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Bearer Note to which they relate will not represent any obligation of the Issuer.

Accordingly, the presentation of a Bearer Note without the relative Receipt or the presentation of a Receipt without the Bearer Note to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

(iii) Payment of amounts due in respect of interest on Bearer Notes will be made:

(A) in the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents outside the United States and, in the case of a Temporary Global Note, upon due certification as required therein;

(B) in the case of Definitive Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Notes at the specified office of any of the Paying Agents outside the United States; and

(C) in the case of Definitive Notes delivered with Coupons attached thereto at the time of the initial delivery, against surrender of the relevant Coupons at the specified office of any of the Paying Agents outside the United States.

(iv) If the due date for payment of any amount due (whether in respect of principal, interest or otherwise) in respect of any Bearer Notes is not a Business Day, then 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.

(v) Each Definitive Note initially delivered with Coupons or Receipts attached thereto should be surrendered for final redemption together with all unmatured Coupons or Receipts appertaining thereto, failing which:

(A) in the case of Definitive Notes which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time prior to the tenth anniversary of the due date of such final redemption or, if later, the fifth anniversary of the date of maturity of such Coupon; and

(B) in the case of Definitive Notes which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupon relating to such Definitive Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

(C) in the case of Bearer Notes initially delivered with Receipts attached thereto, all Receipts relating to such Bearer Notes in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

(b) ***Payments—Registered Notes***

(i) This Condition 9(b) is applicable in relation to Registered Notes.

(ii) Payments of amounts (including accrued interest) due on the final redemption of Registered Notes 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 Notes as the specified office of the Registrar. If the due date for payment of any amount due (whether in respect of principal, interest or otherwise) in respect of Registered Notes 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 (whether principal, interest or otherwise) due (other than in respect of the final redemption of Registered Notes) in respect of Registered Notes 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 (New York time) on the fifteenth New York Banking Day before the due date for such payment (the "**Record Date**").

(iv) Notwithstanding the provisions of Condition 9(g)(ii), payments of interest due (other than in respect of the final redemption of Registered Notes) in respect of Registered Notes 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).

(c) ***Payments—Swiss Franc Notes***

This Condition 9(c) is applicable in relation to Swiss Franc Notes.

Payment of principal and/or interest shall be made in freely disposable Swiss francs without collection costs in Switzerland to the Noteholders and/or Couponholders, without any restrictions, whatever the circumstances may be, irrespective of nationality, domicile or residence of the Noteholders and/or Couponholders and without requiring any certification, affidavit or the fulfilment of any other formality.

Payment to the Swiss Paying Agent by the Issuer and the receipt by the Swiss Paying Agent of the due and punctual payment of the funds in Swiss francs in Switzerland shall release the Issuer of its obligations under the Notes and Coupons for the purposes of payment of principal and interest due on the respective payment dates to the extent of such payments.

(d) ***Payments—VP Notes***

This Condition 9(d) is applicable in relation to VP Notes.

Payments of principal and/or interest in respect of the VP Notes shall be made to the Holders as appearing registered in the register kept by the VP as such on the fifth 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 Notes in accordance with VP Rules.

(e) ***Payments—VPS Notes***

This Condition 9(e) is applicable in relation to VPS Notes.

Payments of principal and/or interest in respect of the VPS Notes shall be made to the Holders registered as such on the fifth business day (as defined by the then applicable VPS Rules) 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 Notes in accordance with the VPS Rules.

(f) ***Payments—Swedish Notes***

This Condition 9(f) is applicable in relation to Swedish Notes.

Payments of principal and/or interest in respect of the Swedish Notes shall be made to the Holders as appearing registered in the Euroclear Sweden Register as such on the fifth 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 other business day falling closer to the due 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 Notes in accordance with Euroclear Sweden Rules.

(g) ***Payments—General Provisions***

(i) Save as otherwise specified herein, this Condition 9 is applicable in relation to Notes whether in bearer or in registered form.

(ii) Subject to the provisions below, payments of amounts due (whether in respect of principal, interest or otherwise) in respect of Notes 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 a Note 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, without prejudice to the provisions of Condition 8, be subject in all cases to (i) any applicable fiscal or other laws and regulations and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise required pursuant to Section 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Payments in Renminbi will be made by credit or transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to settlement in Renminbi in Hong Kong). Payments of the U.S. Dollar Equivalent of the relevant Renminbi amount, determined in accordance with the Conditions, will be made by credit or transfer to a U.S. dollar account (or any other account to which U.S. dollar may be credited or transferred) specified by the payee or, at the option of the payee, by a U.S. dollar cheque, provided, however, that no payment will be made by transfer to an account in, or by cheque mailed to an address in, the United States.

(iii) This Condition 9(g)(iii) applies to Renminbi Notes only.

Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest in respect of Renminbi Notes when due in Renminbi, the Issuer may settle any such payment in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi amount. Upon the determination that a condition of Inconvertibility, Non-transferability or Illiquidity prevails, the Issuer shall no later than 10:00 a.m. (Hong Kong time) on the Rate Calculation Date, (i) notify the Calculation Agent and the Paying Agents, and (ii) notify the Holders in accordance with Condition 14 of such determination.

Any payment made in the U.S. Dollar Equivalent of a Renminbi amount under this Condition 9(g)(iii) will constitute valid payment, and will not constitute a default in respect of the Renminbi Notes.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents and all Holders of Notes and Holders of Coupons.

10. **Prescription**

(a) Bearer Notes and the related Coupons will become void unless presented for payment within ten years (or, in the case of Coupons and save as provided in Condition 9(a)(v), five years) after the due date for payment.

(b) Claims against the Issuer in respect of Registered Notes will be prescribed unless made within 10 years (or, in the case of claims in respect of interest, five years) after the due date for payment.

11. **The Paying Agents and the Registrar**

The initial Paying Agents 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 Paying Agent (including the Fiscal Agent) or the Registrar and to appoint additional or other Paying Agents or another Registrar **provided that** it will at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Paying Agent with a specified office in continental Europe but outside Sweden, (iv) so long as any VP Notes are cleared 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 Paying Agent shall have any rights and obligations in relation thereto, (v) so long as any VPS Notes are cleared through VPS, a Paying Agent with a specified office in Norway; (vi) so long as any Swedish Notes are cleared through Euroclear Sweden, an Issuing Agent with a specified office in Sweden; and (vii) in respect of the Swiss Franc Notes, a Paying Agent having its specified office in Switzerland and at no time maintain a Paying Agent having its specified office outside of Switzerland. The Paying Agents and the Registrar reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agents or the Registrar will be notified promptly to the Holders.

12. **Replacement of Notes**

If any Note, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Notes and Coupons) or of the Registrar (in the case of Registered Notes), subject to all applicable laws and the requirements of any stock exchange and/or listing authority on which the relevant Notes 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 Fiscal Agent or, as the case may be, the Registrar may require. Mutilated or defaced Notes, Receipts and Coupons must be surrendered before replacements will be delivered.

13. **Meetings of Holders**

The Fiscal Agency Agreement contains provisions, which are binding on the Issuer and the Holders of Notes or Coupons, for convening meetings of the Holders of Notes of any Series to consider matters affecting their interests, including the modification or waiver of the Conditions applicable to any Series of Notes. Any modification or waiver of the Conditions which affects Subordinated Notes will be effected in accordance with Applicable Banking Regulations.

In relation to VPS Notes only, meetings of Holders shall be held in accordance with the Fiscal Agency Agreement and in compliance with the relevant regulations of the VPS. For the purposes of a meeting of Holders, the person named in the certificate from the VPS or the VPS Paying Agent shall be treated as the Holder specified in such certificate **provided that** he has given an undertaking not to transfer the VPS Notes so specified (prior to the close of the meeting) and the VPS Paying Agent shall be entitled to assume that any such undertaking is validly given, shall not enquire as to its validity and enforceability, shall not be obliged to enforce any such undertaking and shall be entitled to rely on the same.

In relation to Swedish Notes only, meetings of Holders shall be held in accordance with the Fiscal Agency Agreement.

14. **Notices**

(a) ***To Holders of Bearer Notes***

Notices to Holders of Bearer Notes will be deemed to be validly given if published in a leading daily newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*) or, in the case of a Temporary Global Note or Permanent Global Note if delivered to Euroclear and Clearstream, Luxembourg for communication by them to the persons shown in their respective records as having interests therein **provided that**, in the case of Notes admitted to listing and/or trading on any stock exchange, the requirements of such stock exchange or listing authority have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of first such publication) or, as the case may be, on the fourth Business Day after the date of such delivery.

(b) ***To Holders of Registered Notes***

Notices to Holders of Registered Notes will be deemed to be validly given if 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.

(c) ***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 Notes in accordance with this Condition 14) 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.

(d) ***Notices in respect of Swiss Franc Notes***

Notices in respect of Swiss Franc Notes will, so long as the Notes are listed on the SIX Swiss Exchange and the rules of the SIX Swiss Exchange so require, be deemed to have been given if published by the Swiss Paying Agent at the expense of the Issuer, (i) by means of electronic publication on the internet website of the SIX Swiss Exchange under the section headed "Official Notices" where notices are currently published under the address: http://www.six-exchange-regulation.com/publications/published_notifications/official_notices_en.html or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange. Notices shall be deemed to be validly given on the date of such publication or, if published more than once, on the date of the first such publication.

For Swiss Franc Notes that are not listed on the SIX Swiss Exchange, notices to Noteholders shall be given by communication through the Swiss Paying Agent to SIS (or such other intermediary) for forwarding to the Holders of the Notes. Any notice so given shall be deemed to be validly given with the communication to SIS (or such other intermediary).

(e) ***Notices in respect of VP Notes***

Notices in respect of VP Notes will be in writing and shall be addressed to such Holders of the VP Notes at the address appearing in the register maintained by VP in accordance with the VP Rules.

(f) ***Notices in respect of VPS Notes***

Notices in respect of VPS Notes will be in writing, sent by first class mail or electronic mail, addressed to such Holders at the address appearing in the VPS Register in accordance with the

VPS Rules, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing.

(g) ***Notices in respect of Swedish Notes***

Notices in respect of Swedish Notes will be in writing, addressed to such Holders at the address appearing in Euroclear Sweden Register maintained by the Swedish Issuing Agent in accordance with Euroclear Sweden Rules, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing.

15. **Provision of Information**

In relation to VP Notes, 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 Notes and the Holders of the VP Notes 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 Notes, the residency of the holder of the VP Notes, the number of VP Notes of the relevant holder and the address of the relevant holder.

In relation to VPS Notes, each Holder agrees and gives consent to the VPS to provide to the VPS Paying Agent, upon request, information registered with the VPS relating to the VPS Notes and the Holders of the VPS Notes in order that the VPS Paying Agent may provide any relevant Norwegian authorities, including the Financial Supervisory Authority of Norway (*Finanstilsynet*) and the Norwegian tax authorities with any information required under applicable Norwegian laws. Such information shall include, but not be limited to, the identity of the registered holder of the VPS Notes, the residency of the registered holder of the VPS Notes, the number of VPS Notes registered with the relevant holder, the address of the relevant holder, the account operator in respect of the relevant VPS account (*Kontofører*) and whether or not the VPS Notes are registered in the name of a nominee and the identity of any such nominee.

In relation to Swedish Notes, 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 Notes and the Holders of the Swedish Notes 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 Notes, the residency of the registered holder of the Swedish Notes, the number of Swedish Notes registered with the relevant holder, the address of the relevant holder, the account operator in respect of the relevant Euroclear Sweden account (*Kontoförande*) and whether or not the Swedish Notes are registered in the name of a nominee and the identity of any such nominee.

16. **Further Issues**

The Issuer may from time to time without the consent of the Holders of any Notes of any Series create and issue further Notes and other debt securities having terms and conditions the same as those of the Notes 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 Notes of such Series.

17. **Substitution and Variation**

Substitution or Variation of Subordinated Notes

If this Condition 17 is specified as applicable in the relevant Final Terms, if at any time a Withholding Tax Event, a Tax Event or a Capital Event occurs, then the Issuer may, in accordance with Applicable Banking Regulations (without any requirement for the consent or approval of the Holders of the Subordinated Notes) and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent (in accordance with the Fiscal Agency Agreement) and the Holders of the Subordinated Notes (which notice shall be irrevocable), at any time either substitute all (but not some only) of the Subordinated Notes for, or vary the terms of the Subordinated Notes so that they remain or, as appropriate, become, Qualifying Securities provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities. For the avoidance of doubt, any such substitution or variation shall not be deemed to be a modification or amendment for the purposes of Condition 13 (*Meetings of Holders*).

"**Qualifying Securities**" means, for the purpose of this Condition 17, securities, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

(a) have terms not materially less favourable to a Holder of the Subordinated Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing which is independent of the Nordea Group, than the terms of the Subordinated Notes;

(b) contain terms such that they comply with the minimum requirements under the Applicable Banking Regulations for inclusion in the Tier 2 Capital of the Issuer or the Nordea Group (as applicable);

(c) include a ranking at least equal to that of the Subordinated Notes;

(d) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes;

(e) have the same redemption rights as the Subordinated Notes;

(f) preserve any existing rights under the Subordinated Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation;

(g) are assigned (or maintain) at least the same credit ratings as were assigned to the Subordinated Notes immediately prior to such variation or substitution; and

(h) are listed on a recognised stock exchange if the Subordinated Notes were listed immediately prior to such variation or substitution.

18. **Law and Jurisdiction**

(a) The Notes, the Fiscal Agency Agreement and the Deed of Covenant and all non-contractual obligations arising out of or in connection with any of them are governed by English law except that, in the case of Notes specified in the relevant Final Terms as being Subordinated Notes, the provisions of Condition 4(b) as they apply to such Notes and all non-contractual obligations arising out of or in connection with them shall be governed by and shall be construed in accordance with the laws of Sweden. In relation to VP Notes, Danish law and jurisdiction will be applicable with regard to the registration of such Notes in the VP and VP Notes must comply with the Danish Securities Trading etc. Act (*Lov om værdipapirhandel m.v.*), as amended or replaced from time to time and the Danish Executive Order on Book Entry, etc. of dematerialised Securities in a Central Securities Depositary (*Bekendtgørelse om registrering m.v. af fondsaktiver i en værdipapircentral*) as amended from time to time. Norwegian law and jurisdiction will be applicable with regard to the registration of such VPS Notes in the VPS. Swedish law and jurisdiction will be applicable with regard to the registration of such Swedish Notes in Euroclear Sweden and the Swedish Notes must comply with the SFIA Act.

(b) The Issuer irrevocably agrees for the benefit of the Holders of the Notes 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 the Notes (including a dispute relating to any non-contractual obligation arising out of or in connection with the Notes) (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits 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 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 Notes 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. 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 AB (publ), London Branch at its registered address in London from time to time, being presently at 6th Floor, 5 Aldermanbury Square, London EC2V 7AZ, United Kingdom 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 Noteholder 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.

(c) Notwithstanding that, under the SFIA Act or the operating procedures, rules and regulations of Euroclear Sweden (together, the "**Swedish Remedies**"), Holders of Swedish Notes may have remedies against the Issuer for non-payment or non-performance under the Conditions applicable to such Swedish Notes, a Swedish Note Holder must first exhaust all available remedies under English 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 18(b), and in this limited respect only, a Holder of Swedish Notes may therefore not take concurrent Proceedings in Sweden.

19. **Third Parties Rights**

No person shall have any right to enforce any term or condition of any Notes under the Contracts (Rights of Third Parties) Act 1999.

20. **Acknowledgement of Bail-in Powers**

Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Holder (which, for the purposes of this Condition 20, includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Noteholder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of Bail-in 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 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 Notes;

(ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Noteholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;

(iii) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and

(iv) the amendment or alteration of the perpetual nature of the Notes or amendment of the amount of interest payable on the Notes, 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 Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Bail-in Powers by the Relevant Resolution Authority.

"**Bail-in Powers**" means any loss absorption, write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Kingdom of Sweden, relating to (i) the transposition of the BRRD (including but not limited to the Resolution Act (*Lagen (2015:1016 om resolution*)) as amended or replaced from time to time and (ii) the instruments, rules and standards created thereunder, 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 Notes, together with any accrued but unpaid interest and additional amounts due on the Notes. 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 Powers by the Relevant Resolution Authority.

"**Relevant Resolution Authority**" means the resolution authority with the ability to exercise any Bail-in Powers in relation to the Issuer and/or the Group.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Notes 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 applicable Final Terms.

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 SIS (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 Notes will be cleared through Euroclear and/or Clearstream, Luxembourg or, in the case of VP Notes, the VP or, in the case of VPS Notes, the VPS or, in the case of Swedish Notes, Euroclear Sweden or, in the case of Swiss Franc Notes, SIS.

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 ICSD. 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.

Distributions with respect to interests in Temporary Global Notes, Permanent Global Notes or Definitive Bearer Notes held through Euroclear will be credited to the Euroclear cash accounts of Euroclear Participants to the extent received by Euroclear's depositary, in accordance with the Euroclear Terms and Conditions. Euroclear will take any other action permitted to be taken by a holder of any such Temporary Global Notes, Permanent Global Notes or Definitive Bearer Notes on behalf of a Euroclear Participant only in accordance with the Euroclear Terms and Conditions.

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

Clearstream, Luxembourg

Clearstream Banking, société anonyme ("**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 limited liability company and is subject to the Danish Securities Trading etc. Act (*Lov om værdipapirhandel m.v.*), as amended or replaced from time to time and the Danish Executive Order on Book Entry, etc. of dematerialised Securities in a Central Securities Depositary (*Bekendtgørelse om registrering m.v. af fondsaktiver i en værdipapircentral*) as amended from time to time. 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 Notes in the VP will take place on a registration-against-payment basis three Copenhagen business days after the date of the relevant transaction. Transfers of interests in a VP Note 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 Notes 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, DK-2300 Copenhagen S, Denmark

VPS

Verdipapirsentralen ASA ("**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 clears and 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 Notes in the VPS will take place three Oslo business days after the date of the relevant transaction. Notes 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 Notes which are held in the VPS through Euroclear or Clearstream, Luxembourg is only possible by using an account operator linked to the VPS.

The address of VPS is Norwegian Central Securities Depository, Verdipapirsentralen ASA, P.O. 4, 0051 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 and clearing house.

Settlement of sale and purchase transactions in respect of Notes in Euroclear Sweden will take place three Stockholm business days after the date of the relevant transaction. Notes 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 Notes 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 Central Securities Depository, Euroclear Sweden, Box 191, 101 23 Stockholm, Sweden.

SIS

SIS is a wholly owned subsidiary of SIX Group Ltd., has a bank license and is supervised by the Swiss Financial Market Supervisory Authority FINMA.

SIS acts as the central securities depository and settlement institution for the following Swiss securities: equities, government and private sector bonds, money market instruments, exchange traded funds, conventional investment funds, structured products, warrants and other derivatives. Apart from providing custody and settlement for Swiss securities, SIS acts as global custodian and offers its participants access to custody and settlement in foreign financial markets. SIS offers direct links to other international central securities depositories and central securities depositories including Euroclear and Clearstream, Luxembourg.

The address of SIS is SIX SIS AG, Baslerstrasse 100, CH-4600 Olten, Switzerland.

THE NORDEA GROUP

Overview

The Nordea Group (Nordea Bank AB and its subsidiaries, the "**Nordea Group**" or the "**Group**") is a large financial services group in the Nordic markets (Denmark, Finland, Norway and Sweden) measured by total income, with additional operations in Estonia, Latvia and Lithuania, as well as in Russia and Luxembourg, and branches in a number of other international locations.

The Nordea Group's parent company, Nordea Bank AB, is a public Swedish limited liability company incorporated under Swedish law. Nordea Bank AB's shares are listed and traded on the Stockholm, Copenhagen and Helsinki stock exchanges. The Nordea Group's head office is located in Stockholm at Smålandsgatan 17, SE-105 71 Stockholm, Sweden.

As at 31 December 2016, the Nordea Group's assets totalled EUR 616 billion and tier 1 capital EUR 27.6 billion. As of the same date, the Nordea Group had approximately 10.5 million customers across the markets in which it operates, of which approximately 10 million are household customers in customer programmes and 0.5 million are corporate and institutional customers.

As of 31 December 2016, the Nordea Group had approximately 600 branch office locations. In addition, the Group has a very large number of telephone and Internet customers.

In addition, the Nordea Group acts as an asset manager within the Nordic region with EUR 323 billion in assets under management as at 31 December 2016. The Nordea Group also provides life insurance products.

The Formation of the Nordea Group

The Nordea Group was created through international mergers among four large Nordic financial institutions which gradually resulted in the creation of a single unit. Nordea's predecessors were Nordea Bank Sverige AB (publ) (formerly Nordbanken AB (publ)) in Sweden ("**Nordea Bank Sverige**"), which, on 1 March 2004, merged with the Group's parent company and underwent a change of name to Nordea Bank AB (publ); Nordea Bank Danmark A/S (formerly Unibank A/S) in Denmark ("**Nordea Bank Danmark**"); Nordea Bank Finland Plc (formerly Merita Bank Abp) in Finland ("**Nordea Bank Finland**"); and Nordea Bank Norge ASA (formerly Christiania Bank og Kreditkasse ASA) in Norway ("**Nordea Bank Norge**").

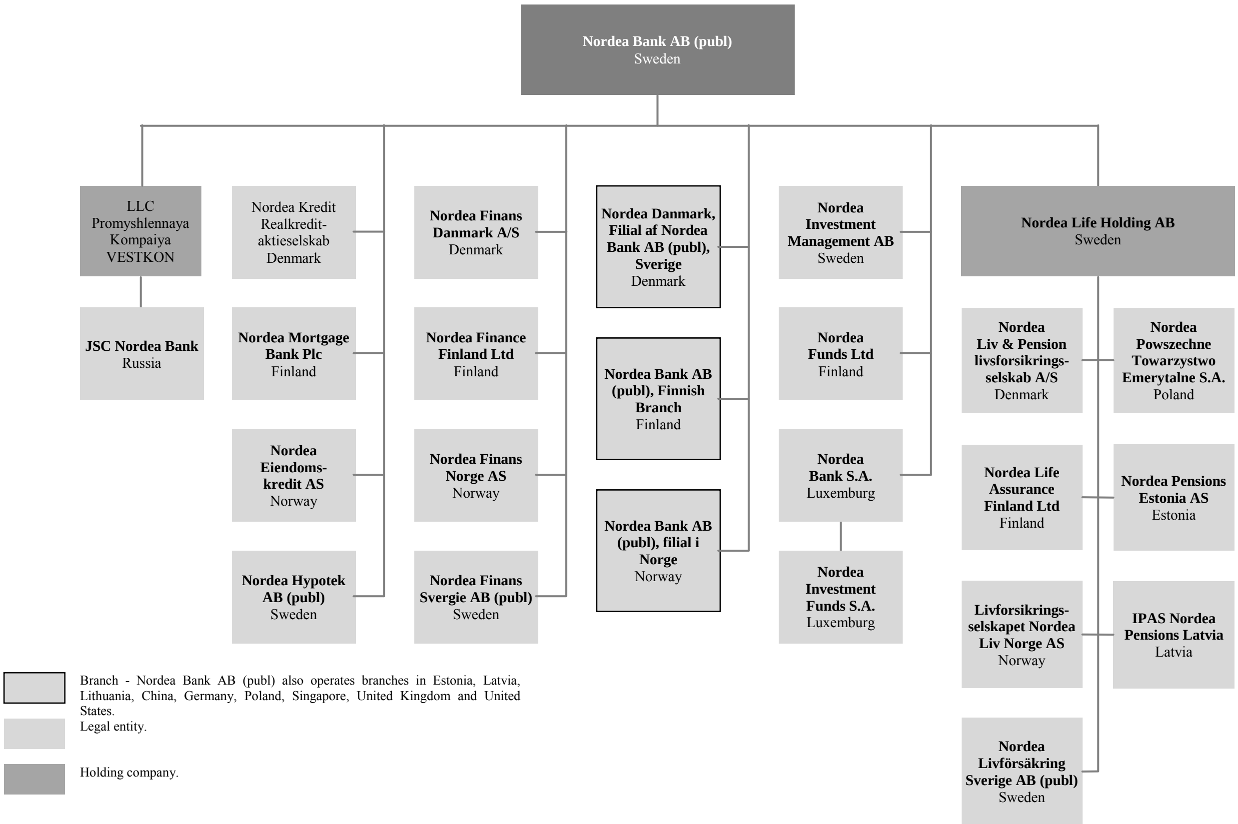
After the Group's parent company had adopted the name Nordea AB (publ) at the end of 2000, the name "Nordea" was gradually introduced within the Group and, by December 2001, the banks and branch offices within the Group had adopted the name Nordea.

Legal Structure

To improve operating capacity, reduce risk exposure and enhance capital efficiency, Nordea's Board of Directors initiated a change in the Nordea Group's legal structure in June 2003. The internal restructuring commenced in 2003 when Nordea AB (publ), the parent company of the Nordea Group, acquired Nordea Bank Sverige, Nordea Bank Danmark and Nordea Bank Norge from Nordea Bank Finland Plc. At the same time, Nordea AB (publ) also acquired Nordea North America, Inc. from Nordea Bank Finland Plc. Following these transactions, Nordea AB (publ) was established as a bank and its name was changed to Nordea Bank AB (publ). Thereafter, Nordea Bank Sverige AB (publ) merged with Nordea Bank AB (publ). The merger was registered with the Swedish Patent and Registration Office (currently the Swedish Companies Registration Office) on 1 March 2004.

Nordea announced on 4 February 2016 that the Board of Directors of Nordea Bank AB, 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 "**Merger Plans**"). On 17 March 2016, the general meeting of Nordea's shareholders approved the Merger Plans that were entered into with the aim to convert Nordea's Danish, Finnish and Norwegian subsidiary banks to branches of Nordea. The Merger Plans were entered into with the aim to convert Nordea's Danish, Finnish and Norwegian subsidiary banks to branches of Nordea by means of cross-border mergers (the "**Mergers**"). The Mergers (as defined below) took effect on 2 January 2017 under the European Cross Border Mergers Directive (2005/56/EC) and Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA became branches of Nordea Bank AB (publ). On 1 October 2016, as part of the Mergers process, a new mortgage credit bank (Nordea Mortgage Bank Plc) was established in Finland 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.

The following chart sets forth the general legal structure of the Nordea Group following the completion of the Mergers:



On 25 August 2016, Nordea Bank AB announced that Nordea Bank AB and DNB, Norway's largest financial services group as measured by total assets, had entered into an agreement to combine their operations in Estonia, Latvia and Lithuania into a new bank. Nordea Bank AB and DNB will have equal voting rights over the combined bank and equal representation on the combined bank's board of directors. The majority of board members, including the chairman, will be independent. The economic ownership levels of Nordea Bank AB and DNB in the combined bank will be different and reflect the relative equity value of their contribution to the combined bank at the time of the closing of the transaction. The transaction, which is expected to close in the second quarter of 2017, is conditional upon regulatory approvals and subject to customary closing conditions. The Nordea Group and DNB will remain competitors and operate independently until all requisite approvals have been obtained and the transaction has closed.

The Nordea Group's Organisation

Overview

The Nordea Group's organisational structure is built around four main business areas: Personal Banking, Commercial and Business Banking, Wholesale Banking and Wealth Management. In addition to the business areas, the Nordea Group's organisation includes the following six Group functions: Group Corporate Centre, Group Finance & Business Control, Group Risk Management, Group Compliance, Chief of Staff Office and Group People.

In the Nordea Group's organisation, all parts of the value chains, namely customer responsibility, support, products, staff and IT development, have been incorporated into the four main business areas with the objective to improve efficiency, increase return on equity and deepen customer relationships. By organising the business areas around value chains, Nordea Bank AB believes that the responsibilities for creating efficiencies will be clearer and that the Nordea Group will be able to respond to new regulatory and investor demands in a more agile manner. The four main business areas are designed to support the relationship strategy for each specific customer segment. Having one operating model and an end-to-end value chain aims to ensure optimal delivery, increasing time spent with customers and reducing the time required to bring new products and services to the market.

Of the Nordea Group's business areas, Personal Banking serves the Nordea Group's household customers. The business area includes advisory and service staff, channels and product units under a common strategy, operating model and governance across markets. Personal Banking comprises the units Personal Banking Denmark, Personal Banking Finland, Personal Banking Norway, Personal Banking Sweden and Digital Banking, Products, Strategy & Development, and COO Personal Banking.

Commercial & Business Banking serves large corporate customers (Corporate Banking) and small and medium-sized corporate customers (Business Banking), and includes the following customer segments: Commercial Banking, Business Banking, Transaction Banking, Corporate Strategy & Development, Digital Banking, and COO Commercial & Business Banking.

Wholesale Banking provides services and financial solutions to the Nordea Group's largest corporate and institutional customers. Customers are served through a pan-Nordic platform complemented by selected international branches. The business area provides its customers with products and services within corporate banking, cash management and trade finance services, investment banking and capital markets products. The Wholesale Banking business area includes the business units Corporate & Investment Banking, Nordea Bank Russia, FICC, Equities and Core functions, including Wholesale Banking COO.

Wealth Management provides investment, savings, life insurance and risk management products. Customers are served through various channels, including a pan-Nordic Private Banking platform complemented by an International Private Banking unit. The business area manages customers' assets and gives financial advice to affluent and high net worth individuals as well as institutional investors. Wealth Management includes the units Private Banking, including Private Banking Denmark, Finland, Norway, Sweden and International, Asset Management, Life & Pensions, Savings & Wealth Offerings, Business Development and Operations.

Group Corporate Centre provides strategic frameworks, common infrastructure and processes for the Nordea Group. Group Corporate Centre supports the Nordea Group within capital models, balance sheet management and investor relations. Through the COO organisation, Group Corporate Centre is also responsible for fully implementing one operating model by harmonising processes and services and supporting simplification, IT and compliance activities across the Group. Group Corporate Centre consists of Group COO organisation, COO Group Functions, COO Project Management Office, Group Simplification, Business Transformation, Regulatory Change Management and Group IT, Group Treasury and Asset & Liability Management and Investor Relations.

Group Finance & Business Control provides financial reporting frameworks for the Nordea Group and includes Group Reporting, Group Business Control & Reporting, Group Financial Management, Group Valuation Control and Management Office.

Group Risk Management manages and monitors all aspects of risks, including credit, market or operational risk. Group Risk Management includes Group Credit Risk, Group Market and Counterparty Credit Risk, Group Operational Risk, Group Credit & Financial Reporting Control, Group Recovery & Resolution Planning and Group Strategic Risk Management and Analysis.

Group Compliance includes the units supporting each business area and Group function, Compliance Operations, Financial Crime and Monitoring.

Group People is responsible for Group-wide strategic partnering, support and service in all human resources ("**HR**") matters and includes the units HR in Denmark, Finland, Norway and Sweden, Staffing, HR Core, Compensation & Benefit, Leadership, Performance Management and Talent Management.

Chief of Staff Office is a common organisation for centralised Group-wide functions delivering key and strategic services across the Nordea Group. Chief of Staff Office provides services related to legal advice, marketing and communication, facility management and executive management support. Chief of Staff

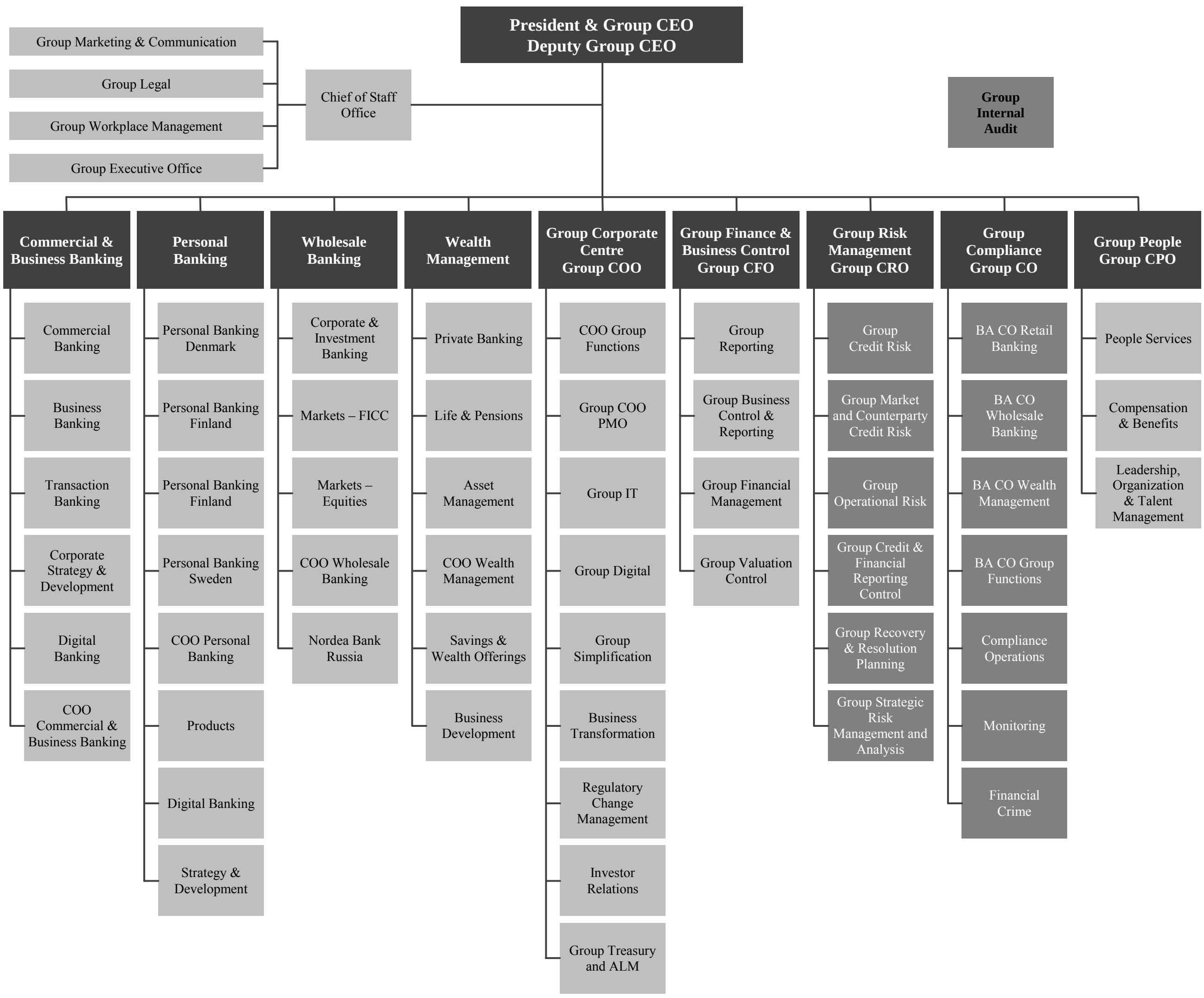
Office includes the units Group Marketing & Communications, Group Executive Office, Group Legal and Group Workplace Management.

Business Areas

At the core of the Nordea Group's strategy is segmentation of customers and differentiating both value proposition and resource allocation according to customer needs. The Nordea Group's customer activities are organised around two major customer groups: household customers and corporate customers. With both its household customers and corporate customers, the Nordea Group seeks to build long-term banking relationships and to become a lifetime financial partner by gaining an understanding of the customers' specific product and service needs and by offering products and advice tailored to meet those requirements.

To serve its household customers and corporate customers, the Nordea Group has divided its operations into four main business areas, Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management. The business areas each comprise a number of business units which operate as separate profit units.

The following chart sets forth the Nordea Group's organisation at the date of this Base Prospectus:



Personal Banking

Of the Nordea Group's business areas, Personal Banking serves the Nordea Group's household customers. The business area includes advisory and service staff, channels and product units under a common strategy, operating model and governance across markets. Personal Banking includes the units Personal

Banking Denmark, Personal Banking Finland, Personal Banking Norway, Personal Banking Sweden and Digital Banking, Products, Strategy & Development, and COO Personal Banking.

Within Personal Banking, the Nordea Group operates through a multitude of channels in the household customer segment to ensure that household customers can access the bank when and how it suits them. To cater for the changing customer needs and preferences, the Nordea Group is continuously strengthening its online offerings. The Nordea Group's goal is to build broad and deep relationships with its customers online. The ambition is to create online solutions for those personal customers who want a full-service solution. In addition, the Nordea Group is working to simplify and digitise the key processes and products. Through the Nordea Group's common customer relationship system, the multitude of channels is integrated so that customer interaction in one channel is simultaneously recorded in all other channels. The Nordea Group segments its customers to provide the best service, advice and product solutions to customers, thereby aiming to ensure loyalty, brand value and increasing business and income.

Commercial & Business Banking

Commercial & Business Banking serves large corporate customers (Corporate Banking) and small and medium-sized corporate customers (Business Banking), and includes the units Commercial Banking, Business Banking, Transaction Banking, Corporate Strategy & Development, Digital Banking, and COO Commercial & Business Banking.

In the Nordic markets, Commercial & Business Banking divides its corporate customers further into three cross-country corporate segments based on their business potential and the complexity of their banking needs. The three segments are Commercial Banking, Business Banking and Business Banking Direct. The Nordea Group has developed a distinct value proposition, including contact policy, service level and product solutions, for each segment to provide comprehensive offerings and ensure "house bank" relationships.

Wholesale Banking

Wholesale Banking provides financial solutions to large Nordic and international corporate and institutional customers. The offering includes a diverse range of financing, investment banking and capital markets products and securities services. The mission of the Wholesale Banking business area is to provide strong relationship and product offerings to the largest Nordic corporate and institutional customers of the Nordea Group. Nordea Bank Russia is also part of Wholesale Banking. The Wholesale Banking business area aims to ensure integration of the value chain from customer units through product, support and IT units.

Nordea Bank AB believes that its strategy for the largest corporate customers has proven robust during the ongoing transformation of the banking industry. Nordea Bank AB further believes that the Nordea Group's local sales organisations combined with a global production platform enable it to capitalise on the benefits of relationship banking and economies of scale. The relationship strategy provides the Nordea Group with a deep knowledge of its customers and their industries, which allows Wholesale Banking to strengthen its customer offerings.

The Wholesale Banking business area includes the business units Corporate & Investment Banking, Nordea Bank Russia, Fixed Income Currency & Commodities, Equities and Core functions, including Wholesale Banking COO.

<u>Corporates & Investment Banking</u>

As of 1 August 2016, Investment Banking and Corporate & Institutions were combined into the new division, Corporate & Investment Banking ("**C&IB**"). Corporate & Investment Banking is a customer-responsible organisation serving the largest corporate and institutional customers. Corporate & Investment Banking consist of four individual divisions, covering each of the Nordic countries (C&IB Denmark, C&IB Finland, C&IB Norway and C&IB Sweden), and International Division (five branches located in Frankfurt, London, New York, Shanghai and Singapore and two representative offices located in Sao Paolo and Beijing). In addition, C&IB includes the units Advisory, Debt Capital Markets, Financial Institutions Group and Shipping, Offshore & Oil Services. The C&IB divisions serve corporate and institutional customers with a strong customer centric focus through the Nordea Group's Wholesale Banking Customer Service Model.

In the Wholesale Banking Customer Service Model, the customer units and product units have joint ownership and responsibility for maintaining and developing profitable customer relationships. The customer-responsible unit has the overall responsibility for the customer relationship, including customer profitability and credit risk. Product units are responsible for the sales, delivery, profitability and inherent (operational) risks of their products. Corporate and institutional customers are offered tailored solutions and the full range of financial services by the Nordea Group, such as loans, deposits, cash management services, project finance, export and trade finance, corporate finance and capital markets products. In addition to Nordic corporate and institutional customers, Corporate & Investment Banking is also responsible for the corporate part of the Nordea Group's international business.

Nordea Bank Russia

Nordea Bank Russia offers bank services to corporate customers. Corporate customers of Nordea Bank Russia include leading Russian, Nordic and international companies operating in Russia. Nordea Bank Russia offers account and cash services, cash management, lending, trade and project finance, leasing and factoring, deposit taking and bank card services. In 2015, the strategy for the Russian operations was sharpened with focus on the largest Russian corporates and Nordic international companies. New mortgage lending was ceased and operations were streamlined accordingly. In addition, a more selective approach for all new businesses was applied. Due to the challenging geopolitical and economic environment, and in line with the Nordea Group's strategy to reduce its risks and exposure in Russia and focus on corporate banking services only, the Nordea Group made a decision in 2016 to sell its existing portfolio of mortgage and consumer loans in Russia. A dominant portion of Nordea Bank Russia's business is conducted from the offices in Moscow and St. Petersburg, where the majority of the employees is located.

Markets – Equities and FICC

The Nordea Group runs what it believes is the leading capital markets and investment banking operation in the Nordic region. Capital Markets is responsible for handling trading, research and sales within areas such as foreign exchange, fixed income, equities, structured products, debt capital markets and corporate finance, offering its products to all Nordea Group's customer segments.

Capital Markets is a customer driven franchise where the trading activities are driven by the management of the risk inherent in customer transactions, with no proprietary trading. Capital Markets consist of three main divisions: FICC, Investment Banking and Equities located primarily in the Nordic capitals. Markets FICC offers risk management products but also intermediation of credit and capital through, among other things, repurchase agreements and securities lending.

Wealth Management

Wealth Management provides high quality investment, savings and risk management solutions, manages the Nordea Group's customers' assets and advises affluent and high-net-worth individuals as well as institutional investors on their financial situation. The vision of Wealth Management is to become the leading wealth manager in the Nordic region, with global reach and global capabilities. Wealth Management strives to form strong client relationships, based on high quality of advice and solutions, delivered efficiently through an integrated value chain. The Wealth Management business area consists of three primary areas, Private Banking (including Private Banking Denmark, Finland, Norway, Sweden and International), Asset Management and Life & Pensions.

Private Banking advises wealthier customers of Nordea Group on all aspects of their financial situation. The Nordea Group operates its Private Banking business through an integrated model with Personal Banking. In addition to its Nordic Private Banking operations, the Nordea Group engages in international Private Banking operations that are targeted to both customers of a Nordic origin domiciled outside the Nordic region and international customers of non-Nordic origin.

Asset Management is responsible for investment management and investment funds within the Nordea Group and also for serving institutional clients and third-party distributors with investment products. The products are delivered to both household customers and corporate customers, including institutional clients. The product range comprises investment funds and discretionary mandates within all asset classes but with the majority within actively managed equity, fixed income and balanced products.

Life & Pensions provides life insurance, pension products and services in eight countries in Europe. Life & Pensions serves both the individual and corporate segments with traditional as well as unit-linked products. The operations are conducted in legal entities wholly owned by Nordea Life Holding AB while the customers are served through banking branches, Life & Pensions' own sales force or via tied agents, brokers and to a small extent other financial institutions.

Wealth Management additionally consists of the units Savings & Wealth Offering that is responsible for the savings product offering to Nordea's retail and private banking customers, Operations that is responsible for operational processes including IT and processing for regulatory requirements, and Business Development that is responsible for project management, communications, HR and planning and control.

Group Corporate Centre, Group Finance & Business Control, Group Risk Management and Group Compliance

Within the Nordea Group, four units, namely, Group Corporate Centre, Group Finance & Business Control, Group Risk Management and Group Compliance, are primarily responsible for risk, capital, liquidity and balance sheet management.

Group Corporate Centre

Group Corporate Centre is a Group function providing strategic and financial frameworks and processes as well as professional services and advice within their area of expertise. Group Corporate Centre aims to ensure that the Nordea Group operates with an adequate strategy and portfolio composition. Group Corporate Centre is also responsible for the measurement and analysis relating to performance as well as capital and liquidity management of the Nordea Group. Group Corporate Centre directly contributes to the Nordea Group's results by providing capital and funding and proprietary trading.

Group Finance & Business Control

Group Finance and Business Control was organised as a separate Group function in 2016 and is responsible for securing adequate processes relating to financial reporting. Group Finance & Business Control includes Group Reporting, Group Business Control & Reporting, Group Financial Management and Group Valuation Control.

Group Risk Management

Group Risk Management manages and monitors all aspects of risk, including credit, market or operational risk. Group Risk Management develops risk models, credit policies, credit processes and IT tools that support business areas and other business units within the Nordea Group together with efficient processes and prudent risk management.

Group Compliance

Group Compliance coordinates, facilitates and oversees the effectiveness and integrity of the Nordea Group's compliance risk management. Group Compliance comprises the compliance functions in business areas and group functions. It includes the units led by the Compliance Officers in each of Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management and Group Functions as well as the Compliance Operations, Compliance Monitoring and the Nordea Group's financial crime change programme.

Strategy

The Nordea Group is a universal banking group with a relationship strategy centered on its customers and advisory capabilities. The Nordea Group's strategic direction is primarily driven by, and reflective of, the needs of its customers and the challenging macroeconomic and regulatory environment in which the Nordea Group and its customers operate. The Nordea Group strives to provide excellent customer experiences and holistic financial solutions in a low risk, efficient and diversified manner. By serving the customers and fine-tuning its business, Nordea believes that the Nordea Group can further develop its low risk focused and stable franchise, providing access to funding at competitive price levels and delivering on its target for the years 2016 to 2018 of return on equity above the Nordic peer weighted average. In operational terms, during the past years, the Nordea Group has had a clear focus on constantly improving its cost and capital efficiency in order to maintain a sustainable operating model, secure competitive offerings and remain a solid banking institution. As part of the ongoing wider transformation of the Nordea Group, and in order to strengthen corporate governance, decrease administrative complexity and enhance efficiency, the Nordea Group has simplified its legal structure by converting Nordea's Danish, Finnish and Norwegian subsidiary banks to branches of Nordea.

The Nordea Group will continue to evolve into "One Nordea" and deliver the future relationship bank model through strengthened culture and consistent execution focusing on the following four areas:

- ***clear customer vision***, meeting customer needs with a constant focus as being considered easy to deal with, relevant and competent, anywhere and anytime and where the personal and digital relationship makes Nordea Bank AB a safe and trusted partner.
- ***common way of working***, the Nordea Group's four main business areas' value chains are designed to support the focused relationship strategy and Nordea Bank AB believes that having one operating model and business area ownership of the end-to-end value chain ensures a comprehensive view, accountability and congruity, and it also safeguards operational efficiency by improving the quality of customer relationships, increasing the time spent with customers and reducing the time required to bring new products and services to market.
- ***simplification of common systems***, to deliver excellent customer experiences in the face of digitalisation, changing customer behaviour and increased operational regulations, Nordea Bank AB believes that the Nordea Group will need to become more agile and realise the full potential of scale while ensuring continued resilience; to do so, the Nordea Group will continue to adopt and develop best practices and strive for transparency and reduced complexity in products and processes.
- ***common values***, clear values and principles are reflected in the objectives and incentives that are set within the Nordea Group, and how managers lead, develop and support people; values and leadership are the strongest drivers of performance and corporate culture. Nordea Bank AB believes that the pan-Nordic platform of the Nordea Group with scalability, superior Nordic distribution power with global capabilities and actively managed business portfolio and focus on low volatility will continue to create significant value for all stakeholders.

Main Strategic Priorities

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.

Strengthening of Customer-Centric Organisation

To facilitate an even sharper customer focus, the Nordea Group adjusted its organisation in 2016 to reflect the distinctive needs of the different household and corporate customer segments. Following these changes, the Nordea Group has four main business areas, namely Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management. By having one operating model and an end-to-end value chain for each segment, 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 as well as in many other industries. Customer preferences and expectation on accessibility, easiness and personalisation are key reasons behind this trend. The Nordea Group has seen, and continues to see, a rapid increase in customer demand for mobile solutions. In order to generate a truly digital bank, the Nordea Group is executing a transformational change agenda between 2016 and 2018. The transition activities include the shift from physical to digital distribution and the establishment of e-branches. For example, transactions that were traditionally handled through branches are now available to customers on a 24/7 basis through mobile banking. Advisory meetings are also increasingly being held remotely.

One Bank

To better reflect the Nordic way in which the Nordea Group operates, the Nordea Group's legal structure has been simplified as part of the ongoing wider transformation of the Nordea Group. On 2 January 2017, Nordea's Danish, Finnish and Norwegian subsidiary banks were converted into branches of Nordea. 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. The Nordea Group's ambition with the transformation is to make it even easier for its customers to deal with the Nordea Group cross-border while at the same time leveraging on the Nordea Group's expertise as "One Nordea."

Simplification

In order to accommodate the rapid change in customer preferences towards digitised distribution as well as the increasing operational regulation, the Nordea Group is currently simplifying parts of its operations. In line with this strategy, the Nordea Group is building new core banking and payment platforms and a Group common data warehouse, with the aim of significantly increasing agility, economies of scale and resilience, while, at the same time, reducing complexity. The core banking platform will contain customer information, loans and deposits, the payment platform will be used for conducting domestic, international and Single Euro Payments Area ("**SEPA**") payments, and the common data warehouse will consolidate existing data warehouses into one. The Nordea Group's customer and counterparty data operations will consolidate country-specific data into one solution.

Trust and Responsibility

The Nordea Group has set a target to be best in class in terms of regulatory compliance and will continue to further strengthen its focus on compliance and emphasis on implementing new rules and regulation quickly, thereby making it possible to capture the benefits of the compliance-related investments and form a deeper understanding of the Nordea Group's customers and risks.

Business Area Strategies

The Nordea Group's four main business areas all have their own strategic focus areas that contribute to the Nordea Group's relationship strategy.

Personal Banking

Leveraging its scale to cost efficiently serve all its customers on their daily banking needs, Personal Banking will further focus on improving accessibility and convenience, with the goal of ensuring that the business area's strong competence can be leveraged by customers to an even larger degree. Providing the right digital solutions and experiences to customers continues to play a key role in this development. Benefiting from the Nordea Group's simplification initiatives and technology investments, including the cost-efficient daily banking platform, Personal Banking will provide its customers with standardised, easy-to-use products they need for every-day activities. Meeting customers' preferences for self-service is an important element of these daily banking products. For more advanced customer needs, Personal Banking will continue to make its advisors easily available through remote meetings, aimed to ensure great value for customers and an efficient high-end distribution model for the bank. Across the full scale of offerings, digital solutions are increasingly taking a prime role in all interactions from offering convenient daily banking experiences to supporting and complementing advisors in more advanced matters. Based on these focus areas, Personal Banking will further tailor offers and services to match needs and preferences of its different customer groups.

Commercial & Business Banking

The strategic focus areas of Commercial & Business Banking are (i) to be best in class in advisory that is tailored to customer needs and preferences, (ii) to best in class digital experience that is available anywhere and anytime, and (iii) utilise efficiency and scale in leveraging the Nordea Group's Nordic model with the goal of making the business area even more cost and capital efficient. Commercial & Business Banking is strengthening its advisory services, focusing on cross sales and increasing flexibility for customers by expanding advisory, sales and service to digital channels. With new digital channels and virtual branches, Commercial & Business Banking seeks to improve the customer experience by increasing the business area's availability with more contact points and easier access. Commercial & Business Banking aims to provide a best in class digital experience by building a common integrated digital platform and using analytics to increase relevance and tailor digital interactions to individual customer needs and preferences. Commercial & Business Banking also seeks to deliver efficiency and scale by simplifying and digitising products and processes across geographies, by running capital efficiency initiatives and working on how to best deploy its resources as well as by building the platforms of the future, with the goal of ultimately allowing it to move quicker and meet future and current customer expectations.

Wholesale Banking

Wholesale Banking focuses on shifting towards capital-light solutions, managing for returns as well as leveraging its leading market position in the Nordic region. The essence of the business area's strategy is to develop long-term relationships and provide constant value-add for customers in supporting their business. Wholesale Banking aims to maintain its position as a leading wholesale bank in the Nordic region, with global relevance and multi-local presence. In order to support its organisation to achieve these goals, Wholesale Banking combined Investment Banking and Corporate & Institutions into the new division, Corporate & Investment Banking ("**C&IB**"), in 2016. The aim of the new organisation is to be better equipped to improve relevance and commercial impact towards customers as well as to support the further alignment of business selection and capital allocation while continuously aiming to ensure strong customer-centric relationships. The Wholesale Banking COO organisation, which has a key role in the even more regulated and digital environment, was gradually implemented during 2016 to secure compliance, end-to-end process and improvements with focus on quality, risk and efficiency. Wholesale Banking also supports the Nordea Group's simplification initiatives and enhances straight-through-processes in Wholesale Banking.

Wealth Management

The strategy of Wealth Management is to form strong client relationships, based on superior quality of advice and solutions, delivered efficiently through an integrated value chain. Wealth Management aims to take advantage of digitisation and operational streamlining to enhance efficiency across the organisation. Wealth Management prioritises strategic investments in (i) establishing leading digital offerings to enhance value propositions and improve advisor efficiency, including upgraded digital touchpoints, (ii) new product offerings to meet shifting client demand adapted to the current low yield environment, with product capabilities including leveraging its strong multi-asset investment process and alternative investments, and (iii) establishing a leading retirement offering that targets a large, growing and underserviced segment by developing new advisory and product capabilities. Wealth Management continues to focus on prudent resource management and prioritisation by balancing new investments with efficiency gains and allocating resources to where it believes most value is created. Enhanced collaboration across the Nordea Group is essential to reaching these objectives as it can facilitate increased knowledge sharing to provide an excellent investment offering in a cost-effective manner.

Recent Developments

Completion of Subsidiary Mergers

On 4 February 2016, Nordea Bank AB announced that the Board of Directors of Nordea (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 the Merger Plans. The general meeting of Nordea Bank AB's shareholders approved the Merger Plans on 17 March 2016. The objective of the Mergers was to simplify the legal structure of the Nordea Group in order to strengthen corporate governance, decrease administrative complexity and enhance efficiency. The Mergers took effect on 2 January 2017 under the European Cross Border Mergers Directive (2005/56/EC) and Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA became branches of Nordea Bank AB (publ).

The Mergers will only have minor effects on the capitalisation levels of the Nordea Group. The Mergers have no effect on the consolidation of own funds or level of capital requirements. Nordea Bank AB does not expect the changes in the legal structure of the Nordea Group to significantly affect the amount of corporate tax paid by the Nordea Group, and the Nordea Group will continue to pay tax in the countries in which it operates. However, the overall financial effects of completing the Mergers could entail additional net costs that are not insignificant depending on the final outcome of regulations, including an additional cost of approximately EUR 200 million per year related to the proposed build-up of the Swedish resolution fund over the next four to five years and potential new fees or bank levies proposed in Sweden. As of the date of this Base Prospectus, the total net regulatory cost related to the Mergers is subject to a very high degree of uncertainty.

For an income statement and a balance sheet of Nordea Bank AB for the year ended and as of 31 December 2016 prepared to illustrate the effect the Mergers would have had on the income statement and a balance sheet of Nordea Bank AB had the Mergers been completed as of 31 December 2016, see "Note P20" to the audited financial statements of Nordea Bank AB for the years ended and as of 31 December 2016.

Relocation Assessment

In its interim management statement for the three-month period ended 31 March 2017, Nordea discussed how the Government policy in Sweden has, in recent years, deviated from the rest of the EU where most of Nordea's competitors are domiciled. Examples of such deviations include differences in resolution regimes between Sweden and other countries and the abolishment in Sweden of the income tax deductibility for interest payments on capital instruments and subordinated loans as from 1 January 2017.

In February 2017, the Swedish Government presented a proposal to amend the Swedish resolution fee regulations by raising the annual fee banks pay into Sweden's resolution fund from the current 0.09 per cent. to 0.125 per cent. starting in 2018 and to make this fee permanent. If the proposal is implemented, the resolution fee payments by banks domiciled in Sweden would increase and, in the case of Nordea, likely significantly.

Nordea has maintained correspondence with the Swedish Government about the resolution fee proposal and the Swedish regulatory environment in general. However, given that Nordea believes that the regulatory situation in Sweden does not offer a level playing field or a predictable environment, Nordea is in the process of assessing the options to address the impact of Swedish regulatory developments, including the resolution fee proposal, on the Nordea Group. These options may include, among other things, moving the corporate headquarters of the Nordea Group from Sweden to Denmark or Finland. See also "*Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—Nordea is in the process of assessing options, including moving the corporate headquarters of the Nordea Group, to address the impact of regulatory developments in Sweden*."

Liv & Pension in Denmark

On 10 January 2017, Nordea Life Holding AB completed the sale of 25 per cent. of its holding in Nordea Liv & Pension Livsforsikringsselskab A/S in Denmark to Foreningen NLP, which represents the customers of Nordea Liv & Pension. The transaction has been approved by the Danish Financial Supervisory Authority (the "**DFSA**"). The purchase price amounted to EUR 291 million and the tax exempt gain to EUR 125 million. The gain was accounted for directly in equity at the completion of the transaction. In addition, Foreningen NLP invested EUR 125 million in tier 1 subordinated debt issued by Nordea Liv & Pension. In connection with the transaction, Nordea Liv & Pension distributed EUR 375 million to Nordea Life Holding AB improving Nordea Life group's solvency capital position by approximately 16 percentage points.

Results of the 2017 AGM

The Annual General Meeting of the Issuer held on 16 March 2017 (the "**2017 AGM**") approved the election of new board members, the re-election of Öhrlings PricewaterhouseCoopers AB as auditors of the Issuer, the guidelines for remuneration to executive officers and the establishment of a nomination committee.

In addition, the 2017 AGM resolved that Nordea Bank AB, in order to facilitate its securities business, the Issuer may purchase its own ordinary shares according to chapter 7 section 6 of the Swedish Securities Market Act (Sw: lagen (2007:528) om *värdepappersmarknaden*) for the period until the next annual general meeting. The purchase by Nordea of its own shares is subject to the limitation that Nordea's holding of such shares in its trading book must never exceed the lower of 0.1 per cent. of the total number of shares in Nordea or 10 per cent. of Nordea's excess common equity tier 1 (CET1) capital. The price for the ordinary shares shall equal the market price prevailing at the time of the acquisition.

Furthermore, the 2017 AGM also authorised the Board of Directors, for the period until the next annual general meeting, on one or several occasions, to decide on the issue of convertible instruments. The amount that the share capital may be increased with full exercise of the convertible instruments shall not exceed 10 per cent. of Nordea's share capital. The issue of such convertible instruments may take place with or without preferential rights for existing shareholders and will be done based on market conditions. The purpose of the authorisation is to facilitate a flexible and efficient adjustment of Nordea's capital structure to the capital requirements.

Capital Adequacy

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.

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. The Nordea Group is approved by the financial supervisory authorities to use the internal ratings-based ("**IRB**") approach when calculating the capital requirements for the main part of its credit portfolio. The

Nordea Group uses the Advanced IRB approach for corporate lending in the Nordic countries and in the International Units. The Retail IRB approach is used for the Nordic retail exposure classes and mortgage companies as well as for the Finnish finance company. The Foundation IRB approach is used for exposures in the Nordic finance companies, OJSC Nordea Bank ("**Nordea Bank Russia**") and the Baltic branches, as well as derivative and securities lending exposures. Nordea uses the standardised approach to calculate risk exposure amount ("**REA**") 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 31 December 2016, 87 per cent. of the Nordea Group's credit risk exposure amount was covered by IRB approaches. Nordea aims to implement the IRB approach for some of the remaining portfolios in 2017. The Nordea Group is also approved to use its own internal Value-at-Risk ("**VaR**") models to calculate capital requirements for the major parts of the market risk in the trading books.

The Nordea Group's common equity tier 1 (CET1) capital was strengthened in 2016 through profit and continued focus on capital management. In the third quarter of 2016, Nordea entered into a synthetic securitisation transaction trade related to EUR 8.4 billion of the Nordea Group's loans as originator of a portfolio with corporate and small and medium-sized enterprise loans in Sweden and Denmark. The risk transfer was performed through a collateralised credit default swap ("**CDS**") structure. No assets were derecognised from Nordea Group's balance sheet and the Nordea Group continues to service the loans. Investors are responsible for a pre-agreed amount of incurred credit losses of the reference portfolio. The transaction was reported as a derivative as from the third quarter of 2016 and improved Nordea Group's common equity tier 1 ("**CET1**") capital ratio by approximately 30 basis points. Nordea also issued EUR 1 billion 10-year non-call five-year tier 2 subordinated notes in September 2016, which strengthened the total capital ratio by 60 basis points. The Nordea Group's CET1 capital ratio was 18.4 per cent. as of 31 December 2016, compared to 16.5 per cent. and 15.7 per cent. as of 31 December 2015 and 2014, respectively.

The outcome of the Supervisory Review and Evaluation Process ("**SREP**") undertaken by the EU Supervisory College and communicated in October 2016 indicated that the Nordea Group's common equity tier 1 (CET1) requirement as of the third quarter of 2016 was 17.3 per cent. The common equity tier 1 (CET1) requirement was assessed to be 17.4 per cent. as of 31 December 2016. The combined buffer requirement consists of a 3 per cent. systemic risk buffer, a 2.5 per cent. capital conservation buffer and a countercyclical buffer of approximately 0.5 per cent. The countercyclical buffer is expected to increase to approximately 0.7 per cent. as of 31 December 2017 after the planned increase in the countercyclical buffer rates in Sweden during the first quarter of 2017 and in Norway in the fourth quarter of 2017. The pillar 2 other part consists of the SFSA standardised benchmark models for pillar 2 risks as well as other pillar 2 add-ons as a result of the SREP. The final capital requirement for 2017 will depend on the outcome of the 2017 SREP which Nordea expects to be communicated in October 2017. The pillar 2 add-ons, including risk weight floors, do not affect the maximum distributable amount ("**MDA**") level at which automatic restrictions on distributions linked to the combined buffer requirement would come into effect. A formal decision on pillar 2 has not been made. The SFSA has specifically stated that it intends to continue its practice of, in normal situations, not making a formal decision about the capital requirement under pillar 2. As of the date of this Base Prospectus, the maximum distributable amount restrictions engage at a level of approximately 10.5 per cent. and, provided that a formal decision about the capital requirement under pillar 2 has not been made, it is expected to increase to approximately 10.7 per cent. when the countercyclical buffer rates in Sweden and Norway are increased in 2017. The Nordea Group's capital policy of maintaining a management buffer of 50-150 basis points above the capital requirement remains unchanged.

NORDEA BANK AB (PUBL)

Operational Overview

Nordea Bank AB or, as the case may be, a predecessor to Nordea Bank AB, has operated as a part of the Nordea Group since 1998, which was formed as a result of the merger between Merita and Nordbanken. The merger between Merita and Nordbanken has been addressed in detail above; see "*The Nordea Group— The Formation of the Nordea Group*".

Nordea Bank AB conducts banking operations in Sweden within the scope of the Nordea Group's business organisation. Nordea Bank AB develops and markets financial products and services to household customers, corporate customers and the public sector.

Legal Structure and Subsidiaries

Nordea Bank Sverige AB (publ) was a wholly owned subsidiary of Nordea Bank AB (formerly Nordea AB (publ)) until 1 March 2004, when Nordea Bank Sverige merged with Nordea Bank AB (see above "*The Nordea Group—Legal Structure*" for further information). Nordea Bank AB was incorporated on 8 October 1997 in accordance with Swedish law. Nordea Bank AB's registered office is located in Stockholm, Sweden. Nordea Bank AB is subject to the Swedish Companies Act (2005:551) and is licensed to conduct banking operations in accordance with the Swedish Banking and Finance Business Act (2004:297), and further to pursue financing operations and operations related thereto including, among other things, carrying out securities business. Nordea Bank AB is subject to substantial regulation in all markets in which it operates. Nordea Bank AB is registered at the Swedish Companies Registration Office under the name Nordea Bank AB. Nordea Bank AB is a public (publ) limited liability company with registration no. 516406-0120. The head office is located in Stockholm at the following address: Smålandsgatan 17, SE-105 71 Stockholm, Sweden (telephone no. +468-614-7000). Nordea Bank AB has a number of directly and indirectly owned subsidiaries. Nordea Bank AB shares are listed on the stock exchanges in Stockholm, Helsinki and Copenhagen.

Share Capital and Shareholders

According to Nordea Bank AB's Articles of Association, the share capital of Nordea Bank AB shall not be less than EUR 2,700,000,000 and not more than EUR 10,800,000,000. Shares may be issued in two classes, Ordinary shares and C-shares. As of the date of this Base Prospectus, all existing shares of Nordea Bank AB are ordinary shares. In voting at a general meeting, each of the Ordinary shares confers one vote and each of the C-shares, one tenth of one vote. C-shares do not entitle holders to any dividend. The Articles of Association set forth reciprocal rights and obligations between each owner and each class in the case of any issuance of new shares in Nordea Bank AB.

As of the date of this Base Prospectus, Nordea Bank AB's share capital is EUR 4,049,951,919, consisting of 4,049,951,919 ordinary shares with a quota value (*kvotvärde*) of EUR 1.00. Each share entitles the holder to one vote. Nordea Bank AB is not entitled to vote with any shares it holds in itself.

The following table sets forth information relating to Nordea Bank AB's five largest shareholders as of 28 February 2017:

Shareholder	Number of shares (million)	Per cent. of share capital and votes
Sampo plc	860.4	21.3
Nordea-fonden	158.2	3.9
Alecta	97.7	2.4
Swedbank Robur Funds	96.1	2.4
Norwegian Petroleum Fund	76.6	1.9

Board of Directors

According to the Articles of Association, Nordea Bank AB's Board of Directors shall consist of at least six and no more than fifteen members elected by the shareholders at the shareholders' meeting. As of the date of this Base Prospectus, the Board of Directors consists of 10 members elected by the shareholders at the shareholders' meeting for the period until and including the annual general meeting in 2018. In addition, three members and one deputy member are appointed by the employees. Employees have a right, according to Swedish legislation, to be represented on the board. The CEO of Nordea Bank AB is not a member of the Board of Directors.

The following table sets forth, for each member of the Board of Directors, 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
Björn Wahlroos	1952	2008	Chairman
Lars G Nordström	1943	2003	Vice Chairman
Pernille Erenbjerg	1967	2017	Member
Robin Lawther	1961	2014	Member
Sarah Russell	1962	2010	Member
Silvija Seres	1970	2015	Member
Kari Stadigh	1955	2010	Member
Birger Steen	1966	2015	Member
Maria Varsellona	1970	2017	Member
Lars Wollung	1961	2017	Member

In addition, the Board of Directors includes the following employee representatives (one of whom at any time is a deputy member) appointed by the trade unions:

	Year of birth	Board member since	Position
Toni H. Madsen	1959	2013	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 and Group Executive Management have the following office address: c/o Nordea Bank AB (publ), Smålandsgatan 17, SE-105 71 Stockholm, Sweden.

With the exception of the employee representatives, no members of the Board of Directors are employed by the Nordea Group.

No potential conflicts of interest exist between any duties to Nordea Bank AB of a member of the Board of Directors and the private interests or other duties of such persons.

Björn Wahlroos has been a member of the Board of Directors since 2008 and has served as its Chairman since 2011. As of the date of this Base Prospectus, Mr. Wahlroos also serves as the Chairman of the Board of Directors of Sampo plc and UPM-Kymmene Corporation. In addition, he is Board Chairman of Hanken School of Economics and a member of the Board of Directors of several charities, including the Finnish Business and Policy Forum EVA/ETLA and the Mannerheim Foundation.

Lars G Nordström has been a member of the Board of Directors since 2003 and has served as its Vice Chairman since 2017. As of the date of this Base Prospectus, Mr. Nordström is the Chairman of the Board of Directors of Vattenfall AB and a member of the Board of Directors of Viking Line Abp. He is the Board Chairman of the Finnish-Swedish Chamber of Commerce. Mr. Nordström is also a member of the Board of Directors Swedish-American Chamber of Commerce and the Centre for Business and Policy Studies (SNS). He is also a member of the Royal Swedish Academy of Engineering Sciences (IVA) and an Honorary Consul of Finland in Sweden.

Pernille Erenbjerg has been a member of the Board of Directors since 2017. As of the date of this Base Prospectus, Ms. Erenbjerg is Group CEO and President of TDC A/S and a member of the Board of Directors and chairman of the audit committee of Genmab A/S and DFDS A/S.

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 and UK Government Investments Limited.

Sarah Russell has been a member of the Board of Directors since 2010. As of the date of this Base Prospectus, Ms. Russell is the CEO of AEGON Asset Management Holdings NV and a member of the Board of Directors of several group companies. She is also vice chairman of the Supervisory Board of La

Banque Postale Asset Management SA and member of the Supervisory Board of Nederlands Investeringsinstelling NV.

Silvija Seres has been a member of the Board of Directors since 2015. As of the date of this Base Prospectus, Ms. Seres is a member of the Board of Directors of Enoro Holding AS, Academedia AB, Syncron AB and Eidsiva Energi AS. Ms. Seres is also Board Chairman of Polyteknisk Forening, a member of the Board of Directors of Norsk Rikskringkasting AS (NRK), Oslo Business Region AS, Simula Research Laboratory AS, Transparency International Norge, Seema AS and Kavli Trust and a member of the Corporate Assembly and the Nomination Committee of Telenor ASA.

Kari Stadigh has been a member of the Board of Directors since 2010. As of the date of this Base Prospectus, Mr. Stadigh is the Group CEO and President of Sampo plc. Mr. Stadigh also serves as the Chairman of the Board of Directors of If P&C Insurance Holding Ltd and Mandatum Life Insurance Company Limited and is a member of the Board of Directors of Nokia Corporation and Waypoint Group Holding Ltd. He is also member of the Board of Directors of the Federation of Finnish Financial Services and the Niilo Helander Foundation.

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 CEO of Parallels Inc. and a member of the Board of Directors of Schibsted ASA. Mr. Steen is also a member of the Board of Trustees of the Nordic Heritage Museum in Seattle, United States.

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 Chief Legal Officer of Nokia Corporation and a member of the Board of Directors of Alcatel-Lucent S.A. and Alcatel-Lucent Shanghai Bell.

Lars Wollung has been a member of the Board of Directors since 2017. As of the date of this Base Prospectus, Mr. Wollung is the Chairman of the Board of Directors of IFS AB (publ), The North Alliance Group AS and mySafety Group AB.

Group Executive Management

Group Executive Management currently consists of 10 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 Swedish Code of Corporate Governance (*Sw: Svensk kod för bolagsstyrning*) (the "**Swedish 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 CEO and the Board of Directors. The 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
Casper von Koskull	1960	2010	President and Group CEO
Torsten Hagen Jørgensen	1965	2011	Deputy Group CEO and Group COO, Executive Vice President and Head of Group Corporate Centre
Erik Ekman	1969	2015	Executive Vice President, Head of Commercial & Business Banking
Matthew Elderfield	1966	2016	Group Compliance Officer, Head of Group Compliance
Julie Galbo	1971	2017	Group CRO and Head of Group Risk Management & Control
Heikki Ilkka	1970	2016	Executive Vice President, Group Chief Financial Officer and Head of Group Finance & Business Control
Topi Manner	1974	2016	Executive Vice President, Head of Personal Banking
Martin Persson	1975	2016	Executive Vice President, Head of Wholesale Banking
Snorre Storset	1972	2015	Executive Vice President, Head of Wealth Management and Country Senior Executive in Norway
Karen Tobiasen	1965	2016	Chief People Officer, Head of Group People

The members of the Group Executive Management have the following office address: c/o Nordea Bank AB (publ), Smålandsgatan 17, SE-105 71 Stockholm, Sweden.

No potential conflicts of interest exist between any duties to Nordea Bank AB of a member of the Group Executive Management and the private interests or other duties of such persons.

Casper von Koskull has been the President and Group CEO of Nordea since 2015 and a member of Group Executive Management since 2010. Mr. von Koskull has held several executive positions since he joined the Nordea Group in 2010, most recently as Head of Wholesale Banking from 2011 to 2015. As of the date of this Base Prospectus, Mr. von Koskull is a board member of the Swedish Bankers' Association and the European Business Leaders' Convention.

Torsten Hagen Jørgensen has been the Deputy Group CEO and Group COO of Nordea since 2015 and Executive Vice President and a member of Group Executive Management since 2011. Mr. Jørgensen has held several executive positions since he joined the Nordea Group in 2005, most recently as Executive Vice President, Group Chief Financial Officer ("CFO") and Head of Group Corporate Centre from 2013 to 2015.

Erik Ekman has been Executive Vice President and a member of Group Executive Management since 2015 and Head of Commercial & Business Banking since 2016. 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. Prior to joining Nordea in 2016, Mr. Elderfield served as Global Head of Compliance at Lloyds Banking Group. Before Lloyds Banking Group, Mr. Elderfield held a number of senior international regulatory roles, most recently as Deputy Governor of the Central Bank of Ireland.

Julie Galbo has been Group CRO and Head of Group Risk Management & Control and a member of Group Executive Management since 2017. Ms. Galbo has held various executive positions at the Nordea Group, most recently as Head of Regulatory Change Management from 2015 to 2016. Ms. Galbo served as Head of Division, State Capital Injections at the Danish Ministry of Economics and Business Affairs in 2010 and as Deputy Director General of the DFSA from 2010 to 2014.

Heikki Ilkka has been Executive Vice President, Group CFO and Head of Group Finance & Business Control and a member of Group Executive Management since 2016. Mr. Ilkka joined Nordea in 2015 as Head of Group Finance following a long career with Ernst & Young in Finland, most recently as senior partner.

Topi Manner has been Executive Vice President, Head of Personal Banking and a member of Group Executive Management since 2016. Mr. Manner has held several executive positions since he joined the Nordea Group in 1998, most recently as Head of Banking Finland & Baltics from 2012 to 2016. As of the date of this Base Prospectus, he is a member of the Board of Directors of the Finnish Chamber of Commerce and the International Chamber of Commerce in Finland and a member of the governing council of the Inter-Alpha Group of Banks.

Martin A Persson has been Executive Vice President, 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.

Snorre Storset has been Executive Vice President, Head of Wealth Management and Country Senior Executive in Norway since 2016 and a member of Group Executive Management since 2015. Ms. 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.

Karen Tobiasen has been Chief People Officer, Head of Group People and a member of Group Executive Management since 2016. Prior to joining Nordea in 2016, Ms. Tobiasen held several senior positions with the Royal Philips Group, most recently as Chief Human Resources Officer at Philips Lighting. As of the date of this Base Prospectus, she is a member of the Board of Directors of Oriflame Holding AG.

Independence

Nordea Bank AB complies with applicable rules set forth in the Swedish Corporate Governance Code regarding the independence of the Board of Directors. The Nomination Committee considers all members of the Board of Directors elected by the shareholders, apart from Björn Wahlroos and Kari Stadigh, independent in relation to the Company's major shareholders. As of the date of this Base Prospectus, Björn Wahlroos is the Chairman of the Board of Directors of Sampo plc and Kari Stadigh is the Group CEO and President of Sampo plc which owns more than 10 per cent. of all shares and votes in Nordea Bank AB.

All of the members elected by the shareholders are independent of the Issuer and its executive management.

No member of the Board of Directors elected by the annual general meeting is employed by or working in an operative capacity in the Nordea Group. The members and the deputy members of the Board of Directors appointed by the employees are employed by the Nordea Group and therefore not independent of the Nordea Group.

The number of members of the Board of Directors who are independent in relation to the Nordea Group and its executive management as well as independent in relation to the Company's major shareholders exceeds the minimum requirement set forth in the Swedish Corporate Governance Code, which states that at least two of the board members elected by the general meeting of shareholders who are independent of the company and the company's executive management shall also be independent of the company's major shareholders.

External Auditors

According to the Articles of Association, one or two auditors shall be elected by the general meeting for a term of one year.

The auditor appointed by the 2015 AGM for the period until the end of the next annual general meeting was Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, SE-113 97 Stockholm, Sweden. At the 2016 AGM, Öhrlings PricewaterhouseCoopers AB was re-elected as the auditor until the end of the 2017 AGM. At the 2017 AGM, Öhrlings PricewaterhouseCoopers AB was re-elected as the auditor until the end of the 2018 AGM. The auditor is authorised by, and a member of, FAR SRS.

Legal Proceedings and Investigations

Within the framework of normal business operations, the Nordea Group faces claims in civil lawsuits and disputes, most of which involve relatively limited amounts. The Nordea Group is involved in a variety of claims, disputes, legal proceedings and governmental investigations in jurisdictions where it is active. These types of claims and proceedings 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 licenses or authorisations, or loss of reputation, criticism or penalties by supervisory authorities as well as the potential for regulatory restrictions on its businesses. As at the date of this Base Prospectus, none of the current disputes may have, or have had, significant adverse effects on the Nordea Group or its financial position.

In April 2016, the so-called "Panama papers," that is, more than 11.5 million documents leaked from the files of a Panamanian law firm, were released to the public. The Panama papers primarily comprise documentation with respect to offshore companies set up by a Panamanian law firm. Following the publication of the Panama papers, the SFSA and other authorities in markets where the Nordea Group operates have requested information related to customers with offshore structures and the Nordea Group's role in relation to such structures. In March 2017, the SFSA announced that Nordea will not be subject to sanctions by the SFSA in connection with the SFSA's investigation relating to the Panama papers. As of the date of this Base Prospectus, inquiries by other authorities are still ongoing and it is too early to assess their outcome. 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.*"

Nordea initiated an internal investigation following the publication of the Panama papers to assess whether the Panama-related offshore structures in Nordea Bank S.A. in Luxembourg ("**Nordea Bank Luxembourg**") and Nordic Private Banking had adhered to internal policies as well as external tax rules and anti-money laundering. In July 2016, Nordea announced that the internal investigation had been completed. The investigation did not find evidence that employees had initiated the establishment of offshore structures, nor that they had proactively contributed to customers' potential tax evasion. The investigation did, however, find that many of the reviewed know-your-customer files did not meet the standards set forth in the Nordea Group's policy. These findings were mainly related to the so-called enhanced due diligence required for high-risk customers. Nordea has decided on a number of actions to address the key findings and recommendations made in connection with the investigation. These actions include the integration of Nordea Bank Luxembourg into the Nordea Group's Nordic organisation to ensure a consistent implementation of compliance policies. The Nordea Group has also established an internal tax board to strengthen its tax compliance organisation.

In June 2015, the DFSA investigated the compliance of Nordea Bank Danmark A/S with applicable anti-money laundering regulations. Nordea announced on 17 June 2016 that the DFSA's investigation had resulted in certain issues being raised by the DFSA and that the matter will, in accordance with Danish administrative practice, be handed over to the Danish police for further handling and possible sanctions. Nordea is addressing the issues raised by the DFSA and maintains dialogue with the DFSA about such progress. As at the date of this Base Prospectus, Nordea Danmark had not been approached by the Danish police about the case.

To address the deficiencies highlighted by the SFSA in 2015, and the similar deficiencies highlighted by the DFSA, the Nordea Group has established a financial crime change program, which is a holistic approach to developing a Group-wide and sustainable standard for the prevention of financial crime. Broader activities aimed at strengthening the general compliance framework in the Nordea Group have also been accelerated. Initiatives are targeted both at strengthening regulatory implementation capability in the first line, and strengthening Group Compliance to ensure the second line role is executed in accordance with regulatory and internal requirements. In addition to the financial crime change program, the Nordea Group is investing in enhanced compliance standards, processes and resources. The Nordea Group has developed a revised operating model for Group Compliance, accelerated compliance-related recruitment and introduced dedicated first line compliance and operational risk support units.

Dividends

The Issuer's annual shareholder general meeting has approved, and the Issuer has paid, the following dividends in the last five years:

- 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;
- 2014: EUR 0.62 per share, total dividend payment of EUR 2,501 million;
- 2013: EUR 0.43 per share, total dividend payment of EUR 1,734 million; and
- 2012: EUR 0.34 per share, total dividend payment of EUR 1,370 million.

Notices

Notices to the Noteholders are given in accordance with Condition 14 (*Notices*) of the Terms and Conditions of the Notes.

Articles of Association

The objects of Nordea Bank AB can be found in article 3 of its Articles of Association. The objects of Nordea Bank AB are to conduct such banking business referred to in Chapter 1 section 3 of the Swedish Banking and Financing Business Act (SFS 2004:297), to conduct financing operations and operations naturally connected therewith in accordance with Chapter 7 section 1 of the Swedish Banking and Financing Business Act and, in its capacity as parent company, to attend to and be responsible for overall functions in the Nordea Group, such as management, supervision, risk management and staff functions.

The Articles of Association were last amended on 12 May 2011.

Material Agreements

Nordea Bank AB 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 the Nordea Bank AB's ability to perform its obligations.

Corporate Governance

Corporate governance in Nordea Bank AB follows generally adopted principles of corporate governance. The external framework which regulates the corporate governance work include the Swedish Companies Act, Banking and Financing Business Act, Annual Accounts Act, the Annual Accounts Act of Credit Institutions and Securities Companies, the Nasdaq rules and the rules and principles of the Swedish Code of Corporate Governance.

SELECTED FINANCIAL INFORMATION

The tables below show certain selected summarised financial information which, without material changes, is derived from the Nordea Group's audited consolidated financial statements for the year ending 31 December 2016 and unaudited consolidated financial statements for the three months ended 31 March 2017 (the "**2017 Q1 Statements**"), which are set out in the Annexes to this Base Prospectus.

The Nordea Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("**IFRS**") and interpretations of such standards by the International Financial Reporting Interpretations Committee, as endorsed by the EU Commission. In addition, certain complementary rules in the Swedish Act on Annual Reports in Credit Institutions and Securities Companies (1995:1559) and the recommendation RFR 1 "*Supplementary Accounting Rules for Groups*", issued by the Swedish Financial Reporting Board as well as the accounting regulations of the SFSA's (FFFS 2008:25, with amendments), have also been applied.

The tables below shall be read together with the auditor's report and the notes thereto.

Income Statement

	Group			
	Year ended 31 December		3 months ended 31 March	
	2016	2015[3]	2017	2016
	(EUR millions)			
Interest income	7,747	8,549	1,912	1,975
Interest expense	-3,020	-3,586*	-715	-807
Net interest income	4,727	4,963*	1,197	1,168
Fee and commission income	4,098	4,092*	1,082	994
Fee and commission expense	-860	-862*	-216	-222
Net fee and commission income	3,238	3,230*	866	772
Net result from items at fair value	1,715	1,645*	375	332
Profit from associated undertakings and joint ventures accounted for under the equity method	112	39	4	9
Other operating income	135	263	19	14
Total operating income	9,927	10,140	2,461	2,295
Operating expenses				
General administrative expenses:				
Staff costs	-2,926	-3,263	-799	-740
Other expenses	-1,646	-1,485	-387	-386
Depreciation, amortisation and impairment charges of tangible and intangible assets	-228	-209	-60	-52
Total operating expenses	-4,800	-4,957	-1,246	-1,178
Profit before loan losses	5,127	5,183	1,215	1,117
Net loan losses	-502	-479	-113	-111
Operating profit	4,625	4,704	1,102	1,006
Income tax expense	-859	-1,042	-258	-224
Net profit for the period	3,766	3,662	844	782
Attributable to:				
Shareholders of Nordea Bank AB (publ)	3,766	3,662	839	782
Non-controlling interests	-	-	5	-
Total	3,766	3,662	844	782

[3] As discussed in more detail under "*Changed accounting policies and presentation*" in the audited consolidated financial statements of the Issuer for the year ended 31 December 2016 which are set out in Annex 1 to this Base Prospectus, figures marked with a "*" have been restated due to changed accounting policies and presentation and are unaudited.

Balance Sheet

	Group			
	31 December		31 March	
	2016	2015[4]	2017	2016
	(EUR millions)			
Assets				
Cash and balances with central banks	32,099	35,500	61,527	48,734
Loans to central banks	11,235	13,224	4,541	11,030
Loans to credit institutions	9,026	10,762*	18,764	11,986
Loans to the public	317,689	340,920	320,052	342,731
Interest-bearing securities	87,701	86,535*	93,211	87,154
Financial instruments pledged as collateral	5,108	8,341	5,263	9,554
Shares	21,524	22,273*	27,942	22,983
Assets in pooled schemes and unit-linked investment contracts[5]	23,102	20,434*	24,382	20,667
Derivatives	69,959	80,741	56,204	87,394
Fair value changes of the hedged items in portfolio hedge of interest rate risk	178	151	154	171
Investments in associated undertakings and joint ventures	588	515	580	642
Intangible assets	3,792	3,208	3,935	3,299
Properties and equipment	566	557	559	573
Investment properties	3,119	3,054*	3,234	3,062
Deferred tax assets	60	76	168	135
Current tax assets	288	87	457	201
Retirement benefit assets	306	377	324	346
Other assets	18,973	18,587*	18,692	23,352
Prepaid expenses and accrued income	1,449	1,526	1,561	1,541
Assets held for sale	8,897	-	8,722	-
Total assets	615,659	646,868	650,272	675,555
Liabilities				
Deposits by credit institutions	38,136	44,209	70,295	58,523
Deposits and borrowings from the public	174,028	189,049*	190,855	202,819
Deposits in pooled schemes and unit-linked investment contracts[6]	23,580	21,088*	24,922	21,340
Liabilities to policyholders	41,210	38,707*	41,831	39,255
Debt securities in issue	191,750	201,937	188,441	192,764
Derivatives	68,636	79,505	56,109	87,403
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,466	2,594	2,195	3,496
Current tax liabilities	487	225	649	273
Other liabilities	24,413	25,745*	25,741	27,694
Accrued expenses and prepaid income	1,758	1,805	2,151	2,097
Deferred tax liabilities	830	1,028	772	952
Provisions	306	415	281	419
Retirement benefit liabilities	302	329	274	447
Subordinated liabilities	10,459	9,200	9,603	8,945
Liabilities held for sale	4,888	-	5,076	-
Total liabilities	583,249	615,836	619,195	646,427
Equity				
Non-controlling interests	1	1	177	1
Share capital	4,050	4,050	4,050	4,050

[4] As discussed in more detail under "*Changed accounting policies and presentation*" in the audited consolidated financial statements of the Issuer for the year ended 31 December 2016 which are set out in Annex 1 to this Base Prospectus, figures marked with a "*" have been restated due to changed accounting policies and presentation and are unaudited

[5] As discussed in more detail under "*Changed accounting policies and presentation*" in the audited consolidated financial statements of the Issuer for the year ended 31 December 2016, the Nordea Group has in its unaudited consolidated balance sheet as of 31 March 2016 reclassified certain investments made on behalf of customers in interest-bearing securities and shares in pension pools and unit-linked investment contracts to the separate balance sheet line "assets in pooled schemes and unit-linked investment contracts." The unaudited figures as of 31 December 2015 and as of 31 March 2016 in the above table reflect this reclassification.

[6] As a result of the accounting policy changes discussed in footnote 5 above, the corresponding liabilities to customers have been reclassified to the separate balance sheet line "deposits in pooled schemes and unit-linked investment contracts." The unaudited figures as of 31 December 2015 and as of 31 March 2016 in the above table reflect this reclassification.

	Group			
	31 December		31 March	
	2016	2015[4]	2017	2016
	(EUR millions)			
Share premium reserve	1,080	1,080	1,080	1,080
Other reserves	-1,023	-1,188	-896	-1,303
Retained earnings	28,302	27,089	26,666	25,300
Total equity	32,410	31,032	31,077	29,128
Total liabilities and equity	615,659	646,868	650,272	675,555
Assets pledged as security for own liabilities	189,441	184,795	193,653	189,255
Other assets pledged	8,330	9,038	4,835	9,527
Contingent liabilities	23,089	22,569	21,618	21,907
Commitments	79,434	78,002	80,002	79,813

Cash Flow Statement

	Group			
	Year ended 31 December		3 months ended 31 March	
	2016	2015	2017	2016
	(EUR millions)			
Operating activities				
Operating profit	4,625	4,704	1,102	1,006
Adjustment for items not included in cash flow	3,892	2,824	1,391	232
Income taxes paid	-952	-1,056	-331	-311
Cash flow from operating activities before changes in operating assets and liabilities	7,565	6,472	2,162	927
Cash flow from operating activities	3,280	196	29,630	17,413
Cash flow from investing activities	-934	-522	-325	-309
Cash flow from financing activities	-1,553	-1,746	-3,347	-2,570
Cash flow for the period	793	-2,072	25,958	14,534
Cash and cash equivalents at the beginning of period	40,200	39,683	41,860	40,200
Translation differences	867	2,589	-405	-1,290
Cash and cash equivalents at the end of the period	41,860	40,200	67,413	53,444
Change	793	-2,072	25,958	14,534

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. 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.

Irish Taxation

The following is a summary of the principal Irish withholding tax consequences of beneficial ownership of the Notes for individuals who are resident and ordinarily resident in Ireland for tax purposes and for companies that are resident in Ireland for tax purposes. It is based on the laws and practice of the Revenue Commissioners currently in force in Ireland as at the start of the Offer Period and may be subject to change. The statements in this summary are based on the understanding that the Notes will be treated as debt for Irish tax purposes. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Notes. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of payments thereon under any laws applicable to them.

Tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Notes so long as such payments do not constitute Irish source income. Interest paid on the Notes should not be treated as having an Irish source unless:

(i) the Issuer is resident in Ireland for tax purposes; or

(ii) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which is used to fund the payments on the Notes; or

(iii) the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland or (if the Notes are in bearer form) the Notes are physically held in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer does not and will not have a branch or permanent establishment in Ireland; (iii) bearer Notes will not be physically located in Ireland; and (iv) the Issuer will not maintain a register of any registered Notes in Ireland.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) on any interest paid on the Notes issued by a company not resident in Ireland, where such interest is collected or realised by a bank or encashment agent in Ireland.

Encashment tax does not apply where the holder of the Notes is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

Luxembourg Taxation

The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

A holder of the Notes may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

All payments of interest (including accrued but unpaid interest) and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

(i) regarding resident individual Holders of Notes, the application of the Luxembourg law of 23 December 2005, as amended (the "**Law**"), which has introduced a 20 per cent. withholding tax on savings income paid by a paying agent, within the meaning of the Law, established in Luxembourg.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg law of 23 December 2005 would be assumed by a Luxembourg paying agent (if any) within the meaning of this Law and not by the Issuer.

(ii) Pursuant to the Law, Luxembourg resident individuals who are the beneficial owners of savings income paid by a paying agent within the meaning of the Law established outside Luxembourg, in a Member State of either the European Union or the European Economic Area can opt to self declare and pay a 20 per cent. tax (the "**Levy**") on these savings income.

The 20 per cent. withholding tax as described above or the Levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Swedish Taxation

The following summary outlines certain Swedish tax consequences of the acquisition, ownership and disposal of Notes. The summary is based on the laws of Sweden as in effect as of the date of this Base Prospectus and is intended to provide general information only. The summary is not exhaustive and does thus not address all potential aspects of Swedish taxation that may be relevant for a potential investor in the Notes and is neither intended to be nor should be construed as legal or tax advice. In particular, the summary does not address the rules regarding reporting obligations for, among others, payers of interest. Specific tax consequences may be applicable to certain categories of corporations, e.g. investment companies and life insurance companies, not described below. In addition, the summary does not address Notes that are held on an "investment savings account" (investeringssparkonto) that are subject to a specific tax regime. Investors should consult their professional tax advisors regarding the Swedish and foreign tax consequences (including the applicability and effect of double taxation treaties) of acquiring, owning and disposing of Notes in their particular circumstances.

Non-resident Holders of Notes

As used herein, a non-resident holder means a holder of Notes who is (a) an individual who is not a resident of Sweden for tax purposes and who has no connection to Sweden other than his/her investment in the Notes, or (b) an entity not organised under the laws of Sweden.

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to a non-resident holder of any Notes should not be subject to Swedish income tax provided that such holder does not carry out business activities from a permanent establishment in Sweden to which the Notes are effectively connected. Under Swedish tax law, no withholding tax is imposed on payments of principal or interest to a non-resident holder of any Notes.

Under Swedish tax law, a capital gain on a sale of Notes by a non-resident holder will not be subject to Swedish income tax unless the non-resident holder of Notes carries on business activities in Sweden through a permanent establishment to which the Notes are attributable.

Private individuals who are not resident in Sweden for tax purposes may be liable to capital gains taxation in Sweden upon disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes, if they have been resident in Sweden or have lived permanently in Sweden at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption. This liability may, however, be limited by tax treaties between Sweden and other countries.

Resident Holders of Notes

As used herein, a resident holder means a holder of Notes who is (a) an individual who is a resident in Sweden for tax purposes or (b) an entity organised under the laws of Sweden.

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) that are resident Holders of any Notes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable.

Amortisation of principal is not otherwise subject to Swedish income tax. Swedish tax law does not impose withholding tax on payments of principal or interest to a resident holder of notes. However, if amounts that are considered to be interest for Swedish tax purposes are paid to a private individual (or an estate of a deceased person) that is a resident holder of Notes, Swedish preliminary tax (*preliminärskatt*) is normally withheld on such payments at a rate of 30 per cent.

Swiss Taxation

The following discussion is a summary of Swiss withholding tax considerations relating to (i) Notes issued by the Issuer where the Holder is tax resident in Switzerland or has a tax presence in Switzerland or (ii) Notes where the Paying Agent, custodian or securities dealer is located in Switzerland. The discussion bases on legislation as of the date of this Base Prospectus. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Notes. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Notes (or options embedded therein) in light of their particular circumstances.

Swiss Federal Withholding Tax

Payments by the Issuer, of interest on, and repayment of principal of, the Notes, will not be subject to Swiss federal withholding tax, provided that the Issuer is at all times resident and managed outside Switzerland for Swiss tax purposes.

On 4 November 2015 the Swiss Federal Council announced a mandate to the Swiss Federal Finance Department to institute a group of experts tasked with the preparation of a new proposal for a reform of the Swiss withholding tax system. The new proposal is expected to include in respect of interest payments the replacement of the existing debtor-based regime by a paying agent-based regime for Swiss withholding tax similar to the one published on 17 December 2014 by the Swiss Federal Council and repealed on 24 June 2015 following the negative outcome of the legislative consultation with Swiss official and private bodies. Under such a new paying agent-based regime, if enacted, a paying agent in Switzerland may be required to deduct Swiss withholding tax on any payments or any securing of payments of interest in respect of a Note for the benefit of the beneficial owner of the payment unless certain procedures are complied with to establish that the owner of the Note is not an individual resident in Switzerland.

Automatic Exchange of Information in Tax Matters

On 19 November 2014, Switzerland signed the Multilateral Competent Authority Agreement (the "**MCAA**"). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the "**AEOI**"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "**AEOI Act**") entered into force on 1 January 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Switzerland has concluded a multilateral AEOI agreement with the EU (replacing the EU savings tax agreement) and has concluded bilateral AEOI agreements with several non-EU countries.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland will begin to collect data in respect of financial assets, including, as the case may be, Notes, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and begin to exchange it from 2018 or 2019.

United Kingdom Taxation

*The following is an overview of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is a summary of the Issuer's understanding of current United Kingdom law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Holders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes.*

UK Withholding Tax on Interest Payments by the Issuer

Provided that the interest on the Notes does not have a United Kingdom source, interest on the Notes may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax. The location of the source of a payment is a complex matter. It is necessary to have regard to case law and HMRC practice. Case law has established that in determining the source of interest, all relevant factors must be taken into account.

Interest which has a United Kingdom source ("**UK interest**") may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax if the Notes in respect of which the UK interest is paid are issued for a term of less than one year (and are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more).

UK interest on Notes issued for a term of one year or more (or under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax if the Notes in respect of which the UK interest is paid constitute "quoted Eurobonds". Notes which carry a right to interest will constitute quoted Eurobonds provided they are and continue to be "listed on a recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000 ("**FSMA**")) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

The Irish Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the main market or the Global Exchange Market of that Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

The SIX Swiss Exchange is a recognised stock exchange for these purposes. The Issuer's understanding of current HMRC practice is that securities which are listed on that Exchange in accordance with the Main Standard or Domestic Standard may be regarded as "listed on a recognised stock exchange" for these purposes.

In addition to the exemption set out above, interest on the Notes may be paid without withholding or deduction for or on account of United Kingdom income tax so long as the Issuer is a "bank" for the purposes of section 878 of the Income Tax Act 2007 and so long as such payments are made by the Issuer in the ordinary course of its business. In accordance with HMRC's Statement of Practice 4/96, such payments will be accepted as being made by the Issuer in the ordinary course of its business unless either:

(i) the borrowing in question conforms to any of the definitions of additional tier 1, or tier 2 capital adopted by the Prudential Regulation Authority of the Bank of England ("**PRA**") whether or not it actually counts towards additional tier 1, or tier 2 capital for regulatory purposes; or

(ii) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.

In the technical note published in December 2013 in connection with the introduction of the exemption for regulatory capital securities described below, HMRC announced that Statement of Practice 4/96 will be withdrawn in due course and guidance will be issued reflecting HMRC's view on certain matters referenced therein.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax to the extent that the Notes constitute "regulatory capital securities" for the purposes of The Taxation of Regulatory Capital Securities Regulations 2013. This exemption will not apply where there are arrangements, the main purpose, or one of the main purposes, of which is to obtain a tax advantage as a result of the application of these Regulations in respect of the Notes. The bank exemption described in the paragraph above does not apply in relation to payments of interest on regulatory capital securities.

In all other cases, UK interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the savings rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Payments under the Deed of Covenant

Any payments made by the Issuer under the Deed of Covenant may not qualify for the exemptions from UK withholding tax described above.

Other Rules Relating to United Kingdom Withholding Tax

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in "UK Withholding Tax on Interest Payments by the Issuer" above.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above and below.

Where interest has been paid under deduction of United Kingdom income tax, Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" in "*UK Withholding Tax on Interest Payments by the Issuer*" and in this section, "*Other Rules Relating to United Kingdom Withholding Tax*" mean "interest" as understood in United Kingdom tax law. The statements in these paragraphs above do not take any account of any different definitions of "interest" or principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

Information gathering and sharing

Tax authorities in various jurisdictions have their own information gathering and sharing powers which may be applicable in addition to those described above.

Other Tax Considerations

EU Financial Transactions Tax

The European Commission has published a proposal for a Directive for a common financial transactions tax (the "**FTT**") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "**participating Member States**"). Estonia officially announced its withdrawal from the negotiations in March 2016. The proposed FTT has very broad scope and could, if introduced, apply to certain dealings relating to the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt. Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax in uncertain. Additional EU Member States may decide to participate or currently participating Member States may decide to withdraw. Prospective investors are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Natixis, Nordea Bank AB (publ), Morgan Stanley & Co. International plc, RBC Europe Limited, The Royal Bank of Scotland plc (trading as NatWest Markets), Société Générale, UBS Limited and UniCredit Bank AG as principal dealers for the Programme or UBS AG as Swiss dealer for the Programme (together with any other dealer appointed from time to time by the Issuer, either generally in relation to the Programme or in relation to a particular Series of Notes, the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 16 May 2017 (as amended and/or restated and/or supplemented from time to time the "**Dealership Agreement**") and made between the Issuer and the Dealers. Any such agreement will, among other things, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or renewal of existing Dealers and the appointment of additional or other Dealers.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area.

(a) For the purposes of this provision, 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 Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

    (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation 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 Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Public Offer Selling Restriction Under the Prospectus Directive

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Notes (or Pricing Supplement in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a drawdown prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) *Approved prospectus*: if the Final Terms or drawdown prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus which is not a drawdown prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, 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 Directive;

(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 Directive), 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 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in the Relevant Member State.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Notes or the Programme has been, or will be, lodged with or registered by the Australian Securities & Investments Commissions ("**ASIC**") or any other regulatory authority in Australia.

Each Dealer has represented and agreed that it:

(a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of, any Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive offering memorandum, advertisement or other offering material relating to the Programme or any sale of Notes in Australia.

unless:

1. the aggregate consideration payable by each offeree or invitee is at least AUD 500,000 (or equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act and complies with the terms of any authority granted under the Banking Act of 1959 of Australia;

2. the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;

3. such action complies with all applicable laws, regulations and directives; and

4. such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

By applying for Notes under the Base Prospectus, each person to whom Notes are issued (an "**Investor**"):

(a) will be deemed by the Issuer and each of the Dealers to have acknowledged that if any Investor on-sells Notes within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:

   (i) that sale is to an Investor that:

      (A) falls within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act; and

         (1) is not a "retail client" within the meaning of section 761G of the Corporations Act,

         (2) to whom it is lawful to offer Notes in Australia without a prospectus or other disclosure document lodged with ASIC; or

      (B) the sale offer is received outside Australia; and

(b) will be deemed by the Issuer and each of the Dealers to have undertaken not to sell those Notes in any circumstances other than those described in paragraphs (A)(1) and (2) above for 12 months after the date of issue of such Notes.

This Base Prospectus is not, and under no circumstances is to be construed as, an advertisement or public offering of any Notes in Australia.

Denmark

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer, sell or deliver any of the Notes directly or indirectly in the Kingdom of Denmark by way of public offering, unless in compliance with the Danish Securities Trading etc. Act (*Værdipapirhandelsloven*), as amended or replaced from time to time, and Executive Orders issued thereto.

Estonia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has complied and will comply with all applicable provisions of Estonian law, including the Estonian Securities Market Act (*väärtpaberturu seadus*), and all applicable guidelines with respect to anything done by it in relation to any Notes in, from or otherwise involving Estonia.

Finland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not publicly offer the Notes or bring the Notes into general circulation in Finland other than in compliance with all applicable provisions of the laws of Finland and especially in compliance with the Finnish Securities Market Act (14 December 2012/746, Fi. *Arvopaperimarkkinalaki* or Sw. *Värdepappersmarknadslag*) and any regulation or rule made thereunder, as supplemented and amended from time to time.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille* *pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offer of Notes to the public in France will be made only in compliance with the Prospectus Directive and the applicable laws, regulations and procedures in France. This Base Prospectus prepared in connection with the Notes has not been submitted to the clearance procedures of the French *Autorité des marchés financiers* (the "**AMF**").

Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;

(b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Act 2014 (as amended), the Central Bank Acts 1942 to 2015 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989; and

(c) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules issued under Section 1370 of the Companies Act 2014 by the Central Bank.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus and any other document relating to the Notes in the Republic of Italy except:

(a) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("**Decree No. 58**") and defined in Article 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**") or

(b) in any other circumstances which are exempt from the rules on offers to the public pursuant to Article 100 of the Decree No. 58 and Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended (the "**Banking Act**"), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations;

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy (including the reporting requirements, where applicable), as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Latvia

The Notes have not been registered under the Financial Instruments Market Law of Latvia and may not be publicly offered or sold in Latvia unless in compliance with all applicable provisions of the laws of the

Republic of Latvia. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in Latvia other than in accordance with the laws of the Republic of Latvia.

Lithuania

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been offered and will not be offered in Lithuania by way of a public offering, unless in compliance with all applicable provisions of the laws of Lithuania and in particular in compliance with the Law on Securities of the Republic of Lithuania of 18 January 2007 No X-1023 and any regulation or rule made thereunder, as supplemented and amended from time to time.

Luxembourg

The Notes may not be offered or sold to the public within the territory of the Grand Duchy of Luxembourg unless:

(d) a prospectus has been duly approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") pursuant to part II of the Luxembourg law dated 10 July 2005 on prospectuses for securities, as amended (the "**Luxembourg Prospectus Law**"), implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, as amended through Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 (the "**Prospectus Directive**"), if Luxembourg is the home Member State as defined under the Luxembourg Prospectus Law; or

(e) if Luxembourg is not the home Member State, the CSSF has been provided by the Central Bank with a certificate of approval attesting that a prospectus in relation to the Notes has been drawn up in accordance with the Prospectus Directive and with a copy of the said prospectus; or

(f) the offer of Notes benefits from an exemption from, or constitutes a transaction not subject to, the requirement to publish a prospectus pursuant to the Luxembourg Prospectus Law and implementing the Prospectus Directive, as amended.

The Netherlands

For selling restrictions in respect of The Netherlands, see "Public Offer Selling Restriction Under the Prospectus Directive" below and in addition:

(a) *Specific Dutch selling restriction for exempt offers*: Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands and in reliance on Article 3(2) of the Prospectus Directive, unless:

    (i) such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "**FSA**") and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or

    (ii) standard exemption logo and wording are incorporated in the Final Terms as required by Article 5:20(5) of the FSA; or

    (iii) such offer is otherwise made in circumstances in which Article 5:20(5) of the FSA is not applicable,

    provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

    For the purposes of this provision, the expressions (i) an "**offer of Notes to the public**" in relation to any Notes in The Netherlands and (ii) "**Prospectus Directive**" have the meaning given to them below in the paragraph headed "Public Offer Selling Restriction Under the Prospectus Directive".

(b) *Compliance with Dutch Savings Certificates Act*: Zero Coupon Notes (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V. admitted on one or more systems held or operated by Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first Holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever."

New Zealand

No action has been taken to permit the Notes to be offered or sold to any retail investor, or otherwise under any regulated offer, in terms of the Financial Markets Conduct Act 2013 of New Zealand ("**FMCA**"). In particular, no product disclosure statement under the FMCA has been or will be prepared or lodged in New Zealand in relation to the Notes.

Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made any offer or sold and agrees it will not, directly or indirectly, make any offer, sell or deliver any Notes, Receipts, Coupons and Talons in New Zealand in circumstances that would require disclosure to investors under Part 3 of the FMCA.

Each Dealer has agreed that it will not offer or sell any Notes in New Zealand, or distribute or publish in New Zealand any offering material, information memorandum (including this Base Prospectus), any Final Terms or advertisement in relation to any offer of Notes, Receipts, Coupons or Talons other than to "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the FMCA, being a person who is:

(a) an "investment business";

(b) "large"; or

(c) a "government agency",

in each case as defined in Schedule 1 to the FMCA.

For the avoidance of doubt, Notes, Receipts, Coupons and Talons may not be offered or transferred to any "eligible investor" (as defined in clause 41 of Schedule 1 to the FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the FMCA, meets the investment activity criteria specified in clause 38 of that Schedule.

In addition, no person may distribute any offering material or advertisement (as defined in the FMCA) in relation to any offer of Notes, Receipts, Coupons or Talons in New Zealand other than to such persons as referred to in paragraphs (a) to (c) above.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes, Receipts, Coupons and Talons to persons whom it reasonably believes to be persons to whom any amounts payable on the Notes, Receipts, Coupons and Talons are or would be subject to New Zealand resident withholding tax, unless such persons:

(a) certify that they hold a valid RWT exemption certificate for New Zealand resident withholding tax purposes; and

(b) provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to the Issuer, the Registrar, the Fiscal Agent and each Paying Agent pursuant to the Fiscal Agency Agreement).

Norway

Notes denominated in Norwegian Kroner may not be offered or sold within Norway or to or for the account or benefit of persons domiciled in Norway, unless the regulation relating to the offer of VPS Notes and the registration in the VPS has been complied with.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will comply with all laws, regulations and guidelines applicable to the offering of Notes in Norway.

Portugal

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (*Código dos Valores Mobiliários*) enacted by Decree-Law no. 486/99 of 13 November 1999, as amended and restated from time to time, unless the requirements and provisions applicable to the public offerings in Portugal are met and registration, filing, approval or recognition procedures with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, the "**CMVM**") are made. In particular, the offer of new securities might be made through a private placement (*oferta particular*), in accordance with the relevant provisions of the Portuguese Securities Code, including, *inter alia*, exclusively to qualified investors (*investidores qualificados*) within the meaning of Article 30 of the Portuguese Securities Code.

In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, other than in compliance with all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation implementing the Prospectus Directive (Commission Regulation (EC) 809/2004, as amended) and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Notes by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including compliance with the rules and regulations that require the publication of a prospectus, when applicable, (i) no action has been or will be taken as to directly or indirectly offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, (ii) no action has been or will be taken as to distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Notes to the public in Portugal, and that (iii) that any such distribution or placement of the Notes shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

Spain

Notes may not be offered, sold or distributed in the Kingdom of Spain save in accordance with the requirements of the consolidated text of the Securities Market Law approved by legislative Royal Decree 4/2015 of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the "**Securities Market Law**"), and Royal Decree 1310/2005, of 4 November 2005, partially developing Law 24/1988, of 28 July, on the Securities Market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1 988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended and restated, and the decrees and regulations made thereunder and by institutions authorised under the Securities Market Law and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión y por el que se modifica parcialmente el Reglamento de la*

Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva, aprobado por el Real Decreto 1309/2005, de 4 de noviembre), as amended and restated, to provide investment services in Spain.

Sweden

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no Notes 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 Notes has been approved by the competent authority in Sweden or, where appropriate, approved in another Relevant Member State and such competent authority has notified the competent authority in Sweden, all in accordance with the Prospectus Directive and the Swedish Financial Instruments Trading Act; or (B) an exemption from the requirement to prepare a prospectus is available under the Swedish Financial Instruments Trading Act.

United Kingdom

Each Dealer has represented and agreed that:

(a) **Financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 Notes in circumstances in which section 21(1) of the FSMA does not, or, in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer; and

(b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The United States of America

The Notes 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 certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it has not offered, sold or delivered, and will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Canada

The Notes have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold, distributed, or delivered, and that it will not offer, sell, distribute, or deliver, any Notes, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. Each Dealer has also agreed, and each further Dealer appointed under the Programme may be required to agree, not to distribute or deliver this Base Prospectus, or any other offering materials relating to the Notes, in Canada in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. If the applicable Final Terms or any other offering materials relating to the Notes provide that the Notes may be offered, sold or distributed in Canada, the issue of the Notes will be subject to such additional selling restrictions as the Issuer and the relevant Dealer(s) may agree, as specified in the applicable Final Terms or other offering materials relating to such Notes. Each Dealer, and each further Dealer appointed under the Programme, will be required to agree that it will offer, sell and distribute such Notes only in compliance with such additional Canadian selling restrictions.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

The People's Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold directly or indirectly within the People's Republic of China (for such purposes and under this section, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the "**PRC**")). This Base Prospectus or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Base Prospectus, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or any other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC.

The Notes may only be invested by or sold to the PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. PRC investors Investors are responsible for obtaining all relevant governmental approvals, verifications, licences or registrations (if any) themselves from all relevant PRC governmental and regulatory authorities, including, but not limited to, the State Administration of Foreign Exchange, CSRC, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**")) other than (a) to "professional investors" as defined in the SFO and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase nor will it offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed, nor will it circulate or distribute this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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 Directive and other than with respect to the admission of the Notes to listing, trading and/or quotation by the relevant listing authorities, stock exchanges and/or quotation systems, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, 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 and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession, publish or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in a supplement to this document or in the Subscription Agreement or Dealer Accession Letter, as relevant.

GENERAL INFORMATION

1. The update of the Programme was authorised by a duly convened meeting of the Board of Directors of the Issuer on 27 February 2004. The increase in the Programme amount to €50,000,000,000 was decided by the Board of Directors of the Issuer on 4 December 2013.

2. Neither 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 March 2017, the date to which the latest unaudited financial statements of the Issuer were prepared there has been no significant change in the financial or trading position of the Issuer or the Nordea Group.

4. Since 31 December 2016, the date to which the latest audited financial statements of the Issuer were prepared, there has been no material adverse change in the prospects of the Issuer or the Nordea Group.

5. The consolidated financial statements of the Issuer have been audited without qualification for years ended 31 December 2016 and 31 December 2015 by the public accountants Öhrlings PricewaterhouseCoopers AB. On 16 March 2017, Nordea re-elected Öhrlings PricewaterhouseCoopers AB to act as its auditors until the end of the 2018 annual general meeting. The auditors of the Issuer have no material interest in the Issuer.

6. For the 12 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;

    (b) the Fiscal Agency Agreement (as amended from time to time) (which contains the forms of the Notes);

    (c) the Deed of Covenant (as supplemented from time to time);

    (d) the Dealership Agreement (as amended from time to time);

    (e) the audited consolidated and unconsolidated financial statements of the Issuer for the years ended 31 December 2016 and 31 December 2015 including the audit reports relating thereto, and unaudited consolidated and unconsolidated interim financial statements of the Issuer for the three months ended 31 March 2017;

    (f) this Base Prospectus, together with any supplements thereto;

    (g) the Final Terms for issues listed on any stock exchange and issued pursuant to this Base Prospectus; and

    (h) the Issuer-ICSDs Agreement.

    For as long as the Programme remains valid with the Central Bank, copies of the following documents will be available on the website of the Central Bank at http://www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx

    (a) a copy of this Base Prospectus and any Final Terms relating to Notes which are admitted to trading on the Main Market of the Irish Stock Exchange; and

    (b) any supplements to this Base Prospectus, any future base prospectuses relating to the Programme and any supplements to any future base prospectuses relating to the Programme.

    In the case of a Tranche of Notes which is not admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system or which is not offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (including Exempt Notes), copies of the Final Terms will only be available for inspection during normal business hours at the specified office of the Fiscal Agent in London and the registered office of the Issuer by the Holders of such Notes.

7. It is expected that each Series of Notes which is to be admitted to the Official List of the Irish Stock Exchange and admitted to trading on its regulated market or the Global Exchange Market will be admitted separately as and when issued, subject only to the issue of a Temporary Global Note initially representing the Notes of such Series or, as the case may be, the relevant Registered Notes and the approval of the Programme in respect of such Note(s) will be granted on or about 16 May 2017.

   It is further expected that the admission of Notes issued under the Programme to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange will be granted after the Central Bank has provided the FCA with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

   It is further expected that this Base Listing Particulars will be submitted to the SIX Swiss Exchange for registration as an "issuance programme" for the listing of bonds on the SIX Swiss Exchange in accordance with the SIX Listing Rules. If approved, in respect of any Series of Notes to be listed on the SIX Swiss Exchange, this Base Listing Particulars, together with the relevant Final Terms, will constitute the listing prospectus for purposes of the SIX Listing Rules.

8. Each Tranche of Notes will be allocated an International Securities Identification Number (ISIN), Common Code and/or other securities identifier, which will be contained in the Final Terms relating thereto. Notes issued in Series comprising more than one Tranche may be assigned a temporary ISIN and Common Code or other securities identifier on issue.

9. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Fiscal Agent or, as the case may be, the Registrar in relation to each Series.

10. There are no material contracts having been entered into outside the ordinary course of the 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 Noteholders in respect of the Notes being issued.

11. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

12. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

    In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

13. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

ANNEX 1 - AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF NORDEA BANK AB FOR THE YEAR ENDED 31 DECEMBER 2016, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO

Financial statements, Contents

Income statement

EURm	Note	2016	2015
Operating income			
Interest income		7,747	8,549
Interest expense		–3,020	–3,586
Net interest income	G3	**4,727**	**4,963**
Fee and commission income		4,098	4,092
Fee and commission expense		–860	–862
Net fee and commission income	G4	**3,238**	**3,230**
Net result from items at fair value	G5	1,715	1,645
Profit from associated undertakings accounted for under the equity method	G19	112	39
Other operating income	G6	135	263
Total operating income		**9,927**	**10,140**
Operating expenses			
General administrative expenses:			
Staff costs	G7	–2,926	–3,263
Other expenses	G8	–1,646	–1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	–228	–209
Total operating expenses		**–4,800**	**–4,957**
Profit before loan losses		**5,127**	**5,183**
Net loan losses	G10	–502	–479
Operating profit		**4,625**	**4,704**
Income tax expense	G11	–859	–1,042
Net profit for the year		**3,766**	**3,662**
Attributable to:			
Shareholders of Nordea Bank AB (publ)		3,766	3,662
Non-controlling interests		–	–
Total		**3,766**	**3,662**
Basic earnings per share, EUR	G12	0.93	0.91
Diluted earnings per share, EUR	G12	0.93	0.91

Statement of comprehensive income

EURm	2016	2015
Net profit for the year	**3,766**	**3,662**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	438	–544
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	–219	308
Tax on valuation gains/losses during the year	48	–68
Available for sale investments[1]		
Valuation gains/losses during the year	186	–94
Tax on valuation gains/losses during the year	–42	23
Transferred to the income statement during the year	–69	–66
Tax on transfers to the income statement during the year	15	14
Cash flow hedges:		
Valuation gains/losses during the year	–569	611
Tax on valuation gains/losses during the year	147	–145
Transferred to the income statement during the year	525	–527
Tax on transfers to the income statement during the year	–137	126
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	–205	483
Tax on remeasurement of defined benefit plans during the year	47	–108
Other comprehensive income, net of tax	**165**	**13**
Total comprehensive income	**3,931**	**3,675**
Attributable to:		
Shareholders of Nordea Bank AB (publ)	3,931	3,675
Non-controlling interests	–	–
Total	**3,931**	**3,675**

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 2016	31 Dec 2015	1 Jan 2015
Assets				
Cash and balances with central banks		32,099	35,500	31,067
Loans to central banks	G13	11,235	13,224	6,958
Loans to credit institutions	G13	9,026	10,762	12,096
Loans to the public	G13	317,689	340,920	348,085
Interest-bearing securities	G14	87,701	86,535	85,666
Financial instruments pledged as collateral	G15	5,108	8,341	12,151
Shares	G16	21,524	22,273	24,002
Assets in pooled schemes and unit-linked investment contracts	G17	23,102	20,434	17,442
Derivatives	G18	69,959	80,741	105,119
Fair value changes of the hedged items in portfolio hedge of interest rate risk		178	151	256
Investments in associated undertakings and joint ventures	G19	588	515	487
Intangible assets	G20	3,792	3,208	2,908
Properties and equipment		566	557	509
Investment properties	G22	3,119	3,054	3,135
Deferred tax assets	G11	60	76	130
Current tax assets		288	87	132
Retirement benefit assets	G32	306	377	42
Other assets	G23	18,973	18,587	17,543
Prepaid expenses and accrued income	G24	1,449	1,526	1,614
Assets held for sale	G42	8,897	–	–
Total assets		**615,659**	**646,868**	**669,342**
Liabilities				
Deposits by credit institutions	G25	38,136	44,209	56,322
Deposits and borrowings from the public	G26	174,028	189,049	192,967
Deposits in pooled schemes and unit-linked investment contracts	G17	23,580	21,088	18,099
Liabilities to policyholders	G27	41,210	38,707	38,031
Debt securities in issue	G28	191,750	201,937	194,274
Derivatives	G18	68,636	79,505	97,340
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,466	2,594	3,418
Current tax liabilities		487	225	368
Other liabilities	G29	24,413	25,745	26,973
Accrued expenses and prepaid income	G30	1,758	1,805	1,943
Deferred tax liabilities	G11	830	1,028	983
Provisions	G31	306	415	305
Retirement benefit liabilities	G32	302	329	540
Subordinated liabilities	G33	10,459	9,200	7,942
Liabilities held for sale	G42	4,888	–	–
Total liabilities		**583,249**	**615,836**	**639,505**
Equity				
Non-controlling interests		1	1	2
Share capital		4,050	4,050	4,050
Share premium reserve		1,080	1,080	1,080
Other reserves		–1,023	–1,188	–1,201
Retained earnings		28,302	27,089	25,906
Total equity		**32,410**	**31,032**	**29,837**
Total liabilities and equity		**615,659**	**646,868**	**669,342**
Assets pledged as security for own liabilities	G34	189,441	184,795	163,041
Other assets pledged	G35	8,330	9,038	11,265
Contingent liabilities	G36	23,089	22,569	22,017
Commitments	G37	79,434	78,002	75,935

Statement of changes in equity

2016

EURm	Attributable to shareholders of Nordea Bank AB (publ)[2]		Other reserves:							
	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
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
Disposal 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 is 10.9 million.

Statement of changes in equity, Nordea Group, cont.

2015

	Attributable to shareholders of Nordea Bank AB (publ)[2]									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2015	4,050	1,080	–1,313	6	113	–7	25,906	29,835	2	29,837
Net profit for the year	–	–	–	–	–	–	3,662	3,662	–	3,662
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	–	–	–544	–	–	–	–	–544	–	–544
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	–	–	308	–	–	–	–	308	–	308
Tax on valuation gains/losses during the year	–	–	–68	–	–	–	–	–68	–	–68
Available for sale investments:										
Valuation gains/losses during the year	–	–	–	–	–94	–	–	–94	–	–94
Tax on valuation gains/losses during the year	–	–	–	–	23	–	–	23	–	23
Transferred to the income statement during the year	–	–	–	–	–66	–	–	–66	–	–66
Tax on transfers to the income statement during the year	–	–	–	–	14	–	–	14	–	14
Cash flow hedges:										
Valuation gains/losses during the year	–	–	–	611	–	–	–	611	–	611
Tax on valuation gains/losses during the year	–	–	–	–145	–	–	–	–145	–	–145
Transferred to the income statement during the year	–	–	–	–527	–	–	–	–527	–	–527
Tax on transfers to the income statement during the year	–	–	–	126	–	–	–	126	–	126
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans:										
Remeasurement of defined benefit plans during the year	–	–	–	–	–	483	–	483	–	483
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–108	–	–108	–	–108
Other comprehensive income, net of tax	–	–	–304	65	–123	375	–	13	–	13
Total comprehensive income	–	–	–304	65	–123	375	3,662	3,675	–	3,675
Share-based payments	–	–	–	–	–	–	2	2	–	2
Dividend for 2014	–	–	–	–	–	–	–2,501	–2,501	–	–2,501
Disposal of own shares[3]	–	–	–	–	–	–	20	20	–	20
Change in non-controlling interests	–	–	–	–	–	–	–	–	–1	–1
Balance at 31 Dec 2015	4,050	1,080	–1,617	71	–10	368	27,089	31,031	1	31,032

1) Total shares registered were 4,050 million.

2) Restricted equity was at 31 December 2015 EUR 4,318m, of which share capital was EUR 4,050m and equity method reserve was EUR 268m. Equity method reserve is recognised in retained earnings. Unrestricted equity was at 31 December 2015 EUR 26,713m.

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 18.6 million. The total holdings of own shares related to LTIP is 11.7 million.

Cash flow statement

EURm	2016	2015
Operating activities		
Operating profit	4,625	4,704
Adjustment for items not included in cash flow	3,892	2,824
Income taxes paid	–952	–1,056
Cash flow from operating activities before changes in operating assets and liabilities	**7,565**	**6,472**
Changes in operating assets		
Change in loans to central banks	7,824	–10,002
Change in loans to credit institutions	689	1,171
Change in loans to the public	14,357	5,173
Change in interest-bearing securities	–154	–831
Change in financial assets pledged as collateral	3,233	3,812
Change in shares	488	–937
Change in derivatives, net	–751	4,453
Change in investment properties	–174	38
Change in other assets	–3,217	–1,402
Changes in operating liabilities		
Change in deposits by credit institutions	–6,482	–13,495
Change in deposits and borrowings from the public	–9,686	–4,272
Change in liabilities to policyholders	2,602	2,361
Change in debt securities in issue	–7,357	4,374
Change in other liabilities	–5,657	3,281
Cash flow from operating activities	**3,280**	**196**
Investing activities		
Sale of business operations	–	175
Investments in associated undertakings and joint ventures	–5	0
Sale of associated undertakings and joint ventures	134	10
Acquisition of property and equipment	–124	–162
Sale of property and equipment	20	27
Acquisition of intangible assets	–658	–467
Sale of intangible assets	1	9
Net divestments in debt securities, held to maturity	–360	–139
Sale of other financial fixed assets	58	25
Cash flow from investing activities	**–934**	**–522**
Financing activities		
Issued subordinated liabilities	1,000	2,159
Amortised subordinated liabilities	–	–1,424
Divestment of own shares including change in trading portfolio	31	20
Dividend paid	–2,584	–2,501
Cash flow from financing activities	**–1,553**	**–1,746**
Cash flow for the year	**793**	**–2,072**
Cash and cash equivalents at the beginning of year	40,200	39,683
Translation difference	867	2,589
Cash and cash equivalents at the end of year	41,860	40,200
Change	**793**	**–2,072**

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	2016	2015
Depreciation	221	189
Impairment charges	7	20
Loan losses	560	543
Unrealised gains/losses	–2	1,401
Capital gains/losses (net)	–72	–197
Change in accruals and provisions	126	143
Translation differences	919	811
Change in bonus potential to policyholders, Life	–115	236
Change in technical reserves, Life	2,491	1,053
Change in fair value of hedged items, assets/liabilities (net)	–92	–753
Other	–151	–622
Total	**3,892**	**2,824**

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	2016	2015
Interest payments received	7,649	8,810
Interest expenses paid	–3,198	–3,473

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 2016	31 Dec 2015
Cash and balances with central banks	32,099	35,500
Loans to central banks, payable on demand	8,538	2,684
Loans to credit institutions, payable on demand	1,093	2,016
Assets held for sale	130	–
Total	**41,860**	**40,200**

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

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

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

Quarterly development

EURm	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2016	2015
Net interest income	1,209	1,178	1,172	1,168	1,203	1,233	1,274	1,253	4,727	4,963
Net fee and commission income	867	795	804	772	821	767	833	809	3,238	3,230
Net result from items at fair value	498	480	405	332	421	211	386	627	1,715	1,645
Profit from associated undertakings accounted for under the equity method	4	−2	101	9	3	18	8	10	112	39
Other operating income	32	15	74	14	197	24	22	20	135	263
Total operating income	**2,610**	**2,466**	**2,556**	**2,295**	**2,645**	**2,253**	**2,523**	**2,719**	**9,927**	**10,140**
General administrative expenses:										
Staff costs	−687	−743	−756	−740	−956	−756	−772	−779	−2,926	−3,263
Other expenses	−475	−389	−396	−386	−455	−303	−363	−364	−1,646	−1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	−71	−51	−54	−52	−65	−49	−50	−45	−228	−209
Total operating expenses	**−1,233**	**−1,183**	**−1,206**	**−1,178**	**−1,476**	**−1,108**	**−1,185**	**−1,188**	**−4,800**	**−4,957**
Profit before loan losses	**1,377**	**1,283**	**1,350**	**1,117**	**1,169**	**1,145**	**1,338**	**1,531**	**5,127**	**5,183**
Net loan losses	−129	−135	−127	−111	−142	−112	−103	−122	−502	−479
Operating profit	**1,248**	**1,148**	**1,223**	**1,006**	**1,027**	**1,033**	**1,235**	**1,409**	**4,625**	**4,704**
Income tax expense	−148	−260	−227	−224	−179	−253	−283	−327	−859	−1,042
Net profit for the year	**1,100**	**888**	**996**	**782**	**848**	**780**	**952**	**1,082**	**3,766**	**3,662**
Diluted earnings per share (DEPS), EUR	0.27	0.22	0.25	0.19	0.21	0.19	0.24	0.27	0.93	0.91
DEPS, rolling 12 months up to period end, EUR	0.93	0.87	0.84	0.83	0.91	0.92	0.95	0.89	0.93	0.91

5 year overview

Income statement[1]

EURm	2016	2015	2014	2013	2012
Net interest income	4,727	4,963	5,349	5,525	5,563
Net fee and commission income	3,238	3,230	3,017	2,642	2,468
Net result from items at fair value	1,715	1,645	1,383	1,539	1,774
Profit from associated undertakings accounted for under the equity method	112	39	18	79	93
Other operating income	135	263	474	106	100
Total operating income	**9,927**	**10,140**	**10,241**	**9,891**	**9,998**
General administrative expenses:					
Staff costs	−2,926	−3,263	−3,159	−2,978	−2,989
Other expenses	−1,646	−1,485	−1,656	−1,835	−1,808
Depreciation, amortisation and impairment charges of tangible and intangible assets	−228	−209	−585	−227	−267
Total operating expenses	**−4,800**	**−4,957**	**−5,400**	**−5,040**	**−5,064**
Profit before loan losses	**5,127**	**5,183**	**4,841**	**4,851**	**4,934**
Net loan losses	−502	−479	−534	−735	−895
Operating profit	**4,625**	**4,704**	**4,307**	**4,116**	**4,039**
Income tax expense	−859	−1,042	−950	−1,009	−970
Net profit for the year from continuing operations	**3,766**	**3,662**	**3,357**	**3,107**	**3,069**
Net profit for the year from discontinued operations, after tax	–	–	−25	9	57
Net profit for the year	**3,766**	**3,662**	**3,332**	**3,116**	**3,126**

Balance sheet[1]

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Cash and balances with central banks	32,099	35,500	31,067	33,529	36,060
Loans to central banks and credit institutions	20,261	23,986	19,054	22,512	18,574
Loans to the public	317,689	340,920	348,085	342,451	346,251
Interest-bearing securities and pledged instruments	92,809	94,876	97,817	96,889	94,596
Assets in pooled schemes and unit-linked investment contracts	23,102	20,434	17,442	–	–
Derivatives	69,959	80,741	105,119	70,992	118,789
Other assets	50,843	50,411	50,758	55,166	53,908
Assets held for sale	8,897	–	–	8,895	–
Total assets	**615,659**	**646,868**	**669,342**	**630,434**	**668,178**
Deposits by credit institutions	38,136	44,209	56,322	59,090	55,426
Deposits and borrowings from the public	174,028	189,049	192,967	200,743	200,678
Deposits in pooled schemes and unit-linked investment contracts	23,580	21,088	18,099	–	–
Liabilities to policyholders	41,210	38,707	38,031	47,226	45,320
Debt securities in issue	191,750	201,937	194,274	185,602	183,908
Derivatives	68,636	79,505	97,340	65,924	114,203
Subordinated liabilities	10,459	9,200	7,942	6,545	7,797
Other liabilities	30,562	32,141	34,530	31,897	32,841
Liabilities held for sale	4,888	-	–	4,198	–
Equity	32,410	31 032	29,837	29,209	28,005
Total liabilities and equity	**615,659**	**646,868**	**669,342**	**630,434**	**668,178**

1) The comparative figures for 2014/2015 have been restated, for more information see Note G1 "Accounting policies".

Ratios and key figures[1]

	2016	2015	2014	2013	2012
Basic earnings per share, EUR	0.93	0.91	0.83	0.77	0.78
Diluted earnings per share, EUR	0.93	0.91	0.83	0.77	0.78
Share price[2], EUR	10.60	10.15	9.68	9.78	7.24
Total shareholders' return, %	16.3	8.2	9.2	44.6	21.0
Proposed/actual dividend per share, EUR	0.65	0.64	0.62	0.43	0.34
Equity per share[2], EUR	8.03	7.69	7.40	7.27	6.96
Potential shares outstanding[2], million	4,050	4,050	4,050	4,050	4,050
Weighted average number of diluted shares, million	4,037	4,031	4,031	4,020	4,026
Return on equity, %	12.3	12.2	11.4	11.0	11.6
Assets under management[2], EURbn	322.7	288.2	262.2	232.1	218.3
Cost/income ratio[3], %	50	47	49	51	51
Loan loss ratio, basis points[4]	15	14	15	21	26
Common Equity Tier 1 capital ratio excluding Basel I floor[2,5,6] ,%	18.4	16.5	15.7	14.9	13.1
Tier 1 capital ratio, excluding Basel I floor[2,5,6], %	20.7	18.5	17.6	15.7	14.3
Total capital ratio, excluding Basel I floor[2,5,6], %	24.7	21.6	20.6	18.1	16.2
Tier 1 capital[2,5,6], EURbn	27.6	26.5	25.6	24.4	24.0
Risk exposure amount, excluding Basel I floor[2,5,6], EURbn	133	143	146	155	168
Number of employees (full-time equivalents)[2]	31,596	29,815	29,643	29,429	29,491
Economic capital[2,5], EURbn – Total operations	26.3	25.0	24.3	23.5	22.8
ROCAR[3,7],%	13.4	14.8	14.0	13.7	13.9

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. The comparative figures for 2015 have been restated, for more information see Note G1 "Accounting policies".
2) End of the year.
3) Excluding non-recurring items 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.
7) ROCAR restated 2015 due to changed definition.

Business definitions

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

Return on 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 non-recurring items 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 3 February 2017 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 16 March 2017.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2015 Annual Report. The new accounting requirements implemented during 2016 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 2016 but have not had any significant impact on the financial statements of Nordea:

- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment entities – Applying the Consolidation Exception"
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to IAS 1"Disclosures Initiative"
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Annual Improvements to IFRSs, 2012–2014 Cycle

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 2016. These amendments have not had any significant impact on Nordea's financial statements.

The Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2015:20. Those amendments were implemented by Nordea 1 January 2016 but 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 2016". These changes were implemented by Nordea 1 January 2016 but have not had any significant impact on Nordea´s financial statements.

Changed presentation of pooled schemes and unit-linked investment contracts

Nordea invests in interest-bearing securities and shares on behalf of customers, in pension pools and unit-linked investment contracts, where the customers bear the investment risk. Such assets have been reclassified to the separate balance sheet line "Assets in pooled schemes and unit-linked investment contracts" in order to disclose them separately from assets for which Nordea bears the investment risk. The corresponding liabilities to customers have been reclassified to the separate balance sheet line "Deposits in pooled schemes and unit-linked investment contracts" following that these liabilities behave differently than the normal deposits received from customers.

The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the income statement or equity.

G1. Accounting policies, cont.

	31 Dec 2016			31 Dec 2015			1 Jan 2015		
EURm	Old policy	Restatement	New policy	Old policy	Restatement	New policy	Old policy	Restatement	New policy
Assets									
Loans to credit institutions	9,290	–264	9,026	10,959	–197	10,762	12,217	–121	12,096
Interest-bearing securities	89,375	–1,674	87,701	88,176	–1,641	86,535	87,110	–1,444	85,666
Shares	42,543	–21,019	21,524	40,745	–18,472	22,273	39,749	–15,747	24,002
Assets in pooled schemes and unit-linked investment contracts	–	23,102	23,102	—	20,434	20,434	–	17,442	17,442
Investment properties	3,258	–139	3,119	3,165	–111	3,054	3,227	–92	3,135
Other assets	18,979	–6	18,973	18,600	–13	18,587	17,581	–38	17,543
Liabilities									
Deposits and borrowings from the public	178,368	–4,340	174,028	193,342	–4,293	189,049	197,254	–4 287	192,967
Deposits in pooled schemes and unit-linked investment contracts	–	23,580	23,580	—	21,088	21,088	–	18,099	18,099
Liabilities to policyholders	60,439	–19,229	41,210	55,491	–16,784	38,707	51,843	–13,812	38,031
Other liabilities	24,424	–11	24,413	25,756	–11	25,745	26,973	–	26,973

Changed presentation of refinancing fees and pay-out fees

Refinancing fees and pay-out fees received in connection with mortgage lending in Denmark have been reclassified from "Net result from items at fair value" to "Net fee and commission income" in the income statement, in order to align with Nordea's classification policy for loan processing fees. A refinancing fee is charged when an adjustable rate mortgage loan is refinanced, and a pay-out fee when a loan is initially paid out. The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

Changed presentation of stability fees

Nordea has, in order to align with local market practice, reclassified state guarantee fees from "Net fee and commission income" to "Net interest income". The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

	2016			2015		
EURm	Old policy	Restatement	New policy	Old policy	Restatement	New policy
Net interest income	4,855	–128	4,727	5,110	–147	4,963
- of which state guarantee fees		*–128*			*–147*	
Net fee and commission income	3,060	178	3,238	3,025	205	3,230
- of which state guarantee fees		*128*			*147*	
- of which refinancing/pay-out fees		*50*			*58*	
Net result from items at fair value	1,765	–50	1,715	1,703	–58	1,645
- of which refinancing/pay-out fees		*–50*			*–58*	

Changed presentation of "Net fee and commission income"

The presentation within Note G4 "Net fee and commission income" has, in addition to the changes described above, been changed. The main change is that income and expenses have been set off to better reflect the net return from different business activities. Commission expenses have been split more granularly to better match the related commission income. The gross impact on income and expense is also provided in Note G4.

Commission income in connection with initial public offerings (IPOs) have in addition been reclassified from "Custody and issuer services" to "Brokerage, securities issues and corporate finance" (impact full year 2015 EUR 27m), and commission expenses connected to asset management activities from "Other" to "Asset management commissions" (impact full year 2015 EUR 80m). These reclassifications have been made to better reflect the purpose of services performed/received.

Presentation of disposal groups held for sale

Assets and liabilities held for sale consist of Nordea's Baltic operations and lending to retail customers in Russia as further described in Note G42 "Disposal groups held for sale". Assets and liabilities related to the disposal group 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

G1. Accounting policies, cont.

lower of carrying amount and fair value. Comparative figures are not restated.

3. Changes in IFRSs not yet applied by Nordea

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 does not intend to early adopt the standard. Nordea does not either intend to restate the comparative figures for 2017 in the annual report 2018 due to 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 as of 31 December 2015 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.

No business model assessment or SPPI analysis has been made for Nordea Life & Pension as Nordea has awaited the IFRS 9 EU endorsement process.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes compared to how the financial instruments are measured under IAS 39. No significant impact is thus expected on Nordea's financial position, financial performance or equity in the period of initial application. No significant impact on the capital adequacy, large exposures, risk management or alternative performance measures are expected in the period of initial application. These tentative conclusions are naturally dependent on the financial instruments on Nordea's balance sheet at transition.

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. Nordea has yet to decide what parameters to use for identifying the increase in credit risk and how much these parameters need to change in order to constitute a "significant increase". For assets held at transition, Nordea has tentatively 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 undue cost or effort and without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has tentatively 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 has not yet determined the threshold for the change in rating, scoring and PDs when assessing whether it is significant or not.

Nordea's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the triggering event for moving items from stage 1 to stage 2 under IFRS 9.

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 should be based on probability weighted forward looking information. Nordea has tentatively decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios will be used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario will be recognised as provisions.

It is expected the new requirements will increase loan loss provisions and decrease equity in the period of initial application. It is not expected to have any material impact on large exposures. The impact on capital adequacy is not possible to determine as it is expected the Basel committee will issue new rules for the transition to IFRS 9, but these are not yet final. It is furthermore expected that the long term effects, once the transitional rules become obsolete, will be negative on capital adequacy, as the reduction in equity is expected to reduce CET 1 capital. It is however not expected the full increase in provisions will decrease CET 1 capital as there are mitigating effects, for instance the current shortfall deduction that is expected to be reduced when provisions are calculated under IFRS 9.

G1. Accounting policies, cont.

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's tentative conclusion is to continue using the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented, but that remains to be confirmed.

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 new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The standard was endorsed by the EU-commission in 2016 and the clarifications are expected to be endorsed in 2017. Nordea does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will 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 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 effect 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 amendments are expected to be endorsed by the EU-commission in 2017. Nordea does not currently intend to early adopt the amendments. Nordea's current assessment is that the new standard will change the accounting of property leases which mainly affects Nordea's balance sheet.

Other changes in IFRS

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

- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- Amendments to IAS 7: "Disclosure Initiative"
- Amendments to IFRS 2: "Classification and Measurement of Share based Payment Transactions

4. Critical judgements and estimation uncertainty

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

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

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  - 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.

G1. Accounting policies, cont.

- 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 judgment in accordance with Nordea's accounting and valuation policies. The valuation policy is governed by the Group Valuation Committee, which is chaired by the Group CFO. 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 208,371m (EUR 244,266m) and EUR 129,441m (EUR 156,354m) 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 2,247m (EUR 2,170m) 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 340,376m (EUR 367,570m) 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 3,434m (EUR 3,271m) 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.

G1. Accounting policies, cont.

The insurance liability was EUR 37,682m (EUR 35,190m) 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 3,119m (EUR 3,054m) 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. 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.

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 60m (EUR 76m) 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

G1. Accounting policies, cont.

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 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 undertakings 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 28 "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

G1. Accounting policies, cont.

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

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

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

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

Net fee and commission income

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

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

Income from issued financial guarantees and expenses from bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively.

Net result from items at fair value

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

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

Interest income and interest expense related to all balance sheet items held at fair value in Markets 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 nd 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.

G1. Accounting policies, cont.

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 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.

G1. Accounting policies, cont.

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

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

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

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

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

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 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

G1. Accounting policies, cont.

hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

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

Hedged items

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

Hedging instruments

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

Hedges of net investments

See separate section 9 "Translation of assets and liabilities denominated in foreign currencies".

Hedge effectiveness

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

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

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

11. Determination of fair value of financial instruments

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

Fair value is defined as the 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 arenot available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

G1. Accounting policies, cont.

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 lending in reverse repurchase agreements.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are 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

G1. Accounting policies, cont.

classification stems from that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/ Financial liabilities at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 14 "Loans to the public/ credit institutions".

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

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

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as "Impairment of securities held as financial non-current assets" in the income statement. See section 14 "Loans to the public/credit institutions" for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-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".

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

Securities borrowing and lending agreements
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item "Financial instruments pledged as collateral".

Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

G1. Accounting policies, cont.

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

G1. Accounting policies, cont.

as impaired the measurement of the impairment loss is made on an individual basis.

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

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

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

Discount rate

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

Restructured loans

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as 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

G1. Accounting policies, cont.

of the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is recognised on the basis of the time-pattern of Nordea's economic benefit which differs from the straight-line basis and better resembles an ordinary rental arrangement.

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

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

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/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 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 financial assumptions (as disclosed in Note G32 "Retirement benefit obligations").

G1. Accounting policies, cont.

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 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

G1. Accounting policies, cont.

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
- 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. Exchange rates

	Jan–Dec 2016	Jan–Dec 2015
EUR 1 = SEK		
Income statement (average)	9.4675	9.3537
Balance sheet (at end of year)	9.5525	9.1895
EUR 1 = DKK		
Income statement (average)	7.4453	7.4587
Balance sheet (at end of year)	7.4344	7.4626
EUR 1 = NOK		
Income statement (average)	9.2943	8.9434
Balance sheet (at end of year)	9.0863	9.6030
EUR 1 = RUB		
Income statement (average)	74.1913	67.9657
Balance sheet (at end of year)	64.3000	80.6736

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 2015 Annual Report changes in the basis of segmentation have been made following the decision to divide Retail into two Business areas, Personal Banking and Commercial & Business Banking. The business area Personal Banking includes the personal customers formerly included in Retail Banking and the Business area Commercial & Business Banking includes the corporate customers formerly included in Retail Banking. As from the fourth quarter the new business areas are included in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note G2. The new business areas are further broken down on operating segments. 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 Corporate Centre. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items

Reportable Operating segments

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. Personal Banking also includes Nordea's Baltic operations, serving both household and corporate customers.

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 Corporate Centre's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Corporate Centre originates from Group Treasury & ALM.

G2. Segment reporting, cont.

Income statement 2016

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Manage-ment	Group Corporate Centre	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,129	1,114	852	112	507	17	4,731	–4	4,727
Net fee and commission income	1,203	515	644	1,526	–16	1	3,873	–635	3,238
Net result from items at fair value	101	280	801	365	232	–5	1,774	–59	1,715
Profit from associated undertakings accounted for under the equity method	2	11	0	0	–2	102	113	–1	112
Other income	5	22	0	12	1	88	128	7	135
Total operating income	**3,440**	**1,942**	**2,297**	**2,015**	**722**	**203**	**10,619**	**–692**	**9,927**
- of which internal transactions[1]	–774	–419	–410	6	1,578	19	0	–	–
Staff costs	–859	–491	–634	–509	–292	80	–2,705	–221	–2,926
Other expenses	–1,003	–460	–274	–283	57	–76	–2,039	393	–1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	–50	–31	–20	–19	–64	–2	–186	–42	–228
Total operating expenses	**–1,912**	**–982**	**–928**	**–811**	**–299**	**2**	**–4,930**	**130**	**–4,800**
Profit before loan losses	**1,528**	**960**	**1,369**	**1,204**	**423**	**205**	**5,689**	**–562**	**5,127**
Net loan losses	–62	–161	–296	0	–	–	–519	17	–502
Operating profit	**1,466**	**799**	**1,073**	**1,204**	**423**	**205**	**5,170**	**–545**	**4,625**
Income tax expense	–337	–184	–247	–265	–133	–47	–1,213	354	–859
Net profit for the year	**1,129**	**615**	**826**	**939**	**290**	**158**	**3,957**	**–191**	**3,766**
Balance sheet 31 Dec 2016, EURbn									
Loans to the public[2]	149	80	56	11	–	–	296	22	318
Deposits and borrowings from the public[2]	72	39	44	14	–	–	169	5	174

Income statement 2015

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Manage-ment	Group Corporate Centre	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,158	1,208	1,006	121	380	7	4,880	83	4,963
Net fee and commission income	1,243	522	605	1,445	–16	1	3,800	–570	3,230
Net result from items at fair value	106	284	830	339	101	–5	1,655	–10	1,645
Profit from associated undertakings accounted for under the equity method	2	10	0	0	0	25	37	2	39
Other income	0	28	3	19	16	178	244	19	263
Total operating income	**3,509**	**2,052**	**2,444**	**1,924**	**481**	**206**	**10,616**	**–476**	**10,140**
- of which internal transactions[1]	–789	–460	–314	14	1,550	–1	0		
Staff costs	–898	–520	–648	–504	–239	33	–2,776	–487	–3,263
Other expenses	–970	–423	–284	–289	135	–23	–1,854	369	–1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	–54	–24	–19	–8	–45	–2	–152	–57	–209
Total operating expenses	**–1,922**	**–967**	**–951**	**–801**	**–149**	**8**	**–4,782**	**–175**	**–4,957**
Profit before loan losses	**1,587**	**1,085**	**1,493**	**1,123**	**332**	**214**	**5,834**	**–651**	**5,183**
Net loan losses	–146	–170	–157	–1	0	0	–474	–5	–479
Operating profit	**1,441**	**915**	**1,336**	**1,122**	**332**	**214**	**5,360**	**–656**	**4,704**
Income tax expense	–346	–219	–320	–246	–127	–51	–1,309	267	–1,042
Net profit for the year	**1,095**	**696**	**1,016**	**876**	**205**	**163**	**4,051**	**–389**	**3,662**
Balance sheet 31 Dec 2015, EURbn									
Loans to the public[2]	145	80	61	11	–	–	297	44	341
Deposits and borrowings from the public[2]	71	40	47	13	–	–	171	18	189

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 Nordic 2016	Personal Banking Nordic 2015	Personal Banking Baltic 2016	Personal Banking Baltic 2015	Personal Banking Other[1] 2016	Personal Banking Other[1] 2015	Total Personal Banking 2016	Total Personal Banking 2015
Net interest income	2,066	2,053	147	145	–84	–40	2,129	2,158
Net fee and commission income	1,593	1,636	37	33	–427	–426	1,203	1,243
Net result from items at fair value	101	127	23	14	–23	–35	101	106
Profit from associated undertakings accounted for under the equity method	2	2	0	0	0	0	2	2
Other income	3	0	2	0	0	0	5	0
Total operating income	**3,765**	**3,818**	**209**	**192**	**–534**	**–501**	**3,440**	**3,509**
- of which internal transactions	–646	–708	–27	–28	–101	–53	–774	–789
Staff costs	–647	–670	–28	–26	–184	–202	–859	–898
Other expenses	–1,385	–1,357	–63	–61	445	448	–1,003	–970
Depreciation, amortisation and impairment charges of tangible and intangible assets	–33	–35	0	–1	–17	–18	–50	–54
Total operating expenses	**–2,065**	**–2,062**	**–91**	**–88**	**244**	**228**	**–1,912**	**–1,922**
Profit before loan losses	**1,700**	**1,756**	**118**	**104**	**–290**	**–273**	**1,528**	**1,587**
Net loan losses	–28	–92	–21	–13	–13	–41	–62	–146
Operating profit	**1,672**	**1,664**	**97**	**91**	**–303**	**–314**	**1,466**	**1,441**
Income tax expense	–384	–399	–22	–22	69	75	–337	–346
Net profit for the year	**1,288**	**1,265**	**75**	**69**	**–234**	**–239**	**1,129**	**1,095**
Balance sheet 31 Dec, EURbn								
Loans to the public	148	144	9	8	–8	–7	149	145
Deposits and borrowings from the public	75	74	5	4	–8	–7	72	71

1) Personal Banking Other includes the areas COO, Products and HR.

Break-down of Commercial & Business Banking

Income statement, EURm	Business Banking 2016	Business Banking 2015	Commercial Banking 2016	Commercial Banking 2015	Commercial & Business Banking Other[1] 2016	Commercial & Business Banking Other[1] 2015	Total Commercial & Business Banking 2016	Total Commercial & Business Banking 2015
Net interest income	615	658	482	514	17	36	1,114	1,208
Net fee and commission income	398	408	304	284	–187	–170	515	522
Net result from items at fair value	84	89	234	230	–38	–35	280	284
Profit from associated undertakings accounted for under the equity method	0	0	6	5	5	5	11	10
Other income	0	4	2	7	20	17	22	28
Total operating income	**1,097**	**1,159**	**1,028**	**1,040**	**–183**	**–147**	**1,942**	**2,052**
- of which internal transactions	–306	–335	–123	–121	10	–4	–419	–460
Staff costs	–158	–157	–109	–110	–224	–253	–491	–520
Other expenses	–425	–431	–288	–297	253	305	–460	–423
Depreciation, amortisation and impairment charges of tangible and intangible assets	–5	–5	–3	–3	–23	–16	–31	–24
Total operating expenses	**–588**	**–593**	**–400**	**–410**	**6**	**36**	**–982**	**–967**
Profit before loan losses	**509**	**566**	**628**	**630**	**–177**	**–111**	**960**	**1,085**
Net loan losses	–87	–128	–69	–38	–5	–4	–161	–170
Operating profit	**422**	**438**	**559**	**592**	**–182**	**–115**	**799**	**915**
Income tax expense	–97	–105	–129	–142	42	28	–184	–219
Net profit for the year	**325**	**333**	**430**	**450**	**–140**	**–87**	**615**	**696**
Balance sheet 31 Dec, EURbn								
Loans to the public	37	37	44	44	–1	–1	80	80
Deposits and borrowings from the public	23	22	19	20	–3	–2	39	40

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 2016	Corporate & Institutional Banking 2015	Shipping, Offshore & Oil Services 2016	Shipping, Offshore & Oil Services 2015	Banking Russia 2016	Banking Russia 2015	Capital Markets unallocated 2016	Capital Markets unallocated 2015	Wholesale Banking Other[1] 2016	Wholesale Banking Other[1] 2015	Total Wholesale Banking 2016	Total Wholesale Banking 2015
Net interest income	526	601	264	294	178	204	–7	–4	–109	–89	852	1,006
Net fee and commission income	581	539	59	67	14	16	–48	–64	38	47	644	605
Net result from items at fair value	314	307	31	39	16	12	422	434	18	38	801	830
Other income	0	0	0	0	0	1	1	1	–1	1	0	3
Total operating income	**1,421**	**1,447**	**354**	**400**	**208**	**233**	**368**	**367**	**–54**	**–3**	**2,297**	**2,444**
- of which internal transactions	–211	–141	–137	–68	–77	–82	111	58	–96	–81	–410	–314
Staff costs	–33	–38	–18	–19	–35	–42	–287	–297	–261	–252	–634	–648
Other expenses	–415	–404	–46	–45	–18	–21	43	47	162	139	–274	–284
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–4	–9	0	0	–16	–10	–20	–19
Total operating expenses	**–448**	**–442**	**–64**	**–64**	**–57**	**–72**	**–244**	**–250**	**–115**	**–123**	**–928**	**–951**
Profit before loan losses	**973**	**1,005**	**290**	**336**	**151**	**161**	**124**	**117**	**–169**	**–126**	**1,369**	**1,493**
Net loan losses	–112	–142	–154	–6	–32	–22	0	0	2	13	–296	–157
Operating profit	**861**	**863**	**136**	**330**	**119**	**139**	**124**	**117**	**–167**	**–113**	**1,073**	**1,336**
Income tax expense	–198	–207	–31	–79	–28	–33	–28	–28	38	27	–247	–320
Net profit for the year	**663**	**656**	**105**	**251**	**91**	**106**	**96**	**89**	**–129**	**–86**	**826**	**1,016**
Balance sheet 31 Dec, EURbn												
Loans to the public	39	42	13	13	4	6	–	–	–	–	56	61
Deposits and borrowings from the public	37	41	6	5	1	1	–	–	–	–	44	47

1) Wholesale Banking Other includes the areas International Divisions, COO and HR.

Break-down of Wealth Management

Income statement, EURm	Private Banking 2016	Private Banking 2015	Asset Management 2016	Asset Management 2015	Life & Pensions unallocated 2016	Life & Pensions unallocated 2015	Wealth Management Other[1] 2016	Wealth Management Other[1] 2015	Total Wealth Management 2016	Total Wealth Management 2015
Net interest income	112	120	0	1	0	0	0	0	112	121
Net fee and commission income	632	635	853	761	349	340	–308	–291	1,526	1,445
Net result from items at fair value	87	93	1	2	277	244	0	0	365	339
Other income	10	13	7	5	7	9	–12	–8	12	19
Total operating income	**841**	**861**	**861**	**769**	**633**	**593**	**–320**	**–299**	**2,015**	**1,924**
- of which internal transactions	4	14	1	0	0	0	1	0	6	14
Staff costs	–163	–175	–148	–135	–115	–116	–83	–78	–509	–504
Other expenses	–244	–229	–103	–105	–59	–64	123	109	–283	–289
Depreciation, amortisation and impairment charges of tangible and intangible assets	–9	–4	0	0	–7	–3	–3	–1	–19	–8
Total operating expenses	**–416**	**–408**	**–251**	**–240**	**–181**	**–183**	**37**	**30**	**–811**	**–801**
Profit before loan losses	**425**	**453**	**610**	**529**	**452**	**410**	**–283**	**–269**	**1,204**	**1,123**
Net loan losses	0	–1	0	0	0	0	0	0	0	–1
Operating profit	**425**	**452**	**610**	**529**	**452**	**410**	**–283**	**–269**	**1,204**	**1,122**
Income tax expense	–94	–99	–134	–116	–99	–90	62	59	–265	–246
Net profit for the year	**331**	**353**	**476**	**413**	**353**	**320**	**–221**	**–210**	**939**	**876**
Balance sheet 31 Dec, EURbn										
Loans to the public	11	11	–	–	–	–	–	–	11	11
Deposits and borrowings from the public	14	13	–	–	–	–	–	–	14	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	
	2016	2015	2016	2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Total Operating segments	10,619	10,616	5,170	5,360	296	297	169	171
Group functions[1]	12	10	–85	–30	–	–	–	–
Unallocated items[2]	–11	64	–1	–243	33	46	12	19
Eliminations	–11	–5	–	–	–	–	–	–
Differences in accounting policies[3]	–682	–545	–459	–383	–11	–2	–7	–1
Total	**9,927**	**10,140**	**4,625**	**4,704**	**318**	**341**	**174**	**189**

1) Consists of Group Risk Management and Control, Group Internal Audit, Chief of staff office, Group Finance & Business Control and Group Compliance.
2) Including non-recurring items 2015 of EUR –263m.
3) 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	2016	2015
Banking products	5,996	6,183
Capital Markets products	1,731	1,793
Savings products & Asset management	1,369	1,341
Life & Pensions	631	593
Other	200	230
Total	**9,927**	**10,140**

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	
	2016	2015	31 Dec 2016	31 Dec 2015
Sweden	2,487	2,590	168	180
Finland	1,855	2,091	92	75
Norway	1,582	1,692	87	80
Denmark	2,839	2,792	217	250
Baltic	336	247	3	10
Luxembourg	280	310	10	5
Russia	158	182	2	5
Other	390	236	37	42
Total	**9,927**	**10,140**	**616**	**647**

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	2016	2015
Loans to credit institutions	56	18
Loans to the public	6,630	7,350
Interest-bearing securities	433	551
Other interest income	628	630
Interest income[1]	**7,747**	**8,549**

1) Of which contingent leasing income amounts to EUR 83m (EUR 94m). 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	2016	2015
Deposits by credit institutions	–87	–90
Deposits and borrowings from the public	–414	–652
Debt securities in issue	–3,014	–3,175
Subordinated liabilities	–372	–362
Other interest expenses[1]	867	693
Interest expense	**–3,020**	**–3,586**
Net interest income	**4,727**	**4,963**

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 5,927m (EUR 6,551m). Interest expenses from financial instruments not measured at fair value through profit or loss amounts to EUR –3,056m (EUR –3,213m).

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

G4. Net fee and commission income

EURm	2016	2015
Asset management commissions	1,369	1.261
- of which income	1,681	1.496
- of which expense	–312	–235
Life & Pension	306	299
- of which income	371	373
- of which expense	–65	–74
Deposit Products	30	31
- of which income	30	31
Brokerage, securities issues and corporate finance	226	225
- of which income	298	301
- of which expense	–72	–76
Custody and issuer services	59	55
- of which income	100	93
- of which expense	–41	–38
Payments	297	307
- of which income	413	408
- of which expense	–116	–101
Cards	226	271
- of which income	360	523
- of which expense	–134	–252
Lending Products	531	548
- of which income	552	562
- of which expense	–21	–14
Guarantees	161	177
- of which income	168	181
- of which expense	–7	–4
Other	33	56
- of which income	126	122
- of which expense	–93	–66
Total	**3,238**	**3,230**

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 510m (EUR 506m).

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 2,349m (EUR 2,171m). The corresponding amounts for fee expenses is EUR –65m (EUR –74m).

G5. Net result from items at fair value

EURm	2016	2015
Equity related instruments	–141	271
Interest related instruments and foreign exchange gains/losses	1,833	1,077
Other financial instruments (including credit and commodities)	–251	56
Investment properties	–1	–4
Life insurance[1]	275	245
Total	**1,715**	**1,645**

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	2016	2015
Equity related instruments	1,338	893
Interest related instruments and foreign exchange gains/losses	970	–148
Investment properties	221	150
Change in technical provisions	–2,491	–529
Change in collective bonus potential	177	–169
Insurance risk income	168	213
Insurance risk expense	–108	–165
Total	**275**	**245**

Net result from categories of financial instruments[1]

EURm	2016	2015
Available for sale assets, realised	69	66
Financial instruments designated at fair value through profit or loss	26	–89
Financial instruments held for trading[2]	249	656
Financial instruments under fair value hedge accounting	–11	–5
- of which net result on hedging instruments	–106	–605
- of which net result on hedged items	95	600
Financial assets measured at amortised cost[3]	18	58
Financial liabilities measured at amortised cost	–28	–30
Foreign exchange gains/losses excluding currency hedges	1,069	751
Other	48	–7
Financial risk income, net Life insurance[4]	215	197
Insurance risk income, net Life insurance	60	48
Total	**1,715**	**1,645**

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 30m (EUR 11m).
3) Of which EUR 18m (EUR 58m) related to instruments classified into the category "Loans and receivables" and EUR 0m (EUR 0m) related to instruments classified into the category "Held to maturity".
4) Premium income amounts to EUR 2,571m (EUR 2,500m).

G6. Other operating income

EURm	2016	2015
Divestment of shares[1]	–	182
Income from real estate	2	3
Sale of tangible assets	10	13
Other[2]	123	65
Total	**135**	**263**

1) Gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m in 2015.
2) Gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 76m in 2016.

G7. Staff costs

EURm	2016	2015
Salaries and remuneration (specification below)[1]	–2,352	–2,490
Pension costs (specification below)	–197	–295
Social security contributions	–427	–434
Other staff costs[2]	50	–44
Total[3]	**–2,926**	**–3,263**
Salaries and remuneration		
To executives[4]		
- Fixed compensation and benefits	–24	–18
- Performance-related compensation	–8	–10
- Allocation to profit-sharing	0	–1
Total	**–32**	**–29**
To other employees	–2,320	–2,461
Total	**–2,352**	**–2,490**

1) Of which allocation to profit-sharing 2016 EUR 33m (EUR 84m) consisting of a new allocation of EUR 35m (EUR 84m) and an adjustment related to prior years of EUR –2m (EUR 0m).
2) Including capitalisation of IT-projects with EUR 164m (EUR 65m).
3) Of which EUR 185m in salaries and EUR 20m in pension costs, including social security contributions, in 2015 regards termination benefits in connection to the restructuring activities launched in the second quarter 2015.
4) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating group undertakings, are included. Executives amount to 189 (185) individuals.

Pension costs[1]

EURm	2016	2015
Defined benefits plans (Note G32)[2]	31	–76
Defined contribution plans	–228	–219
Total	**–197**	**–295**

1) Pension cost for executives as defined in footnote 4 above, amounts to EUR 4m (EUR 1m) and pension obligations to EUR 18m (EUR 23m).
2) Excluding social security contributions. Including social security contributions EUR –31m (EUR 90m).

Additional disclosures on remuneration under Nordic FSAs' regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) no later than one week before the Annual General Meeting on 16 March 2017.

Remuneration to the Board of Directors, Chief Executive Officer and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2016 decided to increase the remuneration to the Board of Directors (the Board). The remuneration was decided to be EUR 287,400 for the chairman, EUR 136,500 for the vice chairman and EUR 88,850 for other members. The annual remuneration for committee work was EUR 36,050 for the chairman of the committee and EUR 25,750 for other members. 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.

Remuneration to the Board of Directors[1]

EUR	2016	2015
Chairman of the Board:		
Björn Wahlroos	311,056	296,377
Vice Chairman of the Board:		
Marie Ehrling	171,395	161,614
Other Board members[2]:		
Elisabeth Grieg[3]	–	23,808
Tom Knutzen	124,068	116,224
Robin Lawther	113,837	107,183
Lars G Nordström	113,837	107,183
Sarah Russell	113,837	107,183
Silvija Seres[4]	113,837	83,374
Kari Stadigh	124,068	116,224
Birger Steen[4]	107,689	64,639
Total	**1,293,624**	**1,183,809**

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. In the accounting the exchange rate effects have had a decreasing impact on the remuneration to the Board.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2015.
4) New member of the Board as from the AGM 2015.

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 fixed annual salary as CEO was decided to be SEK 12,200,000 (EUR 1,288,620).

GEM EIP 2016 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2016 the outcome of the GEM EIP amounted to EUR 749,204.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2016 will be paid out in 2017, 30% will be deferred to 2020 and 30% to 2022.

The benefits for 2016 amounted to EUR 29,499 and include primarily car benefits and tax consultation.

The total earned remuneration for 2016, as CEO, based on the three components amounted to EUR 2,071,015.

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 2016.

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 fixed annual salary as Group COO and Deputy CEO was decided to be DKK 8,000,000 (EUR 1,074,502).

GEM EIP 2016 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2016 the outcome of the GEM EIP amounted to EUR 624,715.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2016 will be paid out in 2017, 30% will be deferred to 2020 and 30% to 2022.

The benefits for 2016 amounted to EUR 13,264 and include primarily housing benefits.

G7. Staff costs, cont.

The total earned remuneration for 2016, as Group COO and Deputy CEO, based on the three components amounted to EUR 1,796,368.

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.

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

	Fixed salary[1]		GEM Executive Incentive Programme[2]		Benefits[1]		Total	
EUR	2016	2015	2016	2015	2016	2015	2016	2015
Chief Executive Officer (CEO):								
Christian Clausen[3]	–	1,041,869	–	1,003,526	–	72,114	–	2,117,509
Casper von Koskull[4]	1,292,312	217,383	749,204	179,123	29,499	8,164	2,071,015	404,670
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):								
Torsten Hagen Jørgensen[5]	1,158,389	178,761	624,715	165,175	13,264	2,015	1,796,368	345,951
Group Executive Management (GEM):								
8 (7) individuals excluding CEO and Group COO and Deputy CEO[6]	4,554,196	4,800,274	2,443,852	3,657,267	60,690	108,072	7,058,738	8,565,613
Total	**7,004,897**	**6,238,287**	**3,817,771**	**5,005,091**	**103,453**	**190,365**	**10,926,121**	**11,433,743**
Former Chief Executive Officer (Former CEO):								
Christian Clausen[3]	1,230,216	207,512	–	–	7,327	5,390	1,237,543	212,902
Total	**8,235,113**	**6,445,799**	**3,817,771**	**5,005,091**	**110,780**	**195,755**	**12,163,664**	**11,646,645**

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. Benefits are included at taxable values.

2) The CEO and members of GEM were until 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, in order to reduce complexity, to offer a GEM Executive Incentive Programme (GEM EIP). The outcome from GEM Executive Incentive Programme (GEM EIP) 2016 has been expensed in full in 2016 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 is indexed with Nordea's total shareholder return (TSR) during the deferral period. The GEM EIP is further described in the separate section on remuneration in the Board of Directors' report and below. GEM EIP 2016 includes also a sign-on bonus for one new GEM member.

3) Remuneration as CEO is included for the period of appointment as CEO, for the period 1 January 2015 to 31 October 2015. Remuneration as former CEO and as senior executive advisor is included for the period 1 January to 31 December 2016 and for the period 1 November 2015 to 31 December 2015. The former CEO has during 2016 been a strategic partner and advisor to the CEO and GEM.

4) The fixed annual salary as CEO is SEK 12,200,000 (EUR 1,288,620). Remuneration as CEO is included for the period of appointment as CEO, for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015. The remuneration as member of GEM is included together with other members of GEM for the period 1 January to 31 October 2015.

5) The fixed annual salary as Group COO and Deputy CEO is decided to be DKK 8,000,000 (EUR 1,074,502). Remuneration for the Group COO and Deputy CEO is included for the period of appointment as Group COO and Deputy CEO, for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015. The remuneration as member of GEM is included together with other members of GEM for the period 1 January to 31 October 2015.

6) Remuneration to GEM members is included for the period they have been appointed. During 2016 four GEM members have resigned and five new GEM members have been appointed. Compensation during the notice period and termination benefits 2016, for resigned GEM members, amounted to EUR 1.2m and are excluded from the table above.

Long Term Incentive Programmes (LTIP) 2010–2012

	Expense[1] (EUR)		Number of outstanding shares[2]			
	2016	2015	LTIP 2012	LTIP 2011	LTIP 2010	Total
Chief Executive Officer (CEO):						
Christian Clausen	–	51,172	–	–	–	–
Casper von Koskull	–	6,550	42,195	26,220	8,097	76,512
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):						
Torsten Hagen Jørgensen	–	6,076	39,140	23,464	6,363	68,967
Group Executive Management (GEM):						
8 (7) individuals excluding CEO and Group COO and Deputy CEO	–	145,327	46,485	25,330	6,523	78,338
Total	**–**	**209,125**	**127,820**	**75,014**	**20,983**	**223,817**
Former Chief Executive Officer (Former CEO):						
Christian Clausen	–	10,234	65,930	40,972	10,152	117,054
Total	**–**	**219,359**	**193,750**	**115,986**	**31,135**	**340,871**

1) The expense from the LTIP programmes is recognised as the vesting requirements are fulfilled over the three years vesting period starting the year of issuance. The expense 2015 includes expense from LTIP 2012 and LTIP 2012 was fully expensed in May 2015. The expense is calculated in accordance with IFRS 2 "Share-based Payment" and presented for the period appointed as CEO, Group COO and Deputy CEO, GEM and Former CEO.

2) 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 66 and below for more details. The numbers of outstanding shares are presented as of 31 December 2016. All shares in LTIP programs are fully vested and consequently not conditional.

G7. Staff costs, cont.

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 2016, which is based on agreed, specific targets, can be a maximum of 100% of the fixed salary.

Benefits include primarily car and/or housing. As for 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 benefit plans, defined contribution plans or a combination of such plans.

One member has a defined benefit plan not based on a collective agreement. The defined benefit plan provides a retirement pension amounting to 50% of pensionable income for life from age 62, including statutory pension benefits. 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. Three members have pensions in accordance with the local country statutory pension system. Finally one member has a defined contribution plan not based on a collective agreement. Fixed salary is pensionable income for all GEM-members. Part of GEM EIP is included in the pensionable income for three members according to statutory pension rules and one individual agreement.

Pension expense and pension obligation

	2016		2015	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Board members[3]:				
Lars G Nordström	–	330,380	–	334,110
Chief Executive Officer (CEO):				
Christian Clausen[4]	–	–	–2,159,170	–
Casper von Koskull[5]	386,513	306,358	65,215	284,571
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen[6]	322,351	–	53,677	–
Group Executive Management (GEM):				
8 (7) individuals excluding CEO and Group COO and Deputy CEO[7]	1,188,910	3,922,800	1,837,118	8,741,323
Total	**1,897,774**	**4,559,538**	**–203,160**	**9,360,004**
Former Chairman of the Board and CEOs:				
Vesa Vainio[8]	–	5,375,054	–	5,376,111
Christian Clausen[4]	338,280	–	62,254	–
Total	**2,236,054**	**9,934,592**	**–140,906**	**14,736,115**

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 1,868,269 (1,366,811) 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 changed from a defined benefit plan to a defined contribution plan as from 1 April 2015. The pension obligation/pension risk was transferred to the CEO 1 April 2015 and the pension obligation for the former CEO is hence accounted for as settled. The settlement led to a gain of EUR 2,611,144 which had a decreasing impact on the pension expense 2015. The pension agreement from 1 April 2015 is a defined contribution plan with a contribution amounting to 30% of fixed salary. The pension expense in 2015 is presented for the period appointed CEO, 1 January 2015 to 31 October 2015. The pension expense excluding the settlement was EUR 451,974 for the period as CEO. The pension expense as Former CEO and strategic partner and advisor is presented for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015.
5) 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 expense as CEO is presented for the period appointed CEO, for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015. The pension obligation is in accordance with the collective pension agreement BTP2 and earned as a member of GEM. The pension expense as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.
6) The Group COO and Deputy CEO's pension agreement is a defined contribution plan and the contribution is 30% of fixed salary. The pension expense as Group COO and Deputy CEO is presented for the period appointed Group COO and Deputy CEO, 1 January to 31 December 2016 and for the period 1 November 2015 to 31 December 2015. The pension expense as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.
7) 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. Compensation during the notice period 2016, for resigned GEM members, amounted to EUR 0.3m and is excluded from the table above.
8) The pension obligation for Vesa Vainio is mainly due to pension rights earned in, and funded by, banks forming Nordea.

G7. Staff costs, cont.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. The Group COO and Deputy CEO and six GEM members have a notice period of 6 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. One GEM member has a notice period of 6 months' and a severance pay equal to 18 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 18 months. One GEM member has a notice period of 6 months. The Former CEO is not entitled to any severance pay.

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, 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 2016 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. 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.

Long Term Incentive Programmes

	2016			2015		
	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	280,628	841,884	280,628	1,254,300	3,141,893	1,254,300
Granted[1]	20,363	61,089	20,363	66,029	165,168	66,029
Forfeited	–	–	–	–136,196	–395,678	–136,196
Alloted	–79,430	–238,290	–79,430	–903,505	–2,069,499	–903,505
Outstanding at end of year	**221,561**	**664,683**	**221,561**	**280,628**	**841,884**	**280,628**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	212,541	355,118	95,641	269,671	450,568	121,352
Granted[1]	15,422	25,768	6,940	14,513	24,248	6,531
Forfeited	–	–	–	–	–	–
Alloted	–76,825	–128,360	–34,570	–71,643	–119,698	–32,242
Outstanding at end of year[2]	**151,138**	**252,526**	**68,011**	**212,541**	**355,118**	**95,641**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	86,955	91,858	39,119	132,584	140,078	59,664
Alloted	–45,644	–48,218	–20,534	–45,629	–48,220	–20,545
Outstanding at end of year[2]	**41,311**	**43,640**	**18,585**	**86,955**	**91,858**	**39,119**
- 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.

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

	LTIP 2012		
	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00
Exercise price. EUR	–	–	–
Grant date	13 May 2012	13 May 2012	13 May 2012
Vesting period	36 months	36 months	36 months
Contractual life	36 months	36 months	36 months
Allotment	April/May 2015	April/May 2015	April/May 2015
Fair value at grant date[1]	EUR 5.44	EUR 5.43	EUR 1.97

1) The fair value has been recalculated due to dividend during the vesting period which the participants are compensated for through additional Matching and Performance Shares.

G7. Staff costs, cont.

	LTIP 2012
Service condition, Matching Share / Performance Share I and II	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.
Performance condition, Performance Share I	Average RAROCAR during the period 2012 up to and including 2014. Full allotment will be obtained if the RAROCAR amounts to 17%.
Performance condition, Performance Share II	RAROCAR during the period 2012 up to and including 2014 and P/B-ranking year-end 2014 compared to a peer group. Full allotment will be obtained if the RAROCAR amounts to 14% and if Nordea's P/B-ranking is 1–5.
Cap	The market value of the allotted shares is capped to the participants' annual salary for year-end 2011.
Dividend compensation	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.

Conditions and requirements

For each ordinary share the participants lock in to the LTIPs, they are granted a conditional Matching Share to receive ordinary shares based on continued employment, with certain exemptions, and the conditional Performance Share I and II to receive additional ordinary shares also based on fulfillment of certain performance conditions. The performance conditions for Performance Share I comprise a target growth in risk-adjusted return on capital at risk (RAROCAR). The performance conditions for Performance Share II are market related and comprise a target in RAROCAR and in P/B-ranking compared to a peer group. Furthermore the profit for each right is capped.

When the performance conditions are not fulfilled in full, the rights that are no longer exercisable are shown as forfeited in the previous tables, together with shares forfeited due to participants leaving the Nordea Group.

LTIP 2012/2011/2010 are not alloted in full due to deferral and retention requirements by Nordic FSAs.

Fair value calculations

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

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

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

EURm	LTIP 2012
Total expense during 2016	–
Total expense during 2015	–2

1) All amounts excluding social security contribution.

As the exercise price is zero for LTIP 2012, the value has a limited sensitivity to expected volatility and risk-free interest.

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

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 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	2016	2015
Opening balance	67	32
Reclassification[1]	0	12
Reclassification to liabilities held for sale	–1	–
Deferred/earned during the year	50	47
TSR indexation during the year	19	3
Payments during the year[2]	–25	–26
Translation differences	0	–1
Closing balance	**110**	**67**

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

G7. Staff costs, cont.

Average number of employees

	Total		Men		Women	
	2016	2015	2016	2015	2016	2015
Full-time equivalents						
Denmark	8,717	8,288	4,789	4,486	3,928	3,802
Sweden	7,276	6,957	3,502	3,346	3,774	3,611
Finland	7,104	6,946	2,329	2,181	4,775	4,765
Norway	3,140	3,137	1,692	1,678	1,448	1,459
Poland	1,571	1,197	765	585	806	612
Russia	829	1,085	261	268	568	817
Estonia	559	480	121	114	438	366
Latvia	457	436	141	125	316	311
Luxembourg	441	393	277	243	164	150
Lithuania	378	360	147	123	231	237
United States	120	110	61	57	59	53
Singapore	85	86	38	39	47	47
United Kingdom	77	82	48	52	29	30
Germany	55	58	31	32	24	26
China	30	29	12	13	18	16
Switzerland	29	32	20	23	9	9
Brazil	5	5	5	4	0	1
Total average	**30,873**	**29,681**	**14,239**	**13,369**	**16,634**	**16,312**
Total number of employees (FTEs), end of period	**31,596**	**29,815**				

Gender distribution

In the parent company´s Board of Directors 56% (56%) were men and 44% (44%) were women. In the Board of Directors of the Nordea Group companies, 77% (73%) were men and 23% (27%) were women. The corresponding numbers for Other executives were 76% (69%) men and 24% (31%) women. Internal Boards consist mainly of management in Nordea, employee representatives excluded.

G8. Other expenses

EURm	2016	2015
Information technology	–573	–485
Marketing and representation	–79	–84
Postage, transportation, telephone and office expenses	–125	–145
Rents, premises and real estate	–309	–373
Other	–560	–398
Total	**–1,646**	**–1,485**

Auditors' fees

EURm	2016	2015
PricewaterhouseCoopers		
Auditing assignments	–7	–5
Audit-related services	–1	0
Tax advisory services	–1	–1
Other assignments	–5	–1
Total	**–14**	**–7**
KPMG		
Auditing assignments	–	–1
Audit-related services	–	–1
Tax advisory services	–	0
Other assignments	–	–1
Total	**–**	**–3**
E&Y		
Auditing assignments	–	0
Audit-related services	–	0
Tax advisory services	–	0
Other assignments	–	–1
Total	**–**	**–1**
Total Auditors' fees	**–14**	**–11**

G9. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2016	2015
Depreciation/amortisation		
Properties and equipment	–106	–113
Intangible assets	–115	–76
Total	**–221**	**–189**
Impairment charges		
Intangible assets	–7	–20
Total	**–7**	**–20**
Total	**–228**	**–209**

G10. Net loan losses

EURm	2016	2015
Loan losses divided by class		
Provisions	–1	–
Reversals of previous provisions	1	1
Loans to credit institutions[1]	**0**	**1**
Realised loan losses	–600	–605
Allowances to cover realised loan losses	474	448
Recoveries on previous realised loan losses	57	63
Provisions	–1,056	–1,074
Reversals of previous provisions	639	693
Loans to the public[1]	**–486**	**–475**
Realised loan losses	–9	–11
Allowances to cover realised loan losses	9	11
Provisions	–96	–104
Reversals of previous provisions	80	99
Off-balance sheet items[2]	**–16**	**–5**
Net loan losses	**–502**	**–479**

1) See Note G13 "Loans and impairment".
2) Included in Note G31 "Provisons" as "Off-balance" and "Guarantees/commitments".

G11. Taxes

Income tax expense

EURm	2016	2015
Current tax	–1,015	–957
Deferred tax	156	–85
Total	**–859**	**–1,042**

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	2016	2015
Profit before tax	4,625	4,704
Tax calculated at a tax rate of 22.0%	–1,017	–1,035
Effect of different tax rates in other countries	–7	–34
Income from associated undertakings	21	6
Tax-exempt income	132	72
Non-deductible expenses	–19	–16
Adjustments relating to prior years	32	–17
Utilization of non-capitalized tax losses carry-forwards from previous periods	1	–
Change of tax rate	3	27
Not creditable foreign taxes	–5	–45
Tax charge	**–859**	**–1,042**
Average effective tax rate	19%	22%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2016	2015	2016	2015
Deferred tax related to:				
Tax losses carry-forward	93	86	–	–
Loans to the public	28	22	397	430
Derivatives	17	8	285	394
Intangible assets	5	6	50	45
Investment properties	0	0	132	142
Retirement benefit assets/obligations	45	44	77	84
Liabilities/provisions	72	87	58	103
Other	3	17	34	24
Netting between deferred tax assets and liabilities	–203	–194	–203	–194
Total	**60**	**76**	**830**	**1,028**

EURm	2016	2015
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	43	44
Total	**43**	**44**

G12. Earnings per share

	2016	2015
Earnings:		
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	3,766	3,662
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–15	–21
Weighted average number of basic shares outstanding	**4,035**	**4,029**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	2	2
Weighted average number of diluted shares outstanding	**4,037**	**4,031**
Basic earnings per share, EUR	0.93	0.91
Diluted earnings per share, EUR	0.93	0.91

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

	Central banks and credit institutions		The public[1]		Total	
EURm	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Loans, not impaired	20,254	23,988	314,572	337,622	334,826	361,610
Impaired loans	9	–	5,541	5,960	5,550	5,960
- Servicing	9	–	3,235	3,682	3,244	3,682
- Non-Servicing	–	–	2,306	2,278	2,306	2,278
Loans before allowances	**20,263**	**23,988**	**320,113**	**343,582**	**340,376**	**367,570**
Allowances for individually assessed impaired loans	0	–	–1,913	–2,213	–1,913	–2,213
- Servicing	0	–	–1,054	–1,289	–1,054	–1,289
- Non-Servicing	–	–	–859	–924	–859	–924
Allowances for collectively assessed impaired loans	–2	–2	–511	–449	–513	–451
Allowances	**–2**	**–2**	**–2,424**	**–2,662**	**–2,426**	**–2,664**
Loans, carrying amount	**20,261**	**23,986**	**317,689**	**340,920**	**337,950**	**364,906**

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G21 “Leasing”.

G13. Loans and impairment, cont.

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 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**
Opening balance at 1 Jan 2015	**0**	**–2**	**–2**	**–2,329**	**–418**	**–2,747**	**–2,329**	**–420**	**–2,749**
Provisions	–	–	–	–818	–256	–1,074	–818	–256	–1,074
Reversals of previous provisions	–	1	1	476	217	693	476	218	694
Changes through the income statement	**–**	**1**	**1**	**–342**	**–39**	**–381**	**–342**	**–38**	**–380**
Allowances used to cover realised loan losses	–	–	–	448	–	448	448	–	448
Reclassification	–	–	–	4	–	4	4	–	4
Translation differences	–	–1	–1	6	8	14	6	7	13
Closing balance at 31 Dec 2015	**0**	**–2**	**–2**	**–2,213**	**–449**	**–2,662**	**–2,213**	**–451**	**–2,664**

Allowances and provisions[1]

	Central banks and credit institutions		The public		Total	
EURm	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Allowances for items on the balance sheet	–2	–2	–2,424	–2,662	–2,426	–2,664
Provisions for off balance sheet items	–	–	–71	–65	–71	–65
Total allowances and provisions	**–2**	**–2**	**–2,495**	**–2,727**	**–2,497**	**–2,729**

1) Included in Note G31 "Provisions" as "Guarantees/commitments".

Key ratios[1]

	31 Dec 2016	31 Dec 2015
Impairment rate, gross, basis points	163	162
Impairment rate, net, basis points	107	102
Total allowance rate, basis points	71	72
Allowances in relation to impaired loans, %	34	37
Total allowances in relation to impaired loans, %	44	45
Non-servicing loans, not impaired, EURm	248	485

1) For definitions, see "Business definitions" on page 83.

G14. Interest-bearing securities

EURm	31 Dec 2016	31 Dec 2015
State and sovereigns	24,597	23,093
Municipalities and other public bodies	2,006	2,667
Mortgage institutions	25,893	27,785
Other credit institutions	28,474	27,804
Corporates	4,132	4,535
Corporates sub-investment grade	535	650
Other	2,064	1
Total	**87,701**	**86,535**

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 2016	31 Dec 2015
Interest-bearing securities	5,108	8,333
Shares	–	8
Total	**5,108**	**8,341**

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 2016	31 Dec 2015
Shares	9,598	12,135
Fund units, equity related	9,090	7,237
Fund units, interest related	2,836	2,909
Total	**21,524**	**22,281**
- of which Financial instruments pledged as collateral (Note G15)	–	8
Total	**21,524**	**22,273**

G17. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2016	31 Dec 2015
Assets		
Interest bearing securities	1,674	1,641
Shares and fund units	21,019	18,472
Properties	139	111
Other assets	270	210
Total	**23,102**	**20,434**
Liabilities		
Pooled schemes	4,340	4,293
Unit linked investment contracts	19,240	16,795
Total	**23,580**	**21,088**

The Life Group and Nordea Bank Danmark A/S have assets and liabilities included on their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included on the Group's balance sheet.

G18. Derivatives and Hedge accounting

Derivatives held for trading

	Fair value		Total nom
31 Dec 2016, EURm	Positive	Negative	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**	**1,677**	**79,111**
Total derivatives held for trading	**67,438**	**66,995**	**7,487,930**

G18. Derivatives and Hedge accounting, cont.

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	12,902
Net cash outflows	**4,741**	**4,053**	**4,560**	**2,262**	**12,902**

Derivatives held for trading

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	46,918	42,076	4,517,572
FRAs	7	12	51,470
Futures and forwards	264	327	1,538,842
Options	10,731	9,392	431,777
Other	6	88	6,671
Total	**57,926**	**51,895**	**6,546,332**
Equity derivatives			
Equity swaps	294	332	6,825
Futures and forwards	8	15	985
Options	521	750	24,238
Total	**823**	**1,097**	**32,048**
Foreign exchange derivatives			
Currency and interest rate swaps	14,529	21,136	856,486
Currency forwards	1,708	1,219	113,622
Options	266	208	28,027
Other	1	1	79
Total	**16,504**	**22,564**	**998,214**
Other derivatives			
Credit Default Swaps (CDS)	2,304	2,288	92,427
Commodity derivatives	17	13	483
Other derivatives	20	30	3,370
Total	**2,341**	**2,331**	**96,280**
Total derivatives held for trading	**77,594**	**77,887**	**7,672,874**

G18. Derivatives and Hedge accounting, cont.

Derivatives used for hedge accounting

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	1,677	712	81,603
Foreign exchange derivatives	1,470	906	25,613
Total derivatives used for hedge accounting	**3,147**	**1,618**	**107,216**
- of which cash flow hedges	968	849	12,664[1]
- of which fair value hedges	1,891	708	86,503[1]
- of which net investment hedges	288	61	12,962
Total derivatives	**80,741**	**79,505**	**7,780,090**

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 2015, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	688	4,434	2,773	2,038	712
Net cash outflows	**688**	**4,434**	**2,773**	**2,038**	**712**

G19. Investments in associated undertakings and joint ventures

EURm	31 Dec 2016	31 Dec 2015
Acquisition value at beginning of year	517	488
Acquisitions during the year	5	0
Sales during the year	–145	–2
Share in earnings[1]	120	59
Dividend received	–32	–18
Reclassification	114	0
Translation differences	11	–10
Acquisition value at end of year	**590**	**517**
Accumulated impairment charges at beginning of year	–2	–1
Translation differences	0	–1
Accumulated impairment charges at end of year	**–2**	**–2**
Total	**588**	**515**

1) See table Share in earnings.

Share in earnings

EURm	31 Dec 2016	31 Dec 2015
Profit from companies accounted for under the equity method[1]	112	39
Portfolio hedge, Eksportfinans ASA	–4	3
Associated undertakings in Life insurance, reported as Net result from items at fair value	12	17
Share in earnings	**120**	**59**

1) The gain related to VISA Inc's acquisition of VISA Europe 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 2016	31 Dec 2015
Total assets	3,252	3,415
Net profit for the year	96	9

G19. Investments in associated undertakings and joint ventures, cont.

Nordea has issued contingent liabilities of EUR 175m (EUR 226m) on behalf of associated undertakings.

31 Dec 2016	Registration number	Domicile	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	191	180	23
Ejendomspartnerskabet af 1/7 2003	27134971	Ballerup	206	200	49
Suomen Luotto-osuuskunta	0201646-0	Helsinki	12	3	27
LR Realkredit A/S	26045304	Copenhagen	6	6	39
Realia Holding Oy	2106796-8	Helsinki	–	20	25
Samajet Nymøllevej 59–91	24247961	Ballerup	20	21	25
E-nettet Holding A/S	28308019	Copenhagen	2	2	20
Hovedbanegårdens Forretningscenter K/S	16301671	Ballerup	2	17	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	8	9	33
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	9	8	33
SWIPP Holding APS	36439696	Copenhagen	0	3	30
Bankernas Kontantservice A/S	33077599	Copenhagen	–	6	20
Samejet Lautruphøj I/S	50857859	Ballerup	6	6	50
NF Techfleet AB	556967-5423	Stockholm	2	2	20
NF Fleet Oy	2006935-5	Espoo	8	6	20
NF Fleet AB	556692-3271	Stockholm	5	4	20
NF Fleet A/S	29185263	Copenhagen	4	–	20
Upplysningscentralen UC AB	556137-5113	Stockholm	3	4	26
Bankomat AB	556817-9716	Stockholm	8	6	20
Visa Sweden	801020-5097	Stockholm	88	–	–
Other			3	12	–
Total			**583**	**515**	

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2016	31 Dec 2015
Total assets	537	352
Net profit for the year	24	25

Joint ventures

31 Dec 2016	Registration number	Domicile	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
Dansk ejendoms Fond I	12601840	Ballerup	0	0	56
Ejendomsselskabet af 1. marts 2006 P/S	29405069	Ballerup	0	0	50
DNP Ejendomme P/S	28865147	Ballerup	0	0	50
Indy AB	559072-8316	Stockholm	5	–	50
Relacom Management AB	556746-3103	Stockholm	–	–	61
Total			**5**	**0**	
Total associated undertakings and joint ventures			**588**	**515**	

G20. Intangible assets

EURm	31 Dec 2016	31 Dec 2015
Goodwill allocated to cash generating units[1]		
Personal Banking Norway	283	269
Personal Banking Denmark	449	447
Personal Banking Sweden	131	135
Commercial & Business Banking Norway	501	476
Commercial & Business Banking Denmark	142	141
Commercial & Business Banking Sweden	87	90
Life & Pensions, Denmark	128	128
Life & Pensions, Norway	128	127
Life & Pensions, Poland	40	41
Banking Russia	174	139
Shipping, Offshore & Oil services	184	177
Total goodwill	**2,247**	**2,170**
Computer software	1,447	938
Other intangible assets	98	100
Total intangible assets	**3,792**	**3,208**
Movements in goodwill		
Acquisition value at beginning of year	2,171	2,235
Translation differences	77	–64
Acquisition value at end of year	**2,248**	**2,171**
Accumulated impairment charges at beginning of year	–1	–1
Accumulated impairment charges at end of year	**–1**	**–1**
Total	**2,247**	**2,170**
Movements in computer software		
Acquisition value at beginning of year	1,200	1,415
Acquisitions during the year	617	429
Disposals during the year	–	–635
Translation differences	–15	–9
Acquisition value at end of year	**1,802**	**1,200**
Accumulated amortisation at beginning of year	–229	–448
Amortisation according to plan for the year	–85	–49
Accumulated amortisation on disposals during the year	–	266
Translation differences	–1	2
Accumulated amortisation at end of year	**–315**	**–229**
Accumulated impairment charges at beginning of year	–33	–387
Accumulated impairment charges on disposals during the year	–	369
Impairment charges during the year	–7	–20
Translation differences	0	5
Accumulated impairment charges at end of year	**–40**	**–33**
Total	**1,447**	**938**

1) Excluding goodwill in associated undertakings.

Impairment testing of goodwill

A cash generating unit, defined as the operating segment, is the basis for the goodwill 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 near future (generally between 3–5 years) are based on financial forecasts, derived from forecasted margins, volumes and cost development. These input variables are based on historical data adjusted to reflect Nordea's assumptions about the future. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. For impairment testing, a growth rate of 1.3% (1.3%) has been used for all cash generating units, except Banking Norway and Life & Pensions, Norway where 1.8% (1.8%) has been used. Growth rates are based on historical data, updated to reflect the current situation.

Cash flows include normalised loan losses.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The post-tax discount rate used for the impairment test 2016 is 7.0% (7.6%), which equals a pre-tax rate of 9.2% (10.0%). For operations in Norway, the expected interest rate is higher and the discount rate used is 7.5% (8.1%). For Russia an additional risk premium of 400 (400) basis points has been applied and for Poland an additional risk premium of 140 (150) basis points has been applied.

The impairment tests conducted in 2016 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	–59	–92
Banking Russia	–19	–28
Life & Pensions, Poland	–5	–4

For Life & Pensions, Norway the break-even point for impairment is a decrease in growth rate of 0.3% points or an increase in the discount rate of 0.3% points. For Banking Russia the break-even point for impairment is a decrease in growth rate of 0.6% points or an increase in the discount rate of 0.5% points. For Life & Pensions, Poland any decrease in the growth rate or increase in the discount rate would lead to impairment.

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 2016	31 Dec 2015
Gross investments	6,306	7,281
Less unearned finance income	–407	–282
Net investments in finance leases	**5,899**	**6,999**
Less unguaranteed residual values accruing to the benefit of the lessor	–16	–21
Present value of future minimum lease payments receivable	**5,883**	**6,978**
Accumulated allowance for uncollectible minimum lease payments receivable	7	8

As of 31 December 2016 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2016	
EURm	Gross Investment	Net Investment
2017	1,663	1,598
2018	1,237	1,187
2019	1,511	1,457
2020	842	687
2021	520	484
Later years	533	486
Total	**6,306**	**5,899**

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 2016
2017	3
2018	2
2019	1
2020	1
2021	1
Later years	0
Total	**8**

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 2016	31 Dec 2015
Leasing expenses during the year	–207	–236
- of which minimum lease payments	–206	–231
- of which contingent rents	–1	–5
Leasing income during the year regarding sublease payments	4	5

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

EURm	31 Dec 2016
2017	194
2018	149
2019	116
2020	81
2021	64
Later years	346
Total	**950**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 14m.

G22. Investment properties

EURm	31 Dec 2016	31 Dec 2015
Carrying amount at beginning of year	3,054	3,135
Acquisitions during the year	376	226
Sales during the year	–248	–205
Fair value adjustments	55	9
Transfers/reclassifications during the year	–159	–156
Translation differences	41	45
Carrying amount at end of year	**3,119**	**3,054**

Amounts recognised in the income statement[1]

EURm	2016	2015
Fair value adjustments	87	28
Rental income	157	165
Direct operating expenses that generate rental income	–16	–37
Direct operating expenses that did not generate rental income	–8	–10
Total	**220**	**146**

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 2016	31 Dec 2015
Claims on securities settlement proceeds	1,944	1,596
Cash/margin receivables	15,154	14,697
Other	1,875	2,294
Total	**18,973**	**18,587**

G24. Prepaid expenses and accrued income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest income	313	310
Other accrued income	483	558
Prepaid expenses	653	658
Total	**1,449**	**1,526**

G25. Deposits by credit institutions

EURm	31 Dec 2016	31 Dec 2015
Central banks	10,006	12,243
Banks	14,454	20,187
Other credit institutions	13,676	11,779
Total	**38,136**	**44,209**

G26. Deposits and borrowings from the public

EURm	31 Dec 2016	31 Dec 2015
Deposits[1]	170,030	179,630
Repurchase agreements	3,998	9,419
Total	**174,028**	**189,049**

1) Deposits related to individual pension savings (IPS) are also included.

G27. Liabilities to policyholders

EURm	31 Dec 2016	31 Dec 2015
Traditional life insurance provisions	19,124	19,081
- of which guaranteed provisions	19,023	18,989
- of which non-guaranteed provisions	101	92
Collective bonus potential	3,606	3,229
Unit-linked insurance provisions	14,240	12,236
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	14,240	12,236
Insurance claims provision	460	395
Provisions, Health & personal accident	252	249
Total Insurance contracts	**37,682**	**35,190**
Investment contracts	3,528	3,517
- of which guaranteed provisions	3,528	3,517
- of which non-guaranteed provisions	–	–
Total	**41,210**	**38,707**

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.

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%	

G27. Liabilities to policyholders, cont.

31 Dec 2015, 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	**19,705**	**2,977**	**11,026**	**387**	**253**	**3,683**	**38,031**
Gross premiums written	784	–	2,125	–	–	116	3,025
Transfers	–499	–	354	–	–	–	–145
Addition of interest/investment return	421	–	225	–	–	38	684
Claims and benefits	–1,618	–	–1,041	12	–6	–293	–2,946
Expense loading including addition of expense bonus	–102	–	–90	–	–	–25	–217
Change in provisions/bonus potential	95	246	–333	–	4	–	12
Other	605	–	1	–	–	–66	540
Translation differences	–310	6	–31	–4	–2	64	–277
Provisions/bonus potentials, end of year	**19,081**	**3,229**	**12,236**	**395**	**249**	**3,517**	**38,707**
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

EURm	31 Dec 2016		31 Dec 2015	
	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]
Sensitivites				
Mortality – increased living with 1 year	28.0	–21.5	27.8	–21.4
Mortality – decreased living with 1 year	–5.8	4.5	–6.5	5.0
Disability – 10% increase	12.3	–9.5	13.8	–10.6
Disability – 10% decrease	–8.5	6.5	–9.2	7.1
50 bp increase in interest rates	–713.3	–3.2	–620.7	0.3
50 bp decrease in interest rates	701.6	2.7	676.4	–0.5
12% decrease in all share prices	–1,274.5	–2.6	–983.6	–2.8
8% decrease in property value	–204.6	–1.1	–228.8	–1.5
8% loss on counterparts	–7.5	0.0	–24.9	–0.2

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decrease.

Liabilities to policyholders divided in guarantee levels (technical interest rate)

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

31 Dec 2015, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	12,328	2,340	7,666	4,820	3,996	3,684	34,834

G27. Liabilities to policyholders, cont.

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 2016	31 Dec 2015
Certificates of deposit	19,089	26,018
Commercial papers	17,805	23,243
Covered bonds	109,477	106,746
Other bonds	45,319	45,860
Other	60	70
Total	191,750	201,937

G29. Other liabilities

EURm	31 Dec 2016	31 Dec 2015
Liabilities on securities settlement proceeds	2,127	1,108
Sold, not held, securities	8,024	8,824
Accounts payable	195	168
Cash/margin payables	9,697	11,141
Other	4,370	4,504
Total	24,413	25,745

G30. Accrued expenses and prepaid income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest	7	20
Other accrued expenses	1,468	1,464
Prepaid income	283	321
Total	1,758	1,805

G31. Provisions

EURm	31 Dec 2016	31 Dec 2015
Restructuring	223	333
Guarantees/commitments	71	65
Other	12	17
Total	306	415

Provisions for restructuring costs have been utilised by EUR 78m during 2016. The majority of the remaining restructuring provision was recognised in the fourth quarter last year, and is related to the transformational change to a truly digital bank. Provisions are mainly expected to be used during 2017. 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 amounted to EUR 71m. Other provision amounts to EUR 12m (EUR 5m expected to be settled 2017).

EURm	Restructuring	Guarantees /commitments	Other	Total
At beginning of year	333	65	17	415
New provisions made	1	96	7	104
Provisions utilised	–78	–9	–6	–93
Reversals	–30	–80	–4	–114
Reclassifications	–1	–	–2	–3
Translation differences	–2	–1	0	–3
At end of year	223	71	12	306

G32. Retirement benefit obligations

EURm	31 Dec 2016	31 Dec 2015
Retirement benefit assets	306	377
Retirement benefit obligations	302	329
Net liability (-)/asset (+)	**4**	**48**

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
2016				
Discount rate[2]	2.67%	2.75%	1.50%	1.92%
Salary increase	2.25%	2.75%	1.75%	2.25%
Inflation	1.25%	1.75%	1.25%	1.25%
Mortality	DUS14	GAP07/I73	Gompertz	FSA
2015				
Discount rate[2]	3.07%	2.89%	2.14%	2.67%
Salary increase	2.25%	2.75%	1.75%	2.25%
Inflation	1.25%	1.75%	1.25%	1.25%
Mortality	DUS06	GAP07/I73	Gompertz	FSA

1) The assumptions disclosed for 2016 have an impact on the liability calculation by year-end 2016, while the assumptions disclosed for 2015 are used for calculating the pension expense in 2016.

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.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den
Discount rate – Increase 50bps	–7.7%	–6.8%	–6.9%	–5.1%
Discount rate – Decrease 50bps	8.9%	7.6%	7.7%	5.5%
Salary increase – Increase 50bps	3.0%	2.3%	0.4%	5.0%
Salary increase – Decrease 50bps	–2.1%	–2.2%	–0.3%	–4.6%
Inflation – Increase 50bps	7.6%	6.3%	4.7%	–
Inflation – Decrease 50bps	–6.7%	–5.7%	–4.3%	–
Mortality – Increase 1 year	3.4%	3.3%	4.1%	5.1%
Mortality – Decrease 1 year	–3.3%	–3.3%	–4.1%	–5.0%

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 2015 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 2016	Nor 2016	Fin 2016	Den 2016	Total 2016	Total 2015
Obligations	1,524	869	938	103	3,434	3,271
Plan assets	1,591	703	1,013	131	3,438	3,319
Net liability(–)/asset(+)	67	–166	75	28	4	48
- of which retirement benefit liabilities	126	166	6	4	302	329
- of which retirement benefit assets	193	–	81	32	306	377

Movements in the obligation

2016, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,421	843	907	100	3,271
Current service cost	23	16	3	–	42
Interest cost	43	24	19	3	89
Pensions paid	–71	–35	–43	–6	–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	87	7	228
Remeasurement from experience adjustments	1	15	–12	–1	3
Translation differences	–56	48	–21	0	–29
Change in provision for SWT/SSC[2]	13	1	–	–	14
Closing balance	1,524	869	938	103	3,434
- of which relates to the active population	27%	35%	14%	–	25%

1) Includes the 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.

2015, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,663	968	985	111	3,727
Current service cost	29	20	3	0	52
Interest cost	40	24	21	2	87
Pensions paid	–73	–29	–42	–5	–149
Past service cost and settlements	–18	16	1	–	–1
Remeasurement from changes in demographic assumptions	–	–	–31	–	–31
Remeasurement from changes in financial assumptions	–204	–63	–26	–5	–298
Remeasurement from experience adjustments	7	–23	–12	–3	–31
Translation differences	35	–55	8	0	–12
Change in provision for SWT/SSC[1]	–58	–15	–	–	–73
Closing balance	1,421	843	907	100	3,271
- of which relates to the active population	32%	43%	11%	–	28%

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 16 (15) years in Sweden, 15 (15) years in Norway, 13 (14) years in Finland and 11 (10) years in Denmark based on discounted cash flows. The fact that all DBPs are closed for new entrants and that there are no active members in Denmark, and to some extent also in Finland, leads to lower duration.

G32. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2016, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,554	644	992	129	3,319
Interest income (calculated using the discount rate)	46	19	21	3	89
Pensions paid	–	–17	–43	–6	–66
Settlements	–	–10	–	–	–10
Contributions by employer	6	24	3	–	33
Remeasurement (actual return less interest income)	44	7	63	5	119
Translation differences	–59	36	–23	0	–46
Closing balance	1,591	703	1,013	131	3,438

2015, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,497	636	972	124	3,229
Interest income (calculated using the discount rate)	37	17	20	2	76
Pensions paid	–	–17	–42	–7	–66
Settlements	–16	–	2	–	–14
Contributions by employer	0	26	–1	6	31
Remeasurement (actual return less interest income)	2	22	33	2	59
Translation differences	34	–40	8	2	4
Closing balance	1,554	644	992	129	3,319

Asset composition

The combined return on assets in 2016 was 6.3% (4.2%). The asset return was driven by a positive return on all asset classes. At the end of the year the equity exposure in Nordea´s pension funds/foundations represented 27% (27%) of total assets.

The Group expects to contribute EUR 32m to its defined benefit plans in 2017.

Asset composition in funded schemes

%	Swe 2016	Nor 2016	Fin 2016	Den 2016	Total 2016	Total 2015
Bonds	70%	55%	59%	84%	64%	63%
- sovereign	37%	37%	40%	40%	38%	38%
- covered bonds	16%	6%	–	44%	10%	15%
- corporate bonds	15%	10%	19%	–	15%	10%
- issued by Nordea entities	2%	2%	–	–	1%	–
- with quoted market price in an active market	70%	55%	59%	84%	64%	63%
Equity	28%	28%	25%	12%	27%	27%
- domestic	7%	6%	7%	12%	7%	7%
- European	7%	9%	7%	–	7%	8%
- US	8%	8%	7%	–	8%	7%
- emerging	5%	5%	4%	–	5%	5%
- Nordea shares	1%	–	0%	–	0%	–
- with quoted market price in an active market	28%	28%	25%	12%	27%	27%
Real estate[1]	–	15%	12%	–	6%	6%
- occupied by Nordea	–	–	4%	–	1%	1%
Cash and cash equivalents	2%	2%	4%	4%	3%	4%

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 –31m (EUR 90m). 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

2016, EURm	Swe	Nor	Fin	Den	Total
Current service cost	23	16	3	–	42
Net interest	–3	5	–2	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**	**–31**

1) The 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.

2015, EURm	Swe	Nor	Fin	Den	Total
Current service cost	29	20	3	0	52
Net interest	3	7	1	0	11
Past service cost and settlements[1]	–2	16	–1	–	13
SWT/SSC[2]	8	6	–	–	14
Pension cost on defined benefit plans (expense+/ income–)	**38**	**49**	**3**	**0**	**90**

1) The past service cost 2015 mainly regards termination benefits in connection to the cost efficiency programme launched in the fourth quarter.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2015, excluding past service cost and related SWT and SSC, the pension cost has decreased in 2016 as a consequence of the change of actuarial assumptions at the end of 2015.

Recognised in other comprehensive income

2016, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	54	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	87	7	228
Remeasurement from experience adjustments	1	15	–12	–1	3
Remeasurement of plan assets (actual return less interest income)	–44	–7	–63	–5	–119
SWT/SSC[1]	25	14	–	–	39
Pension cost on defined benefit plans (expense+/income–)	**129**	**63**	**12**	**1**	**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.

2015, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	–	–	–31	–	–31
Remeasurement from changes in financial assumptions	–204	–63	–26	–5	–298
Remeasurement from experience adjustments	7	–23	–12	–3	–31
Remeasurement of plan assets (actual return less interest income)	–2	–22	–33	–2	–59
SWT/SSC[1]	–48	–16	–	–	–64
Pension cost on defined benefit plans (expense+/income–)	**–247**	**–124**	**–102**	**–10**	**–483**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

G32. 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 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 2016 was 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to 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 2016 amount to EUR 4m. Payments to the plan during 2016 covered 2,737 employees. The premium rate for 2017 will be 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premium in 2017 amounts to EUR 4m.

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 10m (EUR 15m) 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 2016 were EUR 2m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G7 "Staff costs".

G33. Subordinated liabilities

EURm	31 Dec 2016	31 Dec 2015
Dated subordinated debenture loans	6,997	5,940
Undated subordinated debenture loans	272	262
Hybrid capital loans	3,190	2,998
Total	**10,459**	**9,200**

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 2016	31 Dec 2015
Assets pledged for own liabilities		
Securities etc[1]	16,416	17,628
Loans to the public	138,613	134,520
Other assets pledged	34,412	32,647
Total	**189,441**	**184,795**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	5,822	8,178
Deposits and borrowings from the public	7,047	6,711
Derivatives	13,928	13,773
Debt securities in issue	108,717	106,178
Other liabilities and commitments	22,436	22,267
Total	**157,950**	**157,107**

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 8,310m (EUR 9,019m)). 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 2016	31 Dec 2015
Guarantees		
- Loan guarantees	5,018	5,865
- Other guarantees	16,016	14,791
Documentary credits	1,937	1,805
Other contingent liabilities	118	108
Total	**23,089**	**22,569**

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 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).

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 2016	31 Dec 2015
Unutilised overdraft facilities	30,703	37,961
Loan commitments	47,302	36,718
Future payment obligations	1,107	956
Other commitments	322	2,367
Total	**79,434**	**78,002**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2016 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 2016. 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/CRR require higher capitalisation levels and better quality of capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn in periods of stress and the introduction of liquidity standards. 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 first of 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 2017, 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 145.

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. Due to the implementation of CRR, deduction that according to previous rules were made 50% from Tier 1 and 50% from tier 2 are now fully deducted from common equity tier 1. Furthermore, CRR also changes the treatment of investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences, which are now risk weighted instead of deducted from Tier 1 and Tier 2.

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 may 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. At year-end, Nordea held EUR 3.0bn 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-a`-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 can be dated or undated instruments. 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. During 2016, Nordea issued one Tier 2 instrument of EUR 1.0bn. As of year-end, Nordea held EUR 6.3bn in dated subordinated instruments and EUR 0.2 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	22,519	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–97	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,381	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**28,934**	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–316	–
8	Intangible assets (net of related tax liability) (negative amount)	–3,435	–
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	–37	–
12	Negative amounts resulting from the calculation of expected loss amounts	–212	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–133	–
15	Defined-benefit pension fund assets (negative amount)	–240	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–22	–
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	–	–
	Of which: ... filter for unrealised loss 1	–	35
	Of which: ... filter for unrealised gain 1	–	256
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–4,396**	–
29	**Common Equity Tier 1 (CET1) capital**	**24,538**	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,304	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	743	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**3,048**	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	–
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**	**–30**	–
44	**Additional Tier 1 (AT1) capital**	**3,017**	–
45	**Tier 1 capital (T1 = CET1 + AT1)**	**27,555**	–
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	6,467	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	81	–
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**	**78**	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**6,626**	–
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–72	–
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**	**–1,277**	–
58	**Tier 2 (T2) capital**	**5,349**	–
59	**Total capital (TC = T1 + T2)**	**32,904**	–
60	**Total risk weighted assets**	**133,157**	–
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.4%	–
62	Tier 1 (as a percentage of risk exposure amount)	20.7%	–
63	Total capital (as a percentage of risk exposure amount)	24.7%	–
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)	8.0%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.5%	–
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)	13.9%	–
	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)	362	–
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)	1,027	–
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)	93,958	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	564	–
	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	1,182	–
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	573	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

G38. Capital adequacy, cont.

Minimum capital requirement and REA

EURm	31 Dec 2016 Minimum Capital requirement	31 Dec 2016 REA	31 Dec 2015 Minimum Capital requirement	31 Dec 2015 REA
Credit risk	**8,601**	**107,512**	**9,358**	**116,978**
- of which counterparty credit risk	759	9,489	761	9,510
IRB	7,517	93,958	8,297	103,717
- corporate	4,977	62,212	5,630	70,371
- advanced	3,887	48,585	4,497	56,211
- foundation	1,090	13,627	1,133	14,160
- institutions	572	7,144	682	8,526
- retail	1,755	21,933	1,802	22,520
- secured by immovable property collateral	1,001	12,505	1,016	12,702
- other retail	754	9,428	786	9,818
- items representing securitisation positions	66	828	–	–
- other	147	1,841	183	2,300
Standardised	1,084	13,554	1,061	13,261
- central governments or central banks	26	320	40	504
- regional governments or local authorities	21	266	19	237
- public sector entities	3	39	3	32
- multilateral development banks	2	32	0	0
- international organisations	–	–	–	–
- institutions	40	498	23	282
- corporate	173	2,159	169	2,109
- retail	258	3,223	251	3,137
- secured by mortgages on immovable properties	229	2,863	231	2,887
- in default	9	114	9	119
- associated with particularly high risk	56	701	59	741
- covered bonds	–	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	221	2,760	209	2,617
- other items	46	579	48	596
Credit Value Adjustment Risk	**144**	**1,798**	**140**	**1,751**
Market risk	**358**	**4,474**	**522**	**6,534**
- trading book, Internal Approach	236	2,942	239	2,990
- trading book, Standardised Approach	74	928	96	1,209
- banking book, Standardised Approach	48	604	187	2,335
Operational risk	**1,350**	**16,873**	**1,363**	**17,031**
Standardised	1,350	16,873	1,363	17,031
Additional risk exposure amount, Article 3 CRR	**200**	**2,500**	**80**	**1,000**
Sub total	**10,653**	**133,157**	**11,463**	**143,294**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	6,612	82,655	6,283	78,533
Total	**17,265**	**215,812**	**17,746**	**221,827**

G38. Capital adequacy, cont.

Leverage ratio

	31 Dec 2016	31 Dec 2015
Tier 1 capital, transitional definition, EURm[1]	27,555	26,516
Leverage ratio exposure, EURm	555,688	576,317
Leverage ratio, percentage	5.0	4.6

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]	884	71	780	62	–	–	1,664	133
Equity risk	239	19	120	10	–	–	359	29
Foreign exchange risk	266	22	–	–	604	48	870	70
Commodity risk	–	–	28	2	–	–	28	2
Settlement risk	–	–	0	0	–	–	0	0
Diversification effect	–557	–45	–	–	–	–	–557	–45
Stressed Value-at-Risk	950	76	–	–	–	–	950	76
Incremental Risk Measure	346	28	–	–	–	–	346	28
Comprehensive Risk Measure	814	65	–	–	–	–	814	65
Total	**2,942**	**236**	**928**	**74**	**604**	**48**	**4,474**	**358**

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)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947
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 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 Swedish law	Governed by English law, except for the subordination provisions which are governed by 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
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	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
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
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 162m	EUR 81m	EUR 943m	EUR 471m	EUR 234m	EUR 137m	EUR 519m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 162m	JPY 10,000m / EUR 81m	USD 1,000m / EUR 949m	USD 500m / EUR 474m	SEK 2,250m / EUR 236m	NOK 1,250m / EUR 138m	USD 550m / EUR 522m
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
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
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
11	Original date of issuance	17 sep 04	04 mars 05	12 Oct 05	23 sep 14	23 sep 14	12 mars 15	12 mars 15	12 mars 15
12	Perpetual or dated	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
14	Issuer call subject to prior supervisory approval	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
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	2 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	2 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	13 Sep each year after first call date
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	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
19	Existence of a dividend stopper	Yes	Yes	Yes	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
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
21	Existence of step up or other incentive to redeem	No	Yes	Yes	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
23	Convertible or 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
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
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
33	If write-down, permanent or 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
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
36	Non-compliant transitioned features	Yes	Yes	Yes	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

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

	Tier 2 instruments						
1	Issuer	Nordea Bank Norge ASA	Nordea Bank Finland PLC	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	XS0743689993
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 Finnish 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 the laws of the State of New York, 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
	Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo, sub-consolidated & consolidated	Solo, sub-consolidated & 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 (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 190m	EUR 81m	EUR 645m (64.5 per cent of Nominal amount, <5 yrs to maturity)	EUR 635m (84.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 1030m (82.4 per cent of Nominal amount, <5 yrs to maturity)	EUR 750m
9	Nominal amount of instrument	USD 200m / EUR 190m	JPY 10,000m / EUR 81m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,186m	EUR 750m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.803 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 86	22 aug 01	26 mars 10	29 sep 10	13 May 11	15 feb 12
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26 mars 20	29 mars 21	13 May 21	15 feb 22
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	15 Feb 2017 In addition tax 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)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US65557FAD87/ US65557HAD44	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by the laws of the State of New York, 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 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
	Regulatory treatment						
4	Transitional CRR rules	Tier 2	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	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 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	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 942m	EUR 178m	EUR 240m	EUR 122m	EUR 744m	EUR 991m
9	Nominal amount of instrument	USD 1,000m / EUR 949m	SEK 1,700m / EUR 178m	SEK 2,300m / EUR 241m	JPY 15,000m / EUR 122m	EUR 750m	EUR 1,000m
9a	Issue price	99.364 per cent	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	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	21 sep 12	17 sep 15	17 sep 15	06 Oct 15	10 nov 15	07 Sep 16
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	21 sep 22	17 sep 25	17 sep 25	06 Oct 25	10 nov 25	07 Sep 26
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax/regulatory call 100 per cent of nominal 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	N/A	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%	4,88%	Fixed 4.625 per cent per annum (equivalent to Euro Swap Rate +3.15 per cent per annum) to call date, thereafter reset fixed rate to Euro Swap Rate +3.15 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)	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	No	Yes	No	No	No	No
37	If yes, specify non-compliant features	N/A	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	Fixed	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4,25%	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	1,16%	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	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
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	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	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Specification of group undertakings 31 December 2016

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
Nordea Bank AB (publ)	Nordea Bank Finland Plc	100	Finland	Purchase method
Nordea Bank Finland Plc	Nordea Finance Finland Ltd	100	Finland	Purchase method
	Automatia Pankkiautomaatit Oy	33	Finland	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Finland	Purchase method
	Nordea Finance Estonia Ltd	100	Estonia	Purchase method
	Nordea Finance Latvia Ltd	100	Latvia	Purchase method
	Nordea Finance Lithuania Ltd	100	Lithuania	Purchase method
	Kiinteistö Oy Tampereen Kirkkokatu 7	100	Finland	Purchase method
Nordea Finance Estonia Ltd	ALD Automotive Eesti AS	25	Estonia	Equity method
Nordea Finance Latvia Ltd	ALD Automotive SIA	25	Latvia	Equity method
Nordea Finance Lithuania Ltd	UAB ALD Automotive	25	Lithuania	Equity method
Nordea Bank AB (publ)	Nordea Bank Norge ASA	100	Norway	Purchase method
Nordea Bank Norge ASA	Nordea Eiendomskreditt AS	100	Norway	Purchase method
	Nordea Finans Norge AS	100	Norway	Purchase method
	Eksportfinans ASA	23	Norway	Equity method
	Nordea Utvikling AS	100	Norway	Purchase method
Nordea Utvikling AS	Tomteutvikling Norge AS	100	Norway	Purchase method
Nordea Bank AB (publ)	Nordea Bank Danmark A/S	100	Denmark	Purchase method
Nordea Bank Danmark A/S	Nordea Finans Danmark A/S	100	Denmark	Purchase method
	Nordea Kredit Realkreditaktieselskab	100	Denmark	Purchase method
	LR-Realkredit A/S	39	Denmark	Equity method
	Fionia Asset Company A/S	100	Denmark	Purchase method
Nordea Finans Danmark A/S	BH Finance K/S	100	Denmark	Purchase method
	LB12 K/S	100	Denmark	Purchase method
	NAMIT 10 K/S	100	Denmark	Purchase method
	UL Transfer Aps	100	Denmark	Purchase method
	UL International ApS	100	Denmark	Purchase method
	DT Finance K/S	100	Denmark	Purchase method
	Tide Leasing 2012 K/S	100	Denmark	Purchase method
	BAAS 2012 K/S	100	Denmark	Purchase method
Fionia Asset Company A/S	Ejendomsselskabet Vestre Stationsvej 7, Odense A/S	100	Denmark	Purchase method
Nordea Bank AB (publ)	LLC Promyshlennaya Kompaniya Vestkon	100	Russia	Purchase method
LLC Promyshlennaya Kompaniya Vestkon / Nordea Bank AB (publ)	Join Stock Company Nordea Bank	100	Russia	Purchase method
Join Stock Company Nordea Bank	Nordea Leasing LLC	100	Russia	Purchase method
Nordea Bank AB (publ)	Nordea Hypotek AB (publ)	100	Sweden	Purchase method
	Nordea Finans Sverige AB (publ)	100	Sweden	Purchase method
	Nordea Investment Management AB	100	Sweden	Purchase method
	Bankomat AB	20	Sweden	Equity method
	Getswish AB	20	Sweden	Equity method
	Nordea Funds Ltd	100	Finland	Purchase method
	Nordea Mortgage Bank Plc	100	Finland	Purchase method

G38. Capital adequacy, cont.

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
	Nordea Ejendomsinvestering A/S	100	Denmark	Purchase method
	SIA Promano Lat	100	Latvia	Purchase method
	Promano LIT, UAB	100	Lithuania	Purchase method
	Promano Est Oü	100	Estonia	Purchase method
	SIA Realm	100	Latvia	Purchase method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	USA	Purchase method
	Nordea Investment Management AG	100	Germany	Purchase method
Nordea Ejendomsinvestering A/S	Nordea Ejendomsforvaltning A/S	100	Denmark	Purchase method
Nordea Finans Sweden, Finland, Norway and Denmark	NF Techfleet AB	20	Sweden	Equity method
Nordea Bank AB (publ) / Nordea Investment Management AB	**Nordea Bank S.A.**	100	Luxembourg	Purchase method
Nordea Bank S.A.	Nordea Investment Funds S.A.	100	Luxembourg	Purchase method
Nordea Investment Funds S.A.	Nordea Funds Service Germany Gmbh	100	Germany	Purchase method

G39. Classification of financial instruments

Assets

			Financial assets at fair value through profit or loss						
31 Dec 2016, EURm	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	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

	Financial liabilities at fair value through profit or loss						
31 Dec 2016, EURm	Held for trading	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.

Assets

31 Dec 2015, 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	Total
			Held for trading	Designated at fair value through profit or loss				
Cash and balances with central banks	35,500	–	–	–	–	–	–	35,500
Loans to central banks	8,095	–	5,129	–	–	–	–	13,224
Loans to credit institutions	7,251	–	3,489	22	–	–	–	10,762
Loans to the public	251,876	–	36,999	52,045	–	–	–	340,920
Interest-bearing securities	61	2,708	34,870	14,780	–	34,116	–	86,535
Financial instruments pledged as collateral	–	–	8,341	–	–	–	–	8,341
Shares	–	–	4,917	17,356	–	–	–	22,273
Assets in pooled schemes and unit-linked investment contracts	210			20,113			111	20,434
Derivatives	–	–	77,594	–	3,147	–	–	80,741
Fair value changes of the hedged items in portfolio hedge of interest rate risk	151	–	–	–	–	–	–	151
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	515	515
Intangible assets	–	–	–	–	–	–	3,208	3,208
Properties and equipment	–	–	–	–	–	–	557	557
Investment properties	–	–	–	–	–	–	3,054	3,054
Deferred tax assets	–	–	–	–	–	–	76	76
Current tax assets	–	–	–	–	–	–	87	87
Retirement benefit assets	–	–	–	–	–	–	377	377
Other assets	2,686	–	–	14,696	–	–	1,205	18,587
Prepaid expenses and accrued income	968	–	–	–	–	–	558	1,526
Total	**306,798**	**2,708**	**171,339**	**119,012**	**3,147**	**34,116**	**9,748**	**646,868**

Liabilities

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss		Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
	Held for trading	Designated at fair value through profit or loss				
Deposits by credit institutions	17,534	1,086	–	25,589	–	44,209
Deposits and borrowings from the public	10,465	4,227	–	174,357	–	189,049
Deposits in pooled schemes and unit-linked investment contracts	–	21,077	–	11	–	21,088
Liabilities to policyholders	–	2,761	–	–	35,946	38,707
Debt securities in issue	6,885	46,229	–	148,823	–	201,937
Derivatives	77,887	–	1,618	–	–	79,505
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	2,594	–	2,594
Current tax liabilities	–	–	–	–	225	225
Other liabilities	8,824	11,141	–	3,641	2,139	25,745
Accrued expenses and prepaid income	–	–	–	341	1,464	1,805
Deferred tax liabilities	–	–	–	–	1,028	1,028
Provisions	–	–	–	–	415	415
Retirement benefit liabilities	–	–	–	–	329	329
Subordinated liabilities	–	–	–	9,200	–	9,200
Total	**121,595**	**86,521**	**1,618**	**364,556**	**41,546**	**615,836**

G39. Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2016	31 Dec 2015
Carrying amount	52,636	52,067
Maximum exposure to credit risk	52,636	52,067
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 48,849m (EUR 46,229m), the funding of the Markets operation, EUR 2,075m (EUR 16,454m) deposits linked to the investment return of separate assets, EUR 4,340m (EUR 4,293m) and investment contracts in Life, EUR 22,767m (EUR 19,545m). 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 119m (decreased EUR 100m) in 2016 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 574m (decrease EUR 691m). 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 52,501m (EUR 51,713m) and lending in the Markets operation, EUR 135m (EUR 353m). The fair value of lending in Nordea Kredit Realkreditaktieselskab increased by EUR 24m (decreased EUR 19m) in 2016 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 148m (decrease EUR 171m). 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
2016		
Financial liabilities designated at fair value through profit or loss	78,031	76,699
2015		
Financial liabilities designated at fair value through profit or loss	86,521	85,776

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 2016		31 Dec 2015	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	32,099	32,099	35,500	35,500
Loans	338,128	337,442	365,057	366,401
Interest-bearing securities	87,701	87,892	86,535	86,750
Financial instruments pledged as collateral	5,108	5,108	8,341	8,341
Shares	21,524	21,524	22,273	22,273
Assets in pooled schemes and unit-linked investment contracts	22,963	22,963	20,323	20,323
Derivatives	69,959	69,959	80,741	80,741
Other assets	17,986	17,986	17,382	17,382
Prepaid expenses and accrued income	966	966	968	968
Total	**596,434**	**595,939**	**637,120**	**638,679**
Financial liabilities				
Deposits and debt instruments	416,839	417,528	446,989	446,874
Deposits in pooled schemes and unit-linked investment contracts	3,527	3,527	21,088	21,088
Liabilities to policyholders	23,580	23,580	2,761	2,761
Derivatives	68,636	68,636	79,505	79,505
Other liabilities	22,399	22,399	23,606	23,606
Accrued expenses and prepaid income	290	290	341	341
Total	**535,271**	**535,960**	**574,290**	**574,175**

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 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.

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 2015, 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	–	–	5,129	–	–	–	5,129
Loans to credit institutions	–	–	3,511	–	–	–	3,511
Loans to the public	–	–	89,044	–	–	–	89,044
Interest-bearing securities[2]	48,338	12,662	43,511	6,044	250	46	92,099
Shares[3]	16,268	12,189	1,159	856	4,854	4,187	22,281
Assets in pooled schemes and unit-linked investment contracts	18,531	14,892	1,558	1,558	135	135	20,224
Derivatives	211	–	78,875	32	1,655	–	80,741
Investment properties	–	–	–	–	3,054	2,974	3,054
Other assets	–	–	14,696	–	–	–	14,696
Total	**83,348**	**39,743**	**237,483**	**8,490**	**9,948**	**7,342**	**330,779**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	18,620	1,361	–	–	18,620
Deposits and borrowings from the public	–	–	14,692	–	–	–	14,692
Deposits in pooled schemes and unit-linked investment contracts	–	–	21,077	16,784	–	–	21,077
Liabilities to policyholders	–	–	2,761	2,761	–	–	2,761
Debt securities in issue[4]	46,229	–	6,885	–	–	–	53,114
Derivatives[4]	242	–	77,739	153	1,524	–	79,505
Other liabilities	6,909	–	13,056	–	–	–	19,965
Total	**53,380**	**–**	**154,830**	**21,059**	**1,524**	**–**	**209,734**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 8,333m relates to the balance sheet item Financial instruments pledged as collateral.
3) Of which EUR 8m relates to the balance sheet item Financial instruments pledged as collateral.
4) 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 6,825m, of which EUR 6,881m is categorised into Level 2 and a net positive fair value of EUR 56m 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

G40. Assets and liabilities at fair value, cont.

correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels 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 and thus categorised as Level 1 in the fair value hierarchy. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower. The credit risk adjustment is calculated based on an incurred loss model.

Fair value 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.

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 pledged as collateral) of EUR 674m (EUR 1,129m) from Level 1 to Level 2 and EUR 191m (EUR 295m) from Level 2 to Level 1 of the fair value hierarchy. Nordea also transferred derivative assets of EUR 36m (EUR 96m) and derivative liabilities of EUR 44m (EUR 120m) from Level 2 to Level 1. Nordea has during previous year transferred shares of EUR 22m from Level 1 to Level 2.

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 been actively traded during the year and reliable qouted 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

			Fair value gains/losses recognised in the income statement during the year								
2016, EURm	**1 Jan 2016**	**Reclassi-fication**	**Realised**	**Unre-alised**	**Purchases/ Issues**	**Sales**	**Settle-ments**	**Transfers into Level 3**	**Transfers out of Level 3**	**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	–64	–	60	378	–350	–	–	1	40	3,119
- of which Life	2,974	–	–	60	365	–336	–	–	1	40	3,104

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.

		Fair value gains/losses recognised in the income statement during the year								
2015, EURm	**1 Jan 2015**	**Realised**	**Unre-alised**	**Purchases/ Issues**	**Sales**	**Settle-ments**	**Transfers into Level 3**	**Transfers out of Level 3**	**Translation differences**	**31 Dec 2015**
Interest-bearing securities	279	1	8	75	–111	–1	–	–2	1	250
- of which Life	53	–	–3	–	–6	–	–	–	1	45
Shares	5,418	307	65	4,468	–5,021	–58	29	–333	–21	4,854
- of which Life	4,446	281	52	4,377	–4,897	–55	3	–	–19	4,188
Assets in pooled schemes and unit-linked investment contracts	133	–	2	–	–	–	–	–	–	135
- of which Life	133	–	2							135
Derivatives (net)	–160	37	–18	–1	–	–37	443	–133	0	131
Investment properties	3,134	–1	9	222	–263	–	–	–	–47	3,054
- of which Life	3,034	–	9	215	–237	–	–	–	–47	2,974

The valuation processes for fair value measurements

Financial instruments

Nordea has an independent valuation control unit, Group Valuation Control (GVC), which forms part of the CRO organisation. GVC has the responsibility of overseeing and independently assessing valuations of financial instruments held at fair value on Nordea´s balance sheet. Nordea also has a Group Valuation Committee (GVaC), which is chaired by the Group CFO with the Head of GVC and senior representatives from the business areas and other group functions as committee members. GVaC is responsible for setting the group valuation policy, governing valuation matters and serves as escalation point for valuation issues.

The valuation control process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the 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 independent control units. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by using independently sourced data that best reflects the market. Finally the results of valuation testing and valuations are analysed and any findings are escalated with the Group Valuation Committee as decision making body.

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

G40. Assets and liabilities at fair value, cont.

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 continuous basis.

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 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.

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 2015, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	205	–	Discounted cash flows	Credit spread	–5/5
Corporates	45	45	Discounted cash flows	Credit spread	–3/3
Total	**250**	**45**			**–8/8**
Shares					
Private equity funds	1,965	1,781	Net asset value[3]		–218/232
Hedge funds	450	274	Net asset value[3]		–29/35
Credit Funds	423	237	Net asset value/market consensus[3]		–23/28
Other funds	1,880	1,868	Net asset value/fund prices[3]		–223/224
Other[4]	160	52	–		–11/11
Total	**4,878**	**4,212**			**–504/530**
Derivatives					
Interest rate derivatives	180	–	Option model	Correlations	–26/19
				Volatilities	
Equity derivatives	–24	–	Option model	Correlations	–26/19
				Volatilities	
				Dividend	
Foreign exchange derivatives	–35	–	Option model	Correlations	+/–0
				Volatilities	
Credit derivatives	–18	–	Credit derivative model	Correlations	–8/6
				Recovery rates	
Other	28	–	Option model	Correlations	+/–0
				Volatilities	
Total	**131**	**–**			**–60/44**

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 policy-holders 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 issued by Invest Europe (formerly known as 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 0% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 24m related to assets in pooled schemes and unit-linked investment.

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.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2015, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,688	1,679	Discounted cash flows	Market rent		
				Commercial	25–312 EUR/m²	159 EUR/m²
				Office	34–324 EUR/m²	110 EUR/m²
				Apartment	65–245 EUR/m²	151 EUR/m²
				Yield requirement		
				Commercial	6.4% – 9.5%	7.5%
				Office	4.3% – 9.5%	6.1%
				Apartment	3.5% – 6.0%	3.9%
Norway	695	689	Discounted cash flows	Market rent		
				Commercial	82–234 EUR/m²	170 EUR/m²
				Office	114–746 EUR/m²	205 EUR/m²
				Apartment	151–151 EUR/m²	151 EUR/m²
				Other	66–86 EUR/m²	67 EUR/m²
				Yield requirement		
				Commercial	5.0% – 6.5%	5.5%
				Office	4.3% – 7.8%	5.5%
				Apartment	5.6% – 5.6%	5.6%
				Other	5.5% – 8.5%	7.9%
Finland[3]	564	563	Discounted cash flows[2]	Market rent		
				Commercial	104–327 EUR/m²	177 EUR/m²
				Office	125–306 EUR/m²	187 EUR/m²
				Apartment	186–237 EUR/m²	210 EUR/m²
				Other	89–127 EUR/m²	97 EUR/m²
				Yield requirement		
				Commercial	4.8% – 6.8%	5.8%
				Office	4.8% – 8.0%	6.4%
				Apartment	4.0% – 6.0%	5.0%
				Other	6.5% – 9.0%	7.8%
Sweden	154	154	Discounted cash flows[2]	Market rent		
				Commercial	117–195 EUR/m²	146 EUR/m²
				Apartment	149–176 EUR/m²	156 EUR/m²
				Other	65–66 EUR/m²	65 EUR/m²
				Yield requirement		
				Commercial	5.8% – 6.8%	6.3%
				Apartment	3.5% – 4.4%	3.7%
				Other	7.0% – 7.8%	7.4%
Other	64	–	Discounted cash flows	–	–	–
Total	**3,165**	**3,085**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 111m 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.

G40. Assets and liabilities at fair value, cont.

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).

Deferred day 1 profit – derivatives, net

EURm	2016	2015
Amount at beginning of year	34	36
Deferred profit/loss on new transactions	19	9
Recognised in the income statement during the year[1]	–30	–11
Amount at end of year	**23**	**34**

1) Of which EUR –14m (EUR 0m) 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 2016		31 Dec 2015		
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	32,099	32,099	35,500	35,500	3
Loans[1]	259,025	258,339	267,571	268,915	3
Interest-bearing securities	3,095	3,286	2,769	2,984	1,2,3
Other assets[2]	2,833	2,833	2,698	2,698	3
Prepaid expenses and accrued income	966	966	968	968	3
Total	**298,018**	**297,523**	**309,506**	**311,065**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	345,445	346,134	360,563	360,448	3
Other liabilities[3]	4,678	4,678	3,652	3,652	3
Accrued expenses and prepaid income	290	290	341	341	3
Total	**350,413**	**351,102**	**364,556**	**364,441**	

1) Of which EUR 198m related to loans in pooled schemes and unit-linked investments 31 December 2015.
2) Of which EUR 12m related to other assets in pooled schemes and unit-linked investments 31 December 2015.
3) Of which EUR 11m related to other liabilities in pooled schemes and unit-linked investments 31 December 2015.

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 3,286m (EUR 2,984m), of which EUR 0m (EUR 2m) is categorised in Level 1 and EUR 3,286m (EUR 2,922m) in Level 2 and EUR 0m (EUR 60m) in Level 3. 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"

G40. Assets and liabilities at fair value, cont.

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 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	–	0
Securities borrowing agreements	4,547	–	4,547	–	−4,547	–	0
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	–	0
Securities lending agreements	2,245	–	2,245	–	−2,245	–	0
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.

31 Dec 2015, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	207,514	−127,812	79,702	−60,192	–	−9,828	9,682
Reverse repurchase agreements	60,734	−9,888	50,846	−16,491	−34,162	–	193
Securities borrowing agreements	4,765	–	4,765	–	−4,765	–	0
Total	**273,013**	**−137,700**	**135,313**	**−76,683**	**−38,927**	**−9,828**	**9,875**

31 Dec 2015, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	205,970	−127,812	78,158	−60,192	–	−10,991	6,975
Repurchase agreements	46,372	−9,888	36,484	−16,491	−19,956	–	37
Securities lending agreements	1,402	–	1,402	–	−1,402	–	0
Total	**253,744**	**−137,700**	**116,044**	**−76,683**	**−21,358**	**−10,991**	**7,012**

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	2016
Assets	
Loans to credit institutions	34
Loans to the public	8,556
Other assets	307
Total assets held for sale	**8,897**
Liabilities	
Deposits by credit institutions	22
Deposits and borrowings from the public	4,776
Other liabilities	90
Total liabilities held for sale	**4,888**

1) Includes the external assets and liabilities held for sale. The external funding of the Baltic operations that will remain subsequent to the transaction is not included.

Assets and liabilities held for sale relate to Nordea's earlier announced decision to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities will be derecognised in Nordea's balance sheet, and an investment in an associated company will be recognised, at closing. The transaction is expected to be completed around Q2 2017 and is subject to regulatory approvals. The disposal group is included in the segment "Personal Banking" in Note 2 "Segment reporting". Assets held for sale also includes Nordea's lending to retail customers in Russia, carrying amount EUR 228m. The lending portfolio has been sold and derecognised in 2017.

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 2016	31 Dec 2015
Repurchase agreements		
Interest-bearing securities	5,108	8,333
Securities lending agreements		
Shares	–	8
Total	**5,108**	**8,341**

Liabilities associated with the assets

EURm	31 Dec 2016	31 Dec 2015
Repurchase agreements		
Deposits by credit institutions	2,475	6,288
Deposits and borrowings from the public	2,491	1,921
Securities lending agreements		
Deposits by credit institutions	–	8
Total	**4,966**	**8,217**
Net	**142**	**124**

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 2016	31 Dec 2015
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	30,002	38,819
- of which repledged or sold	16,129	19,447
Securities borrowing agreements		
Received collaterals which can be repledged or sold	4,552	4,869
- of which repledged or sold	47	152
Total	**34,554**	**43,688**

G44. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2016 Expected to be recovered or settled:			31 Dec 2015 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		32,099	–	32,099	35,500	–	35,500
Loans to central banks	G13	11,235	–	11,235	13,224	–	13,224
Loans to credit institutions	G13	4,236	4,790	9,026	9,559	1,203	10,762
Loans to the public	G13	71,245	246,444	317,689	111,672	229,248	340,920
Interest-bearing securities	G14	19,131	68,570	87,701	22,243	64,292	86,535
Financial instruments pledged as collateral	G15	1,194	3,914	5,108	1,539	6,802	8,341
Shares	G16	1,410	20,114	21,524	2,624	19,649	22,273
Assets in pooled schemes and unit-linked investment contracts	G17	7,775	15,327	23,102	2,285	18,149	20,434
Derivatives	G18	12,764	57,195	69,959	12,527	68,214	80,741
Fair value changes of the hedged items in portfolio hedge of interest rate risk		31	147	178	10	141	151
Investments in associated undertakings and joint ventures	G19	0	588	588	2	513	515
Intangible assets	G20	102	3,690	3,792	93	3,115	3,208
Properties and equipment		6	560	566	20	537	557
Investment properties	G22	3	3,116	3,119	3	3,051	3,054
Deferred tax assets	G11	30	30	60	41	35	76
Current tax assets		288	–	288	87	–	87
Retirement benefit assets	G32	2	304	306	74	303	377
Other assets	G23	18,914	59	18,973	18,569	18	18,587
Prepaid expenses and accrued income	G24	1,098	351	1,449	1,164	362	1,526
Assets held for sale	G42	8,897	–	8,897	–	–	–
Total assets		**190,460**	**425,199**	**615,659**	**231,236**	**415,632**	**646,868**
Deposits by credit institutions	G25	35,750	2,386	38,136	41,800	2,409	44,209
Deposits and borrowings from the public	G26	169,982	4,046	174,028	182,423	6,626	189,049
Deposits in pooled schemes and unit-linked investment contracts	G17	9,327	14,253	23,580	6,475	14,613	21,088
Liabilities to policyholders	G27	2,274	38,936	41,210	1,915	36,792	38,707
Debt securities in issue	G28	64,406	127,344	191,750	72,977	128,960	201,937
Derivatives	G18	14,243	54,393	68,636	13,724	65,781	79,505
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,168	1,298	2,466	521	2,073	2,594
Current tax liabilities		487	–	487	225	0	225
Other liabilities	G29	24,271	142	24,413	25,646	99	25,745
Accrued expenses and prepaid income	G30	1,718	40	1,758	1,769	36	1,805
Deferred tax liabilities	G11	75	755	830	83	945	1,028
Provisions	G31	209	97	306	305	110	415
Retirement benefit liabilities	G32	5	297	302	3	326	329
Subordinated liabilities	G33	1,590	8,869	10,459	642	8,558	9,200
Liabilities held for sale	G42	4,888	–	4,888	–	–	–
Total liabilities		**330,393**	**252,856**	**583,249**	**348,508**	**267,328**	**615,836**

G44. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

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**	**–**

31 Dec 2015, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	52,162	96,460	50,330	153,919	244,812	597,683
Non interest-bearing financial assets	–	–	–	–	67,601	67,601
Non-financial assets	–	–	–	–	9,748	9,748
Total assets	**52,162**	**96,460**	**50,330**	**153,919**	**322,161**	**675,032**
Interest-bearing financial liabilities	148,270	120,280	56,979	105,474	49,556	480,559
Non interest-bearing financial liabilities	–	–	–	–	46,097	46,097
Non-financial liabilities and equity	–	–	–	–	72,578	72,578
Total liabilities and equity	**148,270**	**120,280**	**56,979**	**105,474**	**168,231**	**599,234**
Derivatives, cash inflow	–	526,203	115,018	57,379	14,915	713,515
Derivatives, cash outflow	–	526,114	115,240	61,418	14,387	717,159
Net exposure	**–**	**89**	**–222**	**–4,039**	**528**	**–3,644**
Exposure	**–96,108**	**–23,731**	**–6,871**	**44,406**	**154,458**	**72,154**
Cumulative exposure	**–96,108**	**–119,839**	**–126,710**	**–82,304**	**72,154**	**–**

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 78,005m (EUR 74,679m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 21,034m (EUR 20,656m) 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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Assets				
Loans	438	546	–	–
Interest-bearing securities	24	73	–	–
Derivatives	46	76	–	–
Investments in associated undertakings	588	515	–	–
Total assets	**1,096**	**1,210**	**–**	**–**
Liabilities				
Deposits	65	69	36	74
Derivatives	26	118	–	–
Total liabilities	**91**	**187**	**36**	**74**
Off balance[2]	**3,428**	**5,307**	**–**	**–**

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	2016	2015	2016	2015
Net interest income	1	5	–	–
Net fee and commission income	3	4	–	–
Net result from items at fair value	51	246	–	–
Profit before loan losses	**55**	**255**	**–**	**–**

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 negative fair value of the contract as of the balance sheet date amounts to approx. EUR 22m. The agreement's expiring date corresponds with the maturity dates of the bonds included in the guarantee. The latest maturity is on 31 December 2023.

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) 2016, 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. Assets held for sale are thus included in the figures in this note.

Credit risk exposures occur in different forms and are divided into the following types:

Exposure types

EURm	31 Dec 2016[1]	31 Dec 2015[2]
On-balance sheet items	411,692	414,675
Off-balance sheet items	53,849	50,746
Securities financing	4,388	5,699
Derivatives	29,240	26,757
Exposure At Default (EAD)	**499,169**	**497,877**

1) Securitisation positions to an exposure amount of EUR 9,676m for 31 Dec 2016 are included in the table.

2) The restatement of the off-balance sheet commitments in the accounting as of 31 December 2015 has not been reflected in the EAD.

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 between exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

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 have been excluded from the balance sheet, when calculating on-balance exposure 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 values of derivatives are recognised on the balance sheet, while nominal amounts on derivatives are reported off-balance 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 excluded from CRR scope of consolidation[4]	Other	Balance sheet
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**					
31 Dec 2015						
Cash and balances with central banks	35,500	–	–	–	–	35,500
Loans to credit institutions and central banks	14,409	–	8,618	961	–2	23,986
Loans to the public	304,896	–	39,527	–4,386	883	340,920
Interest-bearing securities and pledged instruments	56,629	18,483	–	19,764	–	94,876
Derivatives[2]	–	–	82,781	–2,040	–	80,741
Intangible assets	–	–	–	342	2,866	3,208
Other assets and prepaid expenses	4,283	26,549	–	36,384	421	67,637
Total assets	**415,717**	**45,032**	**130,926**	**51,025**	**4,168**	**646,868**
Exposure at default[3]	**414,675**					

1) Securitisation positions to an original exposure amount of 6,907 EURm and an exposure of amount of EUR 6,907m 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.
4) Assets held for sale are disclosed separately as "Other assets and prepaid expenses" on the balance sheet, but included line by line in the original exposure column and explains the negative amounts in the column "Items excluded from CRR scope of consolidation"

G46. Credit risk disclosures, cont.

Off-balance sheet items[1]

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	78,270	1,164	–	79,434
Total	**101,321**	**1,202**	**–**	**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 to an original exposure amount of EUR 2,769m and an exposure amount of EUR 1,493m are included in the table.

31 Dec 2015, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	22,541	28	–	22,569
Commitments	73,673	990	–	74,663
Total	**96,214**	**1,018**	**–**	**97,232**

31 Dec 2015, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	50,637	1,422	52,059	48%	24,760
Checking accounts	16,800	4,205	21,005	51%	10,786
Loan commitments	6,194	7,827	14,021	41%	5,692
Guarantees	21,012	–	21,012	44%	8,939
Other	1,571	27	1,598	36%	569
Total	**96,214**	**13,481**	**109,695**		**50,746**

Exposure classes split by exposure type

At year-end, 79% of the total credit risk original exposure was calculated using the IRB approach. The total IRB exposures consists mainly of corporate and retail exposures. Main drivers of change during 2016 were a decrease in the IRB corporate exposure class seen among all exposure types except for derivatives as well as a decrease in the IRB institutions portfolio. The decrease was partially offset by the IRB retail portfolio which increased EUR 3.9bn and EUR 2.9bn in on and off balance exposures respectively over the year.

G46. Credit risk disclosures, cont.

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**

31 Dec 2015, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	76,620	1,074	713	4,418	82,825
Institutions	35,462	1,086	3,335	8,548	48,431
Corporate	126,266	34,021	1,111	13,416	174,814
Retail[1]	167,086	14,367	1	89	181,543
Other	9,241	198	539	286	10,264
Total exposure	**414,675**	**50,746**	**5,699**	**26,757**	**497,877**

1) Includes exposures secured by real estates.

Exposure split by geography and exposure classes

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**

31 Dec 2015, 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	39,469	11,708	12,014	2,978	12,769	327	234	33,961	8,834	82,825
Institutions	29,311	15,229	546	4,634	8,902	6	156	2,022	16,936	48,431
Corporate	139,110	43,823	27,073	29,222	38,992	5,368	4,271	2,381	23,684	174,814
Retail[1]	175,519	51,961	39,886	28,313	55,359	3,315	263	5	2,441	181,543
Other	5,925	1,142	1,405	942	2,436	185	113	200	3,841	10,264
Total exposure	**389,334**	**123,863**	**80,924**	**66,089**	**118,458**	**9,201**	**5,037**	**38,569**	**55,736**	**497,877**

1) Includes exposures secured by real estates.
2) Securitisation positions to an exposure amount of EUR 8,400m for 31 Dec 2016 are not included in the table.

Exposure split by industry group

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (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 38% 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 2015 and 2016, the corporate portfolio decreased the most within the other, public and organisations industry group (mainly corporate loan & facility agreement products) where the largest offsetting increase occurred in other financial institutions. 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, exposures increased in total mainly within the sovereign exposures. The increase mostly occurred in Other financial institutions and other, public and organisations industry group. The largest offsetting decrease compared to 2015 total figures occurred in the industry group other materials (chemical, building materials, etc.).

G46. Credit risk disclosures, cont.

Exposure split by industry sector

EURm	31 Dec 2016[1]	31 Dec 2015
Construction and engineering	6,399	5,673
Consumer durables (cars, appliances etc)	3,184	4,543
Consumer staples (food, agriculture etc)	12,271	13,685
Energy (oil, gas etc)	4,202	4,337
Health care and pharmaceuticals	1,623	2,010
Industrial capital goods	4,589	4,931
Industrial commercial services	14,342	16,154
IT software, hardware and services	1,811	1,856
Media and leisure	2,644	2,730
Metals and mining materials	1,160	1,081
Other financial institutions	65,060	67,167
Other materials (chemical, building materials etc)	6,303	8,213
Other, public and organisations	278,222	275,013
Paper and forest material	2,542	2,467
Real estate management and investment	45,534	46,619
Retail trade	12,788	13,045
Shipping and offshore	12,595	13,065
Telecommunication equipment	255	283
Telecommunication operators	1,727	1,642
Transportation	4,583	4,626
Utilities distribution and production	8,935	8,737
Total exposure	490,769	497,877

1) Securitisation positions to an exposure amount of EUR 8,400m for 31 Dec 2016 are not included in the table.

Exposure secured by collaterals, guarantees and credit derivatives

At the end of 2016, the share of total exposure secured by eligible collateral increased by 1% to 44% (43%). The corresponding figure for the IRB portfolio was 56% (53%). The increase is mainly driven by an increase in exposure secured by eligible collateral in the corporate and retail exposure classes. Approximately 3% (3%) of total exposure was secured by guarantees and credit derivatives.

Exposure secured by collaterals, guarantees and credit derivatives

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

31 Dec 2015, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	82,345	82,825	551	–
Institutions	50,375	48,431	144	608
Corporate	222,486	174,814	11,551	67,611
Retail[1]	191,986	181,543	2,054	143,507
Other	10,967	10,264	53	52
Total exposure[2]	558,159	497,877	14,353	211,778

1) Includes exposures secured by real estate.
2) Securitisation positions to an original exposure amount of EUR 9,676m and exposure amount of EUR 8,400m for 31 Dec 2016 are not included in the table.

G46. Credit risk disclosures, cont.

Collateral distribution

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate collateral had the major share with a stable 72% of total eligible collateral. Real estate collateral in general is not concentrated in any particular region within the Nordic and Baltic countries. The proportion of each collateral category on total eligible collateral remained relatively stable in 2016, with a slight decrease in other physical collateral.

	31 Dec 2016	31 Dec 2015
Financial Collateral	1.4%	1.3%
Receivables	1.0%	0.8%
Residential Real Estate	71.9%	71.8%
Commercial Real Estate	17.8%	17.4%
Other Physical Collateral	7.9%	8.7%
Total	**100.0%**	**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 2016, the collateral's coverage to retail mortgage exposures remained broadly stable. The percentage of exposure with a LTV ratio below 50% improved from 78.4% in 2015 to 79.5% in 2016. This is partially offset by a slight increase in exposures that have a LTV of greater than 80%. .

Retail mortgage exposure

	31 Dec 2016		31 Dec 2015	
	EURbn	%	EURbn	%
<50%	110.3	79	105.3	78
50–70%	20.8	15	21.4	16
70–80%	4.9	4	5.1	4
80–90%	1.9	1	1.7	1
>90%	0.9	1	0.8	1
Total	**138.8**	**100**	**134.4**	**100**

Collateralised Debt Obligations (CDO) – Exposure[1], including Nordea Life & Pensions

Nordea acts as an intermediary in the credit derivatives market, especially in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and synthetic CDOs. When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

Credit 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.

	31 Dec 2016		31 Dec 2015	
Nominal, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	842	2,522	788	2,418
Hedged exposures	806	806	754	754
CDOs, net[2]	**36[3]**	**1,716[4]**	**34[3]**	**1,664[4]**
- of which Equity	3	293	3	509
- of which Mezzanine	15	767	10	626
- of which Senior	18	656	21	529

1) First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 7m (EUR 15m) and net sold protection to EUR 13m (EUR 64m). Both bought and sold protection are, to the predominant part, investment grade.
2) Net exposure disregards exposure where tranches are completely identical in terms of reference pool attachment, detachment, maturity and currency.
3) Of which investment grade EUR 0m (EUR 0m) and sub investment grade EUR 36m (EUR 34m).
4) Of which investment grade EUR 545m (EUR 604m) and sub investment grade EUR 938m (EUR 962m) and not rated EUR 233m (EUR 98m).

Forbearance

EURm	31 Dec 2016	31 Dec 2015
Forborne loans	6,063	5,568
- of which defaulted	2,696	2,466
Allowances for individually assessed impaired and forborne loans	887	1,050
- of which defaulted	887	1,050

Key ratios

%	31 Dec 2016	31 Dec 2015
Forberance ratio[1]	1.8%	1.5%
Forbearance coverage ratio[2]	15%	19%
- of which defaulted	33%	43%

1) Forborne loans / Loans before allowances.
2) Individual allowances / Forborne loans.

Assets taken over for protection of claims[1]

EURm	31 Dec 2016	31 Dec 2015
Current assets, carrying amount:		
Land and buildings	9	66
Shares and other participations	1	39
Other assets	3	2
Total	**13**	**107**

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.

G46. 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, not considered impaired, were at end of 2016 EUR 704m, down from EUR 962m one year ago, and past due loans for household customers increased to EUR 1,410m (EUR 1,620m).

	31 Dec 2016		31 Dec 2015	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	376	939	653	1,058
31–60 days	134	239	153	250
61–90 days	73	94	37	89
>90 days	121	138	118	223
Total	**704**	**1,410**	**961**	**1,620**
Past due not impaired loans divided by loans to the public after allowances, %	0.46	0.88	0.54	1.02

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 69% (66%) of the corporate volume represents loans up to EUR 50m per customer.

	31 Dec 2016		31 Dec 2015	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	68.3	45	74.8	42
10–50	37.3	24	42.0	24
50–100	19.9	13	20.1	11
100–250	17.7	12	23.4	13
250–500	4.7	3	8.3	5
500–	5.1	3	8.8	5
Total	**153.0**	**100**	**177.4**	**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 1,330m (EUR 1,330m) and at year-end EUR 861m (EUR 1,018m) where utilised. Total assets in the conduit were EUR 919m (EUR 1,072m) 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 2016 EUR 108m (EUR 117m) were utilised. The entity holds assets of EUR 110m (EUR 95m) 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

G47. Interests in structured entities, cont.

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 5m (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 429m (EUR 347m), 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 2016	31 Dec 2015
Assets, carrying amount:		
Shares	16,952	15,669
Assets in pooled schemes and unit linked investment contracts	18,151	16,520
Total assets	**35,103**	**32,189**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit linked investment contracts	1,054	1,077
Liabilities to policyholders	33,682	30,333
Derivatives	198	109
Total liabilities	**34,934**	**31,519**
Off balance, nominal amount:		
Loan commitments	22	28

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 157bn (EUR 132bn). 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.

			2016				2015			
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	8,717	2,988	1,258	–265	8,288	2,602	914	–202
Finland	RB, WB, AM, LP	Finland	7,104	1,918	978	–178	6,946	2,605	1,535	–358
Sweden	RB, WB, AM, LP	Sweden	7,276	3,021	961	–182	6,957	2,893	773	–130
Norway	RB, WB, AM, LP	Norway	3,140	1,595	895	–96	3,137	1,584	835	–180
Russia	WB	Russia	829	158	85	–19	1,085	182	94	–22
Poland	Other	Poland	1,571	65	9	0	1,197	62	0	–2
Estonia	RB, WB, LP	Estonia	559	105	51	–9	480	90	60	–12
Latvia	RB, WB	Latvia	457	84	46	–7	436	76	28	–6
Luxembourg	AM, LP	Luxembourg	441	346	224	–65	393	313	211	–64
Lithuania	RB, WB, LP	Lithuania	378	55	26	–4	360	38	14	–2
United States	RB, WB, AM, LP	New York	120	145	83	–26	110	147	95	–31
United Kingdom	RB, WB, AM, LP	London	77	129	–3	–3	82	128	88	–17
Singapore	WB	Singapore	85	47	0	0	86	51	28	–5
Germany	WB, AM	Frankfurt	55	33	10	–6	58	33	24	–9
Switzerland	AM	Zürich	29	11	2	0	32	14	4	–1
China	WB	Shanghai	30	6	0	1	29	7	1	–1
Brazil	WB	Sao Paolo	5	2	0	0	5	2	0	0
Eliminations[3]			–	–781	–	–	–	–687	–	–
Total			**30,873**	**–9,927**	**4,625**	**–859**	**29,681**	**10,140**	**4,704**	**–1,042**

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 2016" 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 Danmark, filial af Nordea Bank AB (publ), Sverige

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finnish Branch
Nordea Fund Management, filial af Nordea funds Oy, Finland
Nordea Bank AB (publ) Finnish Branch

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, Norwegian Branch
Nordea Funds, Norwegian Branch
Nordea Bank AB (publ), Norwegian Branch

Estonia
Nordea Bank AB Estonia Branch

Latvia
Nordea Bank AB Latvia Branch

Lithuania
Nordea Bank AB Lithuania Branch

Germany
Nordea Bank AB Frankfurt Branch

China
Nordea Bank AB Shanghai Branch

Poland
Nordea Bank AB Spólka Akcyjna Oddział w Połsce
Nordea Bank Danmark A/S Spólka Akcyjna Oddział w Połsce

Singapore
Nordea Bank Finland Plc, Singapore Branch
Nordea Bank S.A. , Singapore Branch

Switzerland
Nordea Bank S.A., Luxemburg Zwiegniederlassung Zürich

United Kingdom
Nordea Bank AB London Branch

United States
Nordea Bank Finland Plc, New York Branch

Financial statements, Parent company

Contents

Income statement

EURm	Note	2016	2015
Operating income			
Interest income		1,403	1,607
Interest expense		–939	–1,096
Net interest income	**P3**	**464**	**511**
Fee and commission income		978	1,094
Fee and commission expense		–138	–208
Net fee and commission income	**P4**	**840**	**886**
Net result from items at fair value	P5	216	136
Dividends	P6	3,210	2,176
Other operating income	P7	712	833
Total operating income		**5,442**	**4,542**
Operating expenses			
General administrative expenses:			
Staff costs	P8	–1,113	–1,196
Other expenses	P9	–1,008	–851
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P22, P23	–172	–140
Total operating expenses		**–2,293**	**–2,187**
Profit before loan losses		**3,149**	**2,355**
Net loan losses	P11	–193	–143
Impairment of securities held as financial non-current assets	P19	–6	–9
Operating profit		**2,950**	**2,203**
Appropriations	P12	1	2
Income tax expense	P13	–51	–285
Net profit for the year		**2,900**	**1,920**

Statement of comprehensive income

EURm	2016	2015
Net profit for the year	**2,900**	**1,920**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–7	–4
Available for sale investments[1]:		
Valuation gains/losses during the year	45	–55
Tax on valuation gains/losses during the year	–10	12
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	181
Tax on valuation gains/losses during the year	–23	–40
Transferred to the income statement during the year	–122	–154
Tax on transfers to the income statement during the year	27	34
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of benefit plans during the year	3	12
Tax on remeasurement of benefit plans during the year	–1	–3
Other comprehensive income, net of tax	**12**	**–20**
Total comprehensive income	**2,912**	**1,900**

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 2016	31 Dec 2015
Assets			
Cash and balances with central banks		101	75
Treasury bills	P14	6,583	6,905
Loans to credit institutions	P15	88,375	90,009
Loans to the public	P15	43,726	45,820
Interest-bearing securities	P16	10,359	12,163
Shares	P17	130	2,362
Derivatives	P18	4,668	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0	1
Investments in group undertakings	P19	5,733	4,601
Investments in group undertakings being merged	P20	14,368	14,793
Investments in associated undertakings and joint ventures	P21	12	7
Participating interest in other companies		1	1
Intangible assets	P22	1,539	1,091
Properties and equipment	P23	132	138
Deferred tax assets	P13	22	26
Current tax assets		204	3
Other assets	P24	4,560	4,387
Prepaid expenses and accrued income	P25	749	780
Total assets		**181,262**	**188,173**
Liabilities			
Deposits by credit institutions	P26	20,374	19,069
Deposits and borrowings from the public	P27	58,183	61,043
Debt securities in issue	P28	63,162	68,908
Derivatives	P18	3,612	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,008	1,158
Current tax liabilities		0	34
Other liabilities	P29	3,279	3,531
Accrued expenses and prepaid income	P30	670	759
Provisions	P31	307	301
Retirement benefit liabilities	P32	169	159
Subordinated liabilities	P33	10,086	8,951
Total liabilities		**160,850**	**168,093**
Untaxed reserves	P34	**2**	**2**
Equity			
Share capital		4,050	4,050
Development cost reserve		569	-
Share premium reserve		1,080	1,080
Other reserves		–2	–21
Retained earnings		14,713	14,969
Total equity		**20,410**	**20,078**
Total liabilities and equity		**181,262**	**188,173**

Statement of changes in equity

2016

	Restricted equity		Unrestricted equity[1]					
				Other reserves				
EURm	Share capital	Develop-ment cost reserve	Share premium reserve	Cash flow hedges	Available for sale invest-ments	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	–
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.

Statement of changes in equity, cont.

2015

	Restricted equity	Unrestricted equity[1]					
			Other reserves				
EURm	Share capital	Share premium reserve	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2015	**4,050**	**1,080**	**–37**	**41**	**–9**	**15,536**	**20,661**
Net profit for the year	–	–	–	–	–	1,920	1,920
Items that may be reclassified subsequently to the income statement							
Currency translation differences during the year	–	–	–	–	–	–4	–4
Available for sale investments:							
Valuation gains/losses during the year	–	–	–	–55	–	–	–55
Tax on valuation gains/losses during the year	–	–	–	12	–	–	12
Transferred to profit or loss on sale during the year	–	–	–	–4	–	–	–4
Tax on transfers to profit or loss on sale during the year	–	–	–	1	–	–	1
Cash flow hedges:							
Valuation gains/losses during the year	–	–	181	–	–	–	181
Tax on valuation gains/losses during the year	–	–	–40	–	–	–	–40
Transferred to the income statement during the year	–	–	–154	–	–	–	–154
Tax on transfers to the income statement during the year	–	–	34	–	–	–	34
Items that may not be reclassified subsequently to the income statement							
Defined benefit plans:							
Remeasurement of defined benefit plans during the year	–	–	–	–	12	–	12
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–3	–	–3
Other comprehensive income, net of tax	**–**	**–**	**21**	**–46**	**9**	**–4**	**–20**
Total comprehensive income	**–**	**–**	**21**	**–46**	**9**	**1,916**	**1,900**
Share-based payments	–	–	–	–	–	2	2
Dividend for 2014	–	–	–	–	–	–2,501	–2,501
Disposal of own shares[2]	–	–	–	–	–	16	16
Balance at 31 Dec 2015	**4,050**	**1,080**	**–16**	**–5**	**0**	**14,969**	**20,078**

1) A free fund amounting to EUR 2,762m are recognised in Retained earnings.
2) Refers to the change in the holding of own shares related to Long Term Incentive Programme and trading portfolio. The number of own shares were 11.7 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 2015	1.0	4,049,951,919	4,049,951,919
Balance at 31 Dec 2016	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 16 March 2017, a dividend in respect of 2016 of EUR 0.65 per share (2015 actual dividend EUR 0.64 per share) amounting to a total of EUR 2,625,368,991 (2015 actual: EUR 2,584,494,736) is to be proposed. The financial statements for the year ended 31 December 2016 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2017.

Cash flow statement

EURm	2016	2015
Operating activities		
Operating profit	2,950	2,203
Adjustment for items not included in cash flow	–2,085	–1,026
Income taxes paid	–278	–226
Cash flow from operating activities before changes in operating assets and liabilities	**587**	**951**
Changes in operating assets		
Change in treasury bills	305	–1,918
Change in loans to credit institutions	2,846	–7,543
Change in loans to the public	1,893	–6,153
Change in interest-bearing securities	1,829	–927
Change in financial assets pledged as collateral	–	43
Change in shares	2,232	3,699
Change in derivatives, net	–693	558
Change in other assets	2,485	1,643
Changes in operating liabilities		
Change in deposits by credit institutions	1,305	–5,952
Change in deposits and borrowings from the public	–2,874	11,460
Change in debt securities in issue	–5,763	5,600
Change in other liabilities	–253	–1,570
Cash flow from operating activities	**3,899**	**–109**
Investing activities		
Shareholder's contributions to group undertakings	–523	–2,754
Sale of business operations	–	200
Investments in associated undertakings and joint ventures	–5	–
Acquisition of properties and equipment	–25	–55
Sale of property and equipment	1	1
Acquisition of intangible assets	–594	–446
Sale of intangible assets	–	–1
Net divestments in debt securities, held to maturity	–	110
Sale of other financial fixed assets	69	–
Cash flow from investing activities	**–1,077**	**–2,945**
Financing activities		
Issued subordinated liabilities	1,000	2,166
Amortised subordinated liabilities	–	–1,317
Repurchase/divestment of own shares incl change in trading portfolio	–	16
Dividend paid	–2,584	–2,501
Cash flow from financing activities	**–1,584**	**–1,636**
Cash flow for the year	**1,238**	**–4,690**
Cash and cash equivalents at the beginning of year	3,343	8,033
Cash and cash equivalents at the end of year	4,581	3,343
Change	**1,238**	**–4,690**

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	2016	2015
Depreciation	164	130
Impairment charges	14	19
Loan losses	200	152
Unrealised gains/losses	499	–14
Capital gains/losses (net)	–68	–171
Change in accruals and provisions	–50	287
Anticipated dividends	–1,964	–1,293
Group contributions	–695	–614
Translation differences	–47	681
Change in fair value of the hedged items, assets/liabilities (net)	–149	–210
Other	11	7
Total	**–2,085**	**–1,026**

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	2016	2015
Interest payments received	1,393	1,574
Interest expenses paid	–966	–1,024

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 2016	31 Dec 2015
Cash and balances with central banks	101	75
Loans to credit institutions, payable on demand	4,480	3,268
Total	**4,581**	**3,343**

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 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	2016	2015	2014[2]	2013	2012
Net interest income	464	511	649	641	724
Net fee and commission income	840	886	820	1,009	623
Net result from items at fair value	216	136	186	131	189
Dividends	3,210	2 ,176	2,333	1,827	3,554
Other operating income	712	833	975	674	501
Total operating income	**5,442**	**4,542**	**4,963**	**4,282**	**5,591**
General administrative expenses:					
Staff costs	–1,113	–1,196	–1,070	–982	–938
Other expenses	–1,008	–851	–904	–1,018	–842
Depreciation, amortisation and impairment charges of tangible and intangible assets	–172	–140	–261	–109	–105
Total operating expenses	**–2,293**	**–2,187**	**–2,235**	**–2,109**	**–1,885**
Profit before loan losses	**3,149**	**2,355**	**2,728**	**2,173**	**3,706**
Net loan losses	–193	–143	–98	–124	–19
Impairment of securities held as financial non-current assets	–6	–9	–15	–4	–15
Operating profit	**2,950**	**2,203**	**2,615**	**2,045**	**3,672**
Appropriations	1	2	–1	102	–103
Income tax expense	–51	–285	–189	–192	–95
Net profit for the year	**2,900**	**1,920**	**2,425**	**1,955**	**3,474**

Balance sheet

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Treasury bills and interest-bearing securities	16,942	19,068	16,356	16,080	16,686
Loans to credit institutions	88,375	90,009	86,704	80,918	68,006
Loans to the public	43,726	45,820	39,809	34,155	36,214
Investments in group undertakings	20,101	19,394	16,986	17,723	17,659
Other assets	12,118	13,882	18,576	15,047	13,565
Total assets	**181,262**	**188,173**	**178,431**	**163,923**	**152,130**
Deposits by credit institutions	20,374	19,069	27,452	17,500	19,342
Deposits and borrowings from the public	58,183	61,043	49,367	47,531	50,263
Debt securities in issue	63,162	68,908	63,280	62,961	48,285
Subordinated liabilities	10,086	8,951	7,728	5,971	7,131
Other liabilities/untaxed reserves	9,047	10,124	9,943	10,039	7,734
Equity	20,410	20,078	20,661	19,921	19,375
Total liabilities and equity	**181,262**	**188,173**	**178,431**	**163,923**	**152,130**

1) The comparative figures for 2015 have been restated.
2) End of the year.

Ratios and key figures[4]

	2016	2015	2014[1]	2013	2012
Return on equity, %	15.6	10.1	12.6	10.5	20.5
Return on assets, %	1.6	1.0	1.4	1.2	2.3
Cost/income ratio, %	42.1	48.2	45.0	49.3	33.9
Loan loss ratio, basis points	44	31	25	36	5
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,2,3], %	18.6	18.8	21.8	20.8	17.6
Tier 1 capital ratio, excl. Basel I floor[1,3], %	22.0	22.2	25.3	23.1	19.6
Total capital ratio, excl. Basel I floor[1,3], %	27.9	27.1	30.6	28.0	24.4
Tier 1 capital[1,2,3], EURm	19,167	19,314	19,932	19,300	19,244
Risk-exposure amount incl. Basel I floor[1,3], EURbn	87	87	79	83	98

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 and 2016 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 2015 Annual Report.

New accounting requirements implemented during 2016 and their effects on the parent company's financial statements are described below.

The IASB has issued "Amendments to IAS 27, Equity method in Separate Financial Statements" which allows the equity method when accounting for investments in group undertakings, joint ventures and associated undertakings. Equity method accounting for investments in group undertakings is however not allowed under the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). The amendments were implemented 1 January 2016 but have not had any impact on the financial statements, capital adequacy or large exposures in the period of initial application.

Amendments have in addition been made to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments have been implemented on 1 January 2016.

In accordance with the new requirements, investments where the intention is to create a long term relationship with the other company, without meeting the requirements for a group undertaking or an associated undertaking, have been presented separately on the balance sheet as "Participating interest in other companies". An amount equal to the cost for own development work (recognised as an intangible asset on the parent company's balance sheet) has furthermore been presented separately within equity as "Development cost reserve". The amendments have not had any other significant impact on the financial statements.

The Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2015:20. Those amendments were implemented 1 January 2016 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 2016". These amendments were implemented 1 January 2016 but have not had any significant impact on the financial statements.

Changed presentation of stability fees

The parent company has, in order to align with local market practice, reclassified state guarantee fees from "Net fee and commission income" to "Net interest income". The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

Changed presentation of "Net fee and commission income"

The presentation within Note P4 "Net fee and commission income" has, in addition to the change described above, been changed. The main change is that income and expenses have been set off to better reflect the net return from different business activities. Commission expenses have been split more granularly to better match the related commission income. The gross impact on income and expenses is also provided in Note P4.

Commission income in connection with initial public offerings (IPOs) have in addition been reclassified from "Custody and issuer services" to "Brokerage, securities issues and corporate finance" (impact full year 2015 EUR 16m). This reclassification has been made to better reflect the purpose of services performed/received.

Other changes

Other changes implemented by the parent company 1 January 2016 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

	2016			2015		
EURm	Old policy	Restatement	New policy	Old policy	Restatement	New policy
Net interest income	504	–40	464	576	–65	511
Net fee and commission income	800	40	840	821	65	886

P1. Accounting policies, cont.

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 and 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 follows the Swedish rules ("Tryggandelagen") and the regulations of the Swedish Financial Supervisory Authority as this is the condition for tax deductibility. The significant differences compared with IAS 19 consist of how the discount rate is determined, that the calculation of the defined benefit obligation is based on current salary level without assumptions about future salary increases.

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 local accounting requirements.

Group contributions

Group contributions paid to group undertakings are recognised as an increase in the value of investments in group undertakings, net of tax. Group contributions received from group undertakings are recognised as dividends. The possible tax effects on group contributions received are classified as "Income tax expense" in the income statement.

Untaxed reserves

The parent company reports untaxed reserves, related to accelerated depreciation and tax allocation reserve under tax regulations. In the consolidated financial statements, untaxed reserves are split on the items "Retained earnings" and "Deferred tax liabilities" on the balance sheet.

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	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	464	511	–	–	–	–	–	–	–	–	464	511
Net fee and commission income	840	886	–	–	–	–	–	–	–	–	840	886
Net result from items at fair value	216	136	–	–	–	–	–	–	–	–	216	136
Dividends[1]	1,510	734	900	876	–	–	427	401	373	165	3,210	2,176
Other operating income	–53	156	241	205	95	91	429	381	–	–	712	833
Total operating income	**2,977**	**2,423**	**1,141**	**1,081**	**95**	**91**	**856**	**782**	**373**	**165**	**5,442**	**4,542**

1) Regards dividends from group undertakings.

P3. Net interest income

EURm	2016	2015
Interest income		
Loans to credit institutions	380	455
Loans to the public	837	880
Interest-bearing securities	126	201
Other interest income	60	71
Interest income	**1,403**	**1,607**
Interest expense		
Deposits by credit institutions	–20	–46
Deposits and borrowings from the public	–32	–83
Debt securities in issue	–923	–917
Subordinated liabilities	–368	–359
Other interest expenses[1]	404	309
Interest expense	**–939**	**–1,096**
Net interest income	**464**	**511**

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 1,274m (EUR 1,407m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –1,401m (EUR –1,488m). Interest on impaired loans amounted to an insignificant portion of interest income.

P4. Net fee and commission income

EURm	2016	2015
Asset management commissions	148	154
- of which income	148	154
- of which expense	–	–
Life & Pension	1	1
- of which income	1	1
- of which expense	–	–
Deposit Products	18	19
- of which income	18	19
- of which expense	–	–
Brokerage, securities issues and corporate finance	187	142
- of which income	211	166
- of which expense	–24	–24
Custody and issuer services	7	7
- of which income	19	18
- of which expense	–12	–11
Payments	72	84
- of which income	102	108
- of which expense	–30	–24
Cards	77	100
- of which income	127	230
- of which expense	–50	–130
Lending Products	154	161
- of which income	155	162
- of which expense	–1	–1
Guarantees and documentary payments	153	197
- of which income	153	197
- of which expense	0	0
Other	23	21
- of which income	44	39
- of which expense	–21	–18
Total	**840**	**886**

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 173m (EUR 181m).

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 360m (EUR 321m). The corresponding amount for fee expenses is EUR –36m (EUR –35m).

P5. Net result from items at fair value

EURm	2016	2015
Equity related instruments	–332	7
Interest related instruments and foreign exchange gains/losses	547	131
Other financial instruments (including credit and commodities)	1	–2
Total[1]	**216**	**136**

1) Of which EUR 0m (EUR 26m) are dividends from shares.

Net result from categories of financial instruments

EURm	2016	2015
Available for sale assets, realised	4	4
Financial instruments designated at fair value through profit or loss	18	19
Financial instruments held for trading	–386	29
Financial instruments under fair value hedge accounting	–10	1
- of which net losses on hedging instruments	–166	–157
- of which net gains on hedged items	156	158
Financial assets measured at amortised cost	1	14
Foreign exchange gains/losses excluding currency hedges	529	69
Other	60	0
Total	**216**	**136**

P6. Dividends

EURm	2016	2015
Dividends from group undertakings		
Nordea Bank Finland Plc	900	780
Nordea Bank Danmark A/S	417	395
LLC Promyshlennaya Kompaniya Vestkon	82	89
JSC Nordea Bank	6	6
Nordea Life Holding AB	700	–
Nordea Funds Ltd	130	96
Nordea Bank S.A.	155	70
Nordea Investment Management AB	115	120
Nordea Ejendomsinvestering A/S	9	5
Dividends from associated undertakings and joint ventures		
Upplysningscentralen (UC) AB	1	–
Group Contributions		
Nordea Hypotek AB	562	492
Nordea Investment Management AB	6	11
Nordea Finans AB	127	112
Total	**3,210**	**2,176**

P7. Other operating income

EURm	2016	2015
Divestment of shares	0	170
Remuneration from group undertakings	710	661
Other	2	2
Total	**712**	**833**

P8. Staff costs

EURm	2016	2015
Salaries and remuneration (specification below)[1]	–825	–836
Pension costs (specification below)	–165	–146
Social security contributions	–240	–233
Other staff costs	117	19
Total	**–1,113**	**–1,196**
Salaries and remuneration		
To executives[2]		
- Fixed compensation and benefits	–9	–7
- Performance-related compensation	–4	–4
- Allocation to profit-sharing	0	0
Total	**–13**	**–11**
To other employees	–812	–825
Total	**–825**	**–836**

1) Allocation to profit-sharing foundation 2016 EUR 11m (EUR 29m) consists of a new allocation of EUR 11m (EUR 28m) and an allocation related to prior year of EUR 0m (EUR 1m).

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 19 (18) positions.

Pension costs[1]

EURm	2016	2015
Defined benefit plans	–85	–77
Defined contribution plans	–80	–69
Total	**–165**	**–146**

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 16 March 2017.

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

Participation in the Long Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares. For more information about conditions and requirements, see Note G7 "Staff costs".

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).

The expenses in below table regards only employees in Nordea Bank AB (publ).

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

EURm	LTIP 2012
Total expense during 2016	–
Total expense during 2015	–1

1) All amounts excluding social security contribution.

Cash-settled share-based payment transactions

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

In addition Nordea 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 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 14m 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	2016	2015
Opening balance	22	7
Reclassification[1]	–	2
Deferred/earned during the year	17	16
TSR indexation during the year	6	1
Payments during the year[2]	–6	–5
Translation differences	0	1
Closing balance	**39**	**22**

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

Average number of employees

	Total		Men		Women	
	2016	2015	2016	2015	2016	2015
Full-time equivalents						
Sweden	6,778	6,450	3,257	3,034	3,521	3,416
Other countries	5,118	4,151	2,843	2,200	2,275	1,951
Total average	**11,896**	**10,601**	**6,100**	**5,234**	**5,796**	**5,367**

Gender distribution, executives

Per cent	2016	2015
Nordea Bank AB (publ)		
Board of Directors – Men	56	56
Board of Directors – Women	44	44
Other executives – Men	90	78
Other executives – Women	10	22

P9. Other expenses

EURm	2016	2015
Information technology	–548	–467
Marketing and representation	–27	–31
Postage, transportation, telephone and office expenses	–39	–48
Rents, premises and real estate	–121	–136
Other[1]	–273	–169
Total	**–1,008**	**–851**

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2016	2015
PricewaterhouseCoopers		
Auditing assignments	–3	–2
Audit-related services	–1	0
Tax advisory services	0	0
Other assignments	–4	–1
Total	**–8**	**–3**
KPMG		
Auditing assignments	–	–1
Audit-related services	–	–1
Tax advisory services	–	–
Other assignments	–	0
Total	**–**	**–2**

P10. Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

EURm	2016	2015
Properties and equipment (Note P23)		
Equipment	–25	–26
Intangible assets (Note P22)		
Goodwill	–55	–56
Computer software	–63	–31
Other intangible assets	–21	–17
Total	**–164**	**–130**

Impairment charges

EURm	2016	2015
Intangible assets (Note P22)		
Computer software	–8	–7
Other intangible assets	0	–3
Total	**–8**	**–10**
Total depreciation/amortisation and impairment charges	**–172**	**–140**

P11. Net loan losses

EURm	2016	2015
Loan losses divided by class		
Realised loan losses	0	–
Recoveries on previous realised loan losses	–	0
Provisions	–1	0
Reversals of previous provisions	1	1
Loans to credit institutions[1]	**0**	**1**
Realised loan losses	–119	–72
Allowances to cover realised loan losses	80	34
Recoveries on previous realised loan losses	7	8
Provisions	–228	–175
Reversals of previous provisions	90	84
Loans to the public[1]	**–170**	**–121**
Realised loan losses	–3	–9
Recoveries on previous realised loan losses	4	6
Provisions	–39	–42
Reversals of previous provisions	15	22
Off-balance sheet items[2]	**–23**	**–23**
Net loan losses	**–193**	**–143**

1) See Note P15 “Loans and impairment”.
2) Included in Note P31 “Provisions” as “Guarantees”.

P12. Appropriations

EURm	2016	2015
Change in depreciation in excess of plan, equipment	1	2
Total	**1**	**2**

P13. Taxes

Income tax expense

EURm	2016	2015
Current tax	–43	–303
Deferred tax	–8	18
Total	**–51**	**–285**

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2016	2015
Profit before tax	2,951	2,205
Tax calculated at a tax rate of 22.0%	–649	–485
Tax-exempt income	616	381
Non-deductible expenses	–15	–81
Adjustments relating to prior years	–3	–100
Tax charge	**–51**	**–285**
Average effective tax rate	2%	13%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2016	2015	2016	2015
Deferred tax related to:				
Derivatives	9	4	–	–
Properties and equipment	–	–	15	11
Retirement benefit obligations	7	7	1	–
Liabilities/provisions	22	26	–	0
Other	0	–	0	–
Netting between deferred tax assets and liabilities	–16	–11	–16	–11
Total	**22**	**26**	**–**	**–**

P14. Treasury bills

EURm	31 Dec 2016	31 Dec 2015
State and sovereigns	6,009	6,086
Municipalities and other public bodies[1]	574	819
Total	**6,583**	**6,905**

1) Of which EUR 30m (EUR 32m) held at amortised cost with a nominal amount of EUR 30m (EUR 32m).

P15. Loans and impairment

EURm	Credit institutions 31 Dec 2016	Credit institutions 31 Dec 2015	The public 31 Dec 2016	The public 31 Dec 2015	Total 31 Dec 2016	Total 31 Dec 2015
Loans, not impaired	88,377	90,011	43,347	45,591	131,724	135,602
Impaired loans	–	–	820	629	820	629
- Servicing	–	–	562	309	562	309
- Non-servicing	–	–	258	320	258	320
Loans before allowances	88,377	90,011	44,167	46,220	132,544	136,231
Allowances for individually assessed impaired loans	–	–	–344	–314	–344	–314
- Servicing	–	–	–217	–120	–217	–120
- Non-servicing	–	–	–127	–194	–127	–194
Allowances for collectively assessed impaired loans	–2	–2	–97	–86	–99	–88
Allowances	–2	–2	–441	–400	–443	–402
Loans, carrying amount	88,375	90,009	43,726	45,820	132,101	135,829

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 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
Opening balance at 1 Jan 2015	–	–2	–2	–254	–74	–328	–254	–76	–330
Provisions	–	0	0	–143	–32	–175	–143	–32	–175
Reversals of previous provisions	–	1	1	60	24	84	60	25	85
Changes through the income statement	**–**	**1**	**1**	**–83**	**–8**	**–91**	**–83**	**–7**	**–90**
Allowances in sold and acquired loan portfolios	–	–	–	–6	–4	–10	–6	–4	–10
Allowances used to cover realised loan losses	–	–	–	34	–	34	34	–	34
Translation differences	–	–1	–1	–5	0	–5	–5	–1	–6
Closing balance at 31 Dec 2015	–	–2	–2	–314	–86	–400	–314	–88	–402

Allowances and provisions[1]

EURm	Credit institutions 31 Dec 2016	Credit institutions 31 Dec 2015	The public 31 Dec 2016	The public 31 Dec 2015	Total 31 Dec 2016	Total 31 Dec 2015
Allowances for items on the balance sheet	–2	–2	–441	–400	–443	–402
Provisions for off balance sheet items	–204	–181	–2	–2	–206	–183
Total allowances and provisions	–206	–183	–443	–402	–649	–585

1) Included in Note P31 "Provisions" as "Guarantees".

P15. Loans and impairment, cont.

Key ratios[1]

EURm	31 Dec 2016	31 Dec 2015
Impairment rate, gross, basis points	62	46
Impairment rate, net, basis points	36	23
Total allowance rate, basis points	33	29
Allowances in relation to impaired loans, %	42	50
Total allowances in relation to impaired loans, %	54	64
Non-servicing loans, not impaired, EURm	23	41

1) For definitions, see "Business definitions" on page 83.

P16. Interest-bearing securities

EURm	31 Dec 2016	31 Dec 2015
Issued by public bodies	35	45
Issued by other borrowers[1]	10,324	12,118
Total	10,359	12,163
Listed securities	10,204	12,163
Unlisted securities	155	–
Total	10,359	12,163

1) Of which EUR 26m (EUR 30m) held at amortised cost with a nominal amount of EUR 26m (EUR 30m).

P17. Shares

EURm	31 Dec 2016	31 Dec 2015
Shares	130	2,362
Shares taken over for protection of claims	0	0
Total	130	2,362
Listed shares	130	2,330
Unlisted shares	–	32
Total	130	2,362

P18. Derivatives and hedge accounting

Derivatives held for trading

	Fair value		
31 Dec 2016, EURm	Positive	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

	Fair value		
31 Dec 2016, EURm	Positive	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.

P18. Derivatives and hedge accounting, cont.

Derivatives held for trading

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	1,913	1,983	200,183
FRAs	9	10	57,952
Futures and forwards	0	0	2,696
Options	84	84	62,092
Other	3	2	11,307
Total	**2,009**	**2,079**	**334,230**
Equity derivatives			
Equity swaps	116	137	253
Futures and forwards	—	1	19
Options	57	9	334
Total	**173**	**147**	**606**
Foreign exchange derivatives			
Currency and interest rate swaps	630	531	16,869
Currency forwards	47	345	27,949
Total	**677**	**876**	**44,818**
Credit derivatives	5	1	299
Other derivatives	—	6	1,668
Total derivatives held for trading	**2,864**	**3,109**	**381,621**

Derivatives used for hedge accounting

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives	1,427	232	45,711
Foreign exchange derivatives	720	839	10,243
Total derivatives used for hedge accounting	**2,147**	**1,071**	**55,954**
- of which fair value hedges[1]	1,612	238	50,768
- of which cash flow hedges[1]	535	833	10,243
Total derivatives	**5,011**	**4,180**	**437,575**

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.

P19. Investments in group undertakings[1]

EURm	31 Dec 2016	31 Dec 2015
Acquisition value at beginning of year	5,235	4,572
Acquisitions/capital contributions during the year	1,254	40
Revaluations under hedge accounting	–116	663
Sales during the year	–	–40
Acquisition value at end of year	**6,373**	**5,235**
Accumulated impairment charges at beginning of year	–634	–625
Impairment charges during the year	–6	–9
Accumulated impairment charges at end of year	**–640**	**–634**
Total	**5,733**	**4,601**
- of which listed shares	–	–

1) See also specification in note P20 "Investments in group undertakings being merged".

P19. 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 2016	Registration number	Domicile	Number of shares	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
LLC Promyshlennaya Kompaniya Vestkon	1027700034185	Moscow	4,601,942,680[1]	676	659	100.0
JSC Nordea Bank	1027739436955	Moscow				100.0
Nordea Life Holding AB	556742-3305	Stockholm	1,000	719	719	100.0
Nordea Liv & Pension, Livsforsikringsselskab A/S	24260577	Ballerup				100.0
Livsforsikringsselskapet Nordea Liv Norge AS	959922659	Bergen				100.0
Nordea Livförsäkring Sverige AB (publ)	516401-8508	Stockholm				100.0
Nordea Life Assurance Finland Ltd	0927072-8	Helsinki				100.0
Nordea Mortgage Bank Plc	2743219-6	Helsinki	257,700,000	731	—	100.0
Nordea Funds Ltd	1737785-9	Helsinki	3,350	385	385	100.0
Nordea Bank S.A.	B-14157	Luxembourg	999,999	455	455	100.0
Nordea Hypotek AB (publ)[2]	556091-5448	Stockholm	100,000	2,335	1,900	100.0
Nordea Finans Sverige AB (publ)[2]	556021-1475	Stockholm	1,000,000	86	118	100.0
Nordea Investment Management AB	556060-2301	Stockholm	12,600	227	231	100.0
Nordea Ejendomsinvestering A/S	26640172	Glostrup	1,000	29	29	100.0
Nordea IT Polska S.p. z.o.o.[3]	0000429783	Warsaw	—	—	30	–
Nordea Markets Holding LLC	36-468-1723	Delaware, USA	—	22	—	100,0
PK Properties Int'l Corp[4]	601624718	Atlanta, USA	—	—	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	Sao Paulo, Brazil	1,162,149	0	0	100.0
Nordic Baltic Holding (NBH) AB	556592-7950	Stockholm	1,000	22	26	100.0
Promano Est OÜ	11681888	Tallinn, Estonia	1	10	10	100.0
Uus-Sadama 11 OÜ	11954914	Tallinn, Estonia	1	0	0	100.0
SIA Promano Lat	40103235197	Riga, Latvia	21,084	10	12	100.0
SIA Realm	50103278681	Riga, Latvia	7,030	7	6	100.0
SIA Lidosta RE	40103424424	Riga, Latvia	2	0	1	100.0
SIA Trioleta	40103565264	Riga, Latvia	2,786	4	4	99.9
Promano Lit UAB	302423219	Vilnius, Lithuania	34,528	10	11	100.0
UAB Recurso	302784511	Vilnius, Lithuania	15,000	5	5	100.0
Total				**5,733**	**4,601**	

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon. Combined ownership, Nordea Bank AB directly 7.2% and indirectly 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).
3) The formerly 100% owned company was merged into Nordea Bank AB (publ) in August 2016.
4) The formerly 100% owned company was liquidated in April 2016.

P20. Investments in group undertakings being merged

At January 2, 2017 Nordea Bank AB (NBAB) merged with Nordea Bank Finland Plc (NBF), Nordea Bank Norge ASA (NBN) and Nordea Bank Danmark A/S (NBD). At that 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. A balance sheet and income statement are presented as of year end 2016 in order to present the effect the mergers would have had on these financial statement if the merger would have been completed as of 31 December 2016.

The adjustments made are in relation to align accounting policies of the merged entities with NBAB's accounting policies, the elimination of participation in entities being merged and intercompany transactions. The below financial statements have been prepared for illustrative purposes only.

Balance sheet

EURm	NBAB 31 Dec 2016	NBF 31 Dec 2016	NBN 31 Dec 2016	NBD 31 Dec 2016	Eliminations	NBAB 31 Dec 2016
Total assets						
Cash and balances with central banks	101	29,367	970	1,315	–	31,753
Loans to credit institutions	88,375	31,856	5,887	10,836	–78,769	58,185
Loans to the public	43,726	56,754	42,061	27,387	–16	169,912
Interest-bearing securities	16,942	27,368	12,141	13,005	–50	69,406
Financial instruments pledged as collateral	0	4,139	116	4,044	–	8,299
Shares	131	1,262	20	2,033	–26	3,420
Derivatives	4,668	68,563	554	69	–2,454	71,400
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	21	22	36	–	79
Investments in group undertakings	5,733	306	1,130	4,338	1,513	13,020
Investments in group undertakings being merged	14,368	–	–	–	–14,368	–
Investments in associated undertakings and joint ventures	12	8	46	15	–	81
Intangible assets	1,539	26	8	226	–78	1,721
Properties and equipment	132	81	44	77	–	334
Deferred tax assets	22	–	–	–	–	22
Current tax assets	204	–	–	34	–	238
Retirement benefit assets	–	78	5	33	–	116
Other assets	4,560	16,205	140	831	–200	21,536
Prepaid expenses and accrued income	749	222	109	127	–109	1,098
Total assets	**181,262**	**236,256**	**63,253**	**64,406**	**–94,557**	**450,620**
Liabilities						
Deposits by credit institutions	20,374	62,545	27,350	10,247	–74,287	46,229
Deposits and borrowings from the public	58,183	55,351	26,353	42,691	–224	182,354
Debt securities in issue	63,162	18,507	991	–	–32	82,628
Derivatives	3,612	70,864	349	219	–2,445	72,599
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,008	25	1	6	–	1,040
Current tax liabilities	0	65	271	1	–	337
Other liabilities	3,279	17,296	455	2,926	32	23,988
Accrued expenses and prepaid income	670	268	104	360	–89	1,313
Deferred tax liabilities	–	–	188	29	–17	200
Provisions	307	62	24	220	–204	409
Retirement benefit liabilities	169	4	124	4	–	301
Subordinated liabilities	10,086	632	1,151	1,153	–2,683	10,339
Total liabilities	**160,850**	**225,619**	**57,361**	**57,856**	**–79,949**	**421,737**
Untaxed reserves	**2**	**–**	**–**	**–**	**–**	**2**
Equity	**20,410**	**10,637**	**5,892**	**6,550**	**–14,608**	**28,881**
Total liabilities and equity	**181,262**	**236,256**	**63,253**	**64,406**	**–94,557**	**450,620**

P20. Investments in group undertakings being merged, cont.

Income statement

EURm	NBAB 2016	NBF[1] 2016	NBN 2016	NBD 2016	Eliminations	NBAB 2016
Operating income						
Interest income	1,403	835	1,403	952	–416	4,177
Interest expense	–939	–400	–612	–181	416	–1,716
Net interest income	**464**	**435**	**791**	**771**	**0**	**2,461**
Fee and commission income	978	694	347	871	–483	2,407
Fee and commission expense	–138	–586	–69	–107	483	–417
Net fee and commission income	**840**	**108**	**278**	**764**	**0**	**1,990**
Net result from items at fair value	216	1,152	54	81	0	1,503
Dividends	3,210	72	155	–	–1,317	2,120
Other operating income	712	95	67	354	–869	359
Total operating income	**5,442**	**1,862**	**1,345**	**1,970**	**–2,186**	**8,433**
Operating expenses						
General administrative expenses:						
Staff costs	–1,113	–484	–226	–785	4	–2,604
Other expenses	–1,008	–388	–206	–495	607	–1,490
Depreciation, amortisation and impairment charges of tangible and intangible assets	–172	–26	–9	–30	–12	–249
Total operating expenses	**–2,293**	**–898**	**–441**	**–1,310**	**599**	**–4,343**
Profit before loan losses	**3,149**	**964**	**904**	**660**	**–1,587**	**4,090**
Net loan losses	–193	–42	–161	–38	–	–434
Impairment of securities held as financial non-current assets	–6	–	–	–	–	–6
Operating profit	**2,950**	**922**	**743**	**622**	**–1,587**	**3,650**
Appropriations	1	–	–	–	–	1
Income tax expense	–51	–166	–184	–62	–	–463
Net profit for the year	**2,900**	**756**	**559**	**560**	**–1,587**	**3,188**

1) NBF pro forma, i.e. excluding the mortgage business divested in October 2016.

Specification

This specification includes all directly owned group undertakings being merged.

31 Dec 2016	Registration number	Domicile	Number of shares	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
Nordea Bank Finland Plc	1680235–8	Helsinki	1,030,800,000	7,231	7,962	100.0
Nordea Finance Finland Ltd	0112305–3	Helsinki				100.0
Nordea Bank Danmark A/S	13522197	Copenhagen	50,000,000	4,037	4,020	100.0
Nordea Finans Danmark A/S	89805910	Høje Taastrup				100.0
Nordea Kredit Realkreditaktieselskab	15134275	Copenhagen				100.0
Fionia Asset Company A/S	31934745	Copenhagen				100.0
Nordea Bank Norge ASA	911044110	Oslo	551,358,576	3,100	2,811	100.0
Nordea Eiendomskreditt AS	971227222	Oslo				100.0
Nordea Finans Norge AS	924507500	Oslo				100.0
Privatmegleren AS	986386661	Oslo				100.0
Total				**14,368[1]**	**14,793[1]**	

1) Carrying amount at 31 December 2016 is EUR 14,368m (EUR 14,793m), a decrease by EUR 425m. The decrease is related to a new company Nordea Mortgage Bank Plc in Finland EUR 731m, see note P19 "Investments in group undertakings" and revaluations under fair value hedge accounting EUR 306m.

P21. Investments in associated undertakings and joint ventures

EURm	31 Dec 2016	31 Dec 2015
Acquisition value at beginning of year	7	7
Acquisitions/capital contributions during the year	5	–
Acquisition value at end of year	**12**	**7**
- of which listed shares	–	–

P22. Intangible assets

EURm	31 Dec 2016	31 Dec 2015
Goodwill allocated to cash generating units		
Personal Banking	137	170
Commercial and Business Banking	92	114
Goodwill, total	**229**	**284**
Computer software	1,272	766
Other intangible assets	38	41
Total intangible assets	**1,539**	**1,091**
Movements in goodwill		
Acquisition value at beginning of year	1,094	1,059
Acquisition during the year	–	35
Acquisition value at end of year	**1,094**	**1,094**
Accumulated amortisation at beginning of year	−810	−754
Amortisation according to plan for the year	−55	−56
Accumulated amortisation at end of year	**−865**	**−810**
Total	**229**	**284**
Movements in computer software		
Acquisition value at beginning of year	861	682
Acquisitions during the year	576	388
Sales/disposals during the year	−7	−209
Reclassification	1	–
Acquisition value at end of year	**1,431**	**861**
Accumulated amortisation at beginning of year	−88	−120
Amortisation according to plan for the year	−63	−31
Accumulated amortisation on disposals	0	63
Accumulated amortisation at end of year	**−151**	**−88**
Accumulated impairment charges at beginning of year	−7	−146
Accumulated impairment charges on disposals during the year	7	146
Impairment charges during the year	−8	−7
Accumulated impairment charges at end of year	**−8**	**−7**
Total	**1,272**	**766**

P22. Intangible assets, cont.

EURm	31 Dec 2016	31 Dec 2015
Movements in other intangible assets		
Acquisition value at beginning of year	106	89
Acquisitions during the year	17	23
Sales/disposals during the year	–2	–6
Acquisition value at end of year	**121**	**106**
Accumulated amortisation at beginning of year	–62	–51
Amortisation according to plan for the year	–21	–17
Accumulated amortisation on disposals during the year	0	6
Accumulated amortisation at end of year	**–83**	**–62**
Accumulated impairment at beginning of year	–3	–1
Accumulated impairment charges on disposals during the year	3	1
Impairment charges during the year	0	–3
Accumulated impairment charges at end of year	**0**	**–3**
Total	**38**	**41**

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 2016	31 Dec 2015
Properties and equipment	132	138
- of which buildings for own use	0	0
Total	**132**	**138**
Movements in equipment		
Acquisition value at beginning of year	307	266
Acquisitions during the year	25	55
Acquisition through mergers	8	0
Sales/disposals during the year	–15	–14
Reclassification	–1	0
Acquisition value at end of year	**324**	**307**
Accumulated depreciation at beginning of year	–169	–147
Accumulated depreciation on sales /disposals during the year	12	4
Depreciations according to plan for the year	–25	–26
Depreciations through mergers	–6	0
Reclassification	–4	0
Accumulated depreciation at end of year	**–192**	**–169**
Total	**132**	**138**

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 2016	31 Dec 2015
Leasing expenses during the year	–121	–141
- of which minimum lease payments	–120	–137
- of which contingent rents	–1	–4
Leasing income during the year regarding sublease payments	**16**	**13**

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

EURm	31 Dec 2016
2017	157
2018	134
2019	102
2020	67
2021	49
Later years	106
Total	**615**

The sublease payments to be received under non-cancellable subleases amounts to EUR 224m. EUR 210m of the subleases are towards group undertakings.

P24. Other assets

EURm	31 Dec 2016	31 Dec 2015
Claims on securities settlement proceeds	39	403
Cash/margin receivables	1,286	1,010
Anticipated dividends from group undertakings	1,964	1,296
Group contributions	695	615
Other	576	1,063
Total	4,560	4,387

P25. Prepaid expenses and accrued income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest income	95	109
Other accrued income	84	101
Prepaid expenses	570	570
Total	749	780

P26. Deposits by credit institutions

EURm	31 Dec 2016	31 Dec 2015
Central banks	1,919	2,550
Banks	17,391	15,672
Other credit institutions	1,064	847
Total	20,374	19,069

P27. Deposits and borrowings from the public

EURm	31 Dec 2016	31 Dec 2015
Deposits[1]	58,129	60,423
Borrowings	54	620
Total	58,183	61,043

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 2016	31 Dec 2015
Certificates of deposit	7,248	7,460
Commercial papers	17,805	23,244
Bond loans	38,052	38,138
Other	57	66
Total	63,162	68,908

P29. Other liabilities

EURm	31 Dec 2016	31 Dec 2015
Liabilities on securities settlement proceeds	106	69
Sold, not held, securities	242	136
Cash/margin payables	1,930	1,982
Accounts payable	22	15
Other	979	1,329
Total	3,279	3,531

P30. Accrued expenses and prepaid income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest	5	6
Other accrued expenses	458	526
Prepaid income	207	227
Total	670	759

P31. Provisions

EURm	31 Dec 2016	31 Dec 2015
Restructuring	99	116
Guarantees	206	183
Other	2	2
Total	**307**	**301**

EURm	Restructuring	Guarantees	Other	Total
At beginning of year	116	183	2	301
New provisions made	29	39	0	68
Provisions utilised	–35	0	0	–35
Reversals	–8	–15	–	–23
Translation differences	–3	–1	–	–4
At end of year	**99**	**206**	**2**	**307**

New provisions for restructuring costs were recognised by EUR 29m. 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 2017. 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 99m and covers termination benefits (EUR 65m) and other provisions mainly related to redundant premises (EUR 34m). Loan loss provisions for guarantees amounts to EUR 206m, of which EUR 204m covers the guarantee in favour of Nordea Bank Finland Plc.

P32. Retirement benefit obligations

Pension provisions

The pension liabilities of Nordea Bank AB (publ) are mainly covered by allocations to its pension foundation.

The provisions in the balance sheet mainly pertain to former employees of Postgirot Bank and pension obligations in foreign branches. EUR 141m (EUR 129m) of the provisions are covered by "Tryggandelagen".

A small percentage of the pension obligations are covered by insurance policies.

The following figures are mainly based on calculations in accordance with Swedish rules ("Tryggandelagen").

The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

Specification of amounts recognised on the balance sheet

EURm	31 Dec 2016	31 Dec 2015
Present value of commitments relating to in whole or in part funded pension plans	–1,469	–1,323
Fair value at the end of the period relating to specifically separated assets	1,469	1,421
Surplus in the pension foundation	**0**	**98**
Present value of commitments relating to unfunded pension plans	–169	–159
Unrecognised surplus in the pension foundation	0	–98
Reported liability net on the balance sheet	**–169**	**–159**

Movements in the liability recognised on balance sheet as pension

EURm	31 Dec 2016	31 Dec 2015
Balance at 1 Jan recognised as pension commitments	159	171
Pensions paid related to former employees of Postgirot Bank	–7	–7
Actuarial pension calculations through Profit and Loss	20	14
Actuarial pension calculations through Balance Sheet	–6	–18
Effect of exchange rate changes	3	–1
Balance at 31 Dec	**169**	**159**

Specification of cost and income in respect of pensions

EURm	31 Dec 2016	31 Dec 2015
Pensions paid related to former employees of Postgirot Bank	–7	–7
Pensions paid covered by the pension foundation	–65	–63
Actuarial pension calculations	–13	–7
Defined benefit plans	**–85**	**–77**
Defined contribution plans	–80	–69
Pension costs[1]	**–165**	**–146**
Return on specifically separated assets, %	6.0	2.5

1) See Note P8 "Staff costs".

P32. Retirement benefit obligations, cont.

Actual value of holdings in pension foundations

EURm	31 Dec 2016	31 Dec 2015
Shares	386	370
Interest-bearing securities	1,039	1,004
Other assets	44	47
Total	**1,469**	**1,421**

Main assumptions for defined benefit obligations

EURm	31 Dec 2016	31 Dec 2015
Discount rate	0.7%	1.6%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes

Next year's expected payment regarding defined benefit plans amounts to EUR 65m.

P33. Subordinated liabilities

EURm	31 Dec 2016	31 Dec 2015
Dated subordinated debenture loans	7,007	5,949
Hybrid capital loans	3,079	3,002
Total	**10,086**	**8,951**

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 339 m (EUR 386 m).

At 31 December 2016 seven loans – with terms specified below – exceeded 10% of the total outstanding volume dated subordinated loans.

EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan[1]	1,250	1,181	Fixed
Dated loan[2]	750	750	Fixed
Dated loan[3]	1,000	998	Fixed
Dated loan[4]	750	748	Fixed
Dated loan[5]	1,000	942	Fixed
Dated loan[6]	750	744	Fixed
Dated loan[7]	1,000	991	Fixed

1) Maturity date 13 May 2021.
2) Call date 15 February 2017, maturity date 15 February 2022.
3) Maturity date 26 March 2020.
4) Maturity date 29 March 2021.
5) Maturity date 21 September 2022.
6) Call date 10 November 2020, maturity date 10 November 2025.
7) Call date 7 September 2021, maturity date 7 September 2026.

P34. Untaxed reserves

EURm	31 Dec 2016	31 Dec 2015
Accumulated excess depreciation, equipment	2	2

P35. Assets pledged as security for own liabilities

Assets pledged for own liabilities

EURm	31 Dec 2016	31 Dec 2015
Securities etc[1]	1,080	1,208

The above pledges pertain to the following liabilities

EURm	31 Dec 2016	31 Dec 2015
Deposits by credit institutions	255	337
Deposits and borrowings from the public	913	1,014
Total	**1,168**	**1,351**

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 11,750m (EUR 7,686m). 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 2016	31 Dec 2015
Guarantees		
- Loan guarantees	67,928	69,576
- Other guarantees	3,682	2,667
Documentary credits	304	125
Other contingent liabilities	51	34
Total	**71,965**	**72,402**

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 2016 the guarantees cover exposures amounting to EUR 1bn. 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 issued a guarantee of maximum EUR 60bn in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees the majority of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The guarantee covers EUR 3bn of corporate loans, guarantees, documentary credits and loan commitments. In addition, EUR 4bn of derivatives are covered by the guarantee as of 31 December 2016. The maximum amount of derivatives guaranteed is EUR 10bn. The REA for this guarantee amounted to EUR 7bn as of 31 December 2016. The guarantee will generate commission income, while the losses recognized on the guaranteed exposures will be transferred to Nordea Bank AB (publ). The guarantee is priced at arm's length, including expected credit losses and the cost of capital required by the guarantee. All internal transactions in the guarantee are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

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

P38. Commitments

EURm	31 Dec 2016	31 Dec 2015
Credit commitments	10,972	10,988
Unutilised portion overdraft facilities	15,890	16,658
Other commitments	131	281
Total	**26,993**	**27,927**

For information about derivatives see Note P18 "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 523m.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2016 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 2016.

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 24.

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	12,384	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–2	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	274	–
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	17,786	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–72	–
8	Intangible assets (net of related tax liability) (negative amount)	–1,539	–
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	31	–
12	Negative amounts resulting from the calculation of expected loss amounts	–	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–57	–
15	Defined-benefit pension fund assets (negative amount)	–	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–	–
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	–	–
	Of which: ... filter for unrealised loss 1	–	11
	Of which: ... filter for unrealised gain 1	–	143
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	–1,636	–
29	Common Equity Tier 1 (CET1) capital	16,150	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,304	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	743	–
36	Additional Tier 1 (AT1) capital before regulatory adjustments	3,048	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	–
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	–30	–
44	Additional Tier 1 (AT1) capital	3,017	–
45	Tier 1 capital (T1 = CET1 + AT1)	19,167	–

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	6,277	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	–	–
50	Credit risk adjustments	134	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**6,411**	–
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–69	–
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**	**–1,274**	–
58	**Tier 2 (T2) capital**	**5,137**	–
59	**Total capital (TC = T1 + T2)**	**24,304**	–
60	**Total risk weighted assets**	**87,041**	–
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)	22,0%	–
63	Total capital (as a percentage of risk exposure amount)	27,9%	–
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)	3,1%	–
65	of which: capital conservation buffer requirement	2,5%	–
66	of which: countercyclical buffer requirement	0,6%	–
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)	209	–
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)	725	–
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)	22	–
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)	31,061	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	186	–
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	1,182	–
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	300	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

P39. Capital adequacy, cont.

Minimum capital requirement and REA

	31 Dec 2016		31 Dec 2015	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**6,120**	**76,502**	**6,346**	**79,328**
- of which counterparty credit risk	266	3,329	133	1,660
IRB	2,485	31,061	2,849	35,613
- corporate	2,062	25,772	2,367	29,584
- advanced	1,393	17,408	1,718	21,467
- foundation	669	8,364	649	8,117
- institutions	244	3,054	255	3,195
- retail	121	1,512	125	1,562
- secured by immovable property collateral	6	73	7	83
- other retail	115	1,439	118	1,479
- other	58	723	102	1,272
Standardised	3,635	45,441	3,497	43,715
- central governments or central banks	5	56	5	67
- regional governments or local authorities	2	23	2	19
- public sector entities	–	–	–	–
- multilateral development banks	0	6	–	–
- international organisations	–	–	–	–
- institutions	1,251	15,641	1,279	15,986
- corporate	137	1,707	42	529
- retail	18	231	26	324
- secured by mortgages on immovable properties	210	2,626	212	2,646
- in default	3	38	3	43
- associated with particularly high risk	–	–	–	–
- covered bonds	–	–	0	0
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	2,007	25,089	1,925	24,065
- other items	2	24	3	36
Credit Value Adjustment Risk	**16**	**195**	**13**	**156**
Market risk	**450**	**5,628**	**210**	**2,623**
- trading book, Internal Approach	13	165	23	288
- trading book, Standardised Approach	–	–	–	–
- banking book, Standardised Approach	437	5,463	187	2,335
Operational risk	**369**	**4,614**	**378**	**4,730**
Standardised	369	4,614	378	4,730
Additional risk exposure amount, Article 3 CRR	**8**	**102**	**16**	**195**
Sub total	**6,963**	**87,041**	**6,963**	**87,032**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	–	–	–	–
Total	**6,963**	**87,041**	**6,963**	**87,032**

P39. Capital adequacy, cont.

Leverage ratio

EURm	31 Dec 2016	31 Dec 2015
Tier 1 capital, transitional definition, EURm[1]	19,167	19,314
Leverage ratio exposure, EURm[2]	216,455	224,816
Leverage ratio, percentage[2]	8.9	8.6

1) Including profit of the period.
2) Figures have been restated for 2015.

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)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947
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 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 Swedish law	Governed by English law, except for the subordination provisions which are governed by 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
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	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
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
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 162m	EUR 81m	EUR 943m	EUR 471m	EUR 234m	EUR 137m	EUR 519m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 162m	JPY 10,000m / EUR 81m	USD 1,000m / EUR 949m	USD 500m / EUR 474m	SEK 2,250m / EUR 236m	NOK 1,250m / EUR 138m	USD 550m / EUR 522m
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
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
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
11	Original date of issuance	17 sep 04	04 mars 05	12 Oct 05	23 sep 14	23 sep 14	12 mars 15	12 mars 15	12 mars 15
12	Perpetual or dated	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
14	Issuer call subject to prior supervisory approval	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
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
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

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 STIBOR +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
19	Existence of a dividend stopper	Yes	Yes	Yes	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
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
21	Existence of step up or other incentive to redeem	No	Yes	Yes	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
23	Convertible or 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
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
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
33	If write-down, permanent or 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
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
36	Non-compliant transitioned features	Yes	Yes	Yes	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

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)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	XS0743689993	US65557FAD87/ US65557HAD44
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 the laws of the State of New York, 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 the laws of the State of New York, except for the subordination provisions which are governed by 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 645m (64.5 per cent of Nominal amount, <5 yrs to maturity)	EUR 635m (84.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 1030m (82.4 per cent of Nominal amount, <5 yrs to maturity)	EUR 750m	EUR 942m
9	Nominal amount of instrument	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,186m	EUR 750m	USD 1,000m / EUR 949m
9a	Issue price	99.810 per cent	99.699 per cent	99.508 per cent	99.803 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
10	Accounting classification	Liability – amortised cost	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	15 Feb 2012	21 Sep 2012
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	26 Mar 2020	29 Mar 2021	13 May 2021	15 Feb 2022	21 Sep 2022
14	Issuer call subject to prior supervisory approval	Yes	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	15 Feb 2017 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A

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 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 Swedish law	Governed by English law, except for the subordination provisions which are governed by 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 178m	EUR 240m	EUR 122m	EUR 744m	EUR 991m
9	Nominal amount of instrument	SEK 1,700m / EUR 178m	SEK 2,300m / EUR 241m	JPY 15,000m / EUR 122m	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	6 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	6 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

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template– T2, cont.

	Tier 2 instruments					
	Coupons/dividends					
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4.50%	4.00%	4.875%	Fixed 4.625 per cent per annum (equivalent to Euro Swap Rate +3.15 per cent per annum) to call date, thereafter reset fixed rate to Euro Swap Rate +3.15 per cent per annum	4.250%
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

P39. 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

P40. Classification of financial instruments

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.

Assets

31 Dec 2015, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets, group/ associated undertakings and joint ventures	Total
Cash and balances with central banks	75	–	–	–	–	–	–	75
Treasury bills	32	–	3,999	–	–	2,874	–	6,905
Loans to credit institutions	90,005	–	4	0	–	–	–	90,009
Loans to the public	41,104	–	4,716	–	–	–	–	45,820
Interest-bearing securities	28	2	3,963	86	–	8,084	–	12,163
Shares	–	–	2,329	33	–	–	–	2,362
Derivatives	–	–	2,863	–	2,148	–	–	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1	–	–	–	–	–	–	1
Investments in group undertakings	–	–	–	–	–	–	4,601	4,601
Investments in group undertakings being merged	–	–	–	–	–	–	14,793	14,793
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	7	7
Participating interest in other companies	–	–	–	1	–	–	–	1
Intangible assets	–	–	–	–	–	–	1,091	1,091
Properties and equipment	–	–	–	–	–	–	138	138
Deferred tax assets	–	–	–	–	–	–	26	26
Current tax assets	–	–	–	–	–	–	3	3
Other assets	629	–	–	1,010	–	–	2,748	4,387
Prepaid expenses and accrued income	679	–	–	–	–	–	101	780
Total	**132,553**	**2**	**17,874**	**1,130**	**2,148**	**10,958**	**23,508**	**188,173**

Liabilities

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits by credit institutions	337	983	–	17,749	–	19,069
Deposits and borrowings from the public	1,014	683	–	59,346	–	61,043
Debt securities in issue	–	–	–	68,908	–	68,908
Derivatives	3,109	–	1,071	–	–	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,158	–	1,158
Current tax liabilities	–	–	–	–	34	34
Other liabilities	136	1,982	–	330	1,083	3,531
Accrued expenses and prepaid income	–	–	–	232	527	759
Provisions	–	–	–	–	301	301
Retirement benefit liabilities	–	–	–	–	159	159
Subordinated liabilities	–	–	–	8,951	–	8,951
Total	**4,596**	**3,648**	**1,071**	**156,674**	**2,104**	**168,093**

P40. Classification of financial instruments, cont.

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

Changes in fair values of financial liabilities attributable to changes in credit risk

The 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
2016		
Financial liabilities designated at fair value through profit or loss	–	–
2015		
Financial liabilities designated at fair value through profit or loss	3,648	3,648

P41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2016		31 Dec 2015	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	101	101	75	75
Treasury bills	6,583	6,583	6,905	6,905
Loans	132,101	132,178	135,830	136,258
Interest-bearing securities	10,359	10,359	12,163	12,163
Shares	130	130	2,362	2,362
Participating interest in other companies	1	1	1	1
Derivatives	4,668	4,668	5,011	5,011
Other assets	1,485	1,485	1,639	1,639
Prepaid expenses and accrued income	665	665	679	679
Total financial assets	**156,093**	**156,170**	**164,665**	**165,093**
Financial liabilities				
Deposits and debt instruments	152,813	153,112	159,129	159,080
Derivatives	3,612	3,612	4,180	4,180
Other liabilities	2,491	2,491	2,448	2,448
Accrued expenses and prepaid income	212	212	232	232
Total financial liabilities	**159,128**	**159,427**	**165,989**	**165,940**

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.

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 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	6,072	4,104	155	10,331
Shares	130	–	0	130
Participating interest in other companies	–	–	1	1
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.

31 Dec 2015, 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	2,613	4,260	–	6,873
Loans to credit institutions	–	4	–	4
Loans to the public	–	4,716	–	4,716
Interest-bearing securities	6,944	5,034	155	12,133
Shares	2,334	–	28	2,362
Participating interest in other companies	–	–	1	1
Derivatives	4	4,983	24	5,011
Other assets	–	1,010	–	1,010
Total	**11,895**	**20,007**	**208**	**32,110**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	1,320	–	1,320
Deposits and borrowings from the public	–	1,697	–	1,697
Derivatives	7	4,150	23	4,180
Other liabilities	–	2,118	–	2,118
Total	**7**	**9,285**	**23**	**9,315**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

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

No transfers between Level 1 and 2 have occurred during this year or 2015. Transfers between levels are considered to have occurred at the end of the year.

P41. Assets and liabilities at fair value, cont.

Movements in Level 3

31 Dec 2016, EURm	1 Jan 2016	Sales	Transfers into level 3	31 Dec 2016
Interest-bearing securities	155	–	–	155
Shares	28	–28	–	0
Participating interest in other companies	1	–	–	1
Derivatives (net)	1	–	–14	–13

During the year Nordea Bank AB transferred derivatives (net) of EUR –14m into Level 3. 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 Note P5 "Net result from items at fair value" (see Note P5 Net result from items at fair value).

Movements in Level 3

31 Dec 2015, EURm	1 Jan 2015	Purchases	Transfers into level 3	Transfers out of level 3	31 Dec 2015
Interest-bearing securities	155	–	–	–	155
Shares	28	–	–	–	28
Participating interest in other companies	1	–	–	–	1
Derivatives (net)	8	–1	–1	–5	1

During the year Nordea Bank AB transferred derivatives (net) of EUR –5m out of Level 3 and EUR –1m into Level 3. The reason for the transfer from Level 3 was that observable market data became available. 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 Note 5 "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.

Financial instruments

For information about the valuation processes, see Note G40 "Assets and liabilities at fair value"

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

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
Participating interest in other companies				
Unlisted shares	1	Net asset value	–	+/–0
Derivatives				
Interest rate derivatives	–13	Option model	Corrections, Volatilities	–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 held at fair value".

P41. Assets and liabilities at fair value, cont.

31 Dec 2015, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	155	Discounted cash flows	Credit spread	+/–0
Shares				
Unlisted shares	28	Net asset value	–	+/–0
Participating interest in other companies				
Unlisted shares	1	Net asset value	–	+/–0
Derivatives				
Interest rate derivatives	1	Option model	Corrections, Volatilities	+/–0

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 held at fair value".

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

	31 Dec 2016		31 Dec 2015		
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	101	101	75	75	3
Treasury bills[1,2]	30	30	32	32	3
Loans	127,595	127,672	131,110	131,538	3
Interest-bearing securities[2]	28	28	30	30	1,2,3
Other assets	199	199	629	629	3
Prepaid expenses and accrued income	665	665	679	679	3
Total	**128,618**	**128,695**	**132,555**	**132,983**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	150,569	150,868	156,112	156,063	3
Other liabilities	319	319	330	330	3
Accrued expenses and prepaid income	212	212	232	232	3
Total	**151,100**	**151,399**	**156,674**	**156,625**	

1) The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.
2) The fair value of Treasury bills and Interest-bearing securities is EUR 58m (EUR 62m), of which EUR 2m (EUR 2m) is categorised in level 1 and EUR 0m (EUR 0m) in level 2 and EUR 56m (EUR 60m) 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 held at fair value".

P42. Financial instruments set off on balance or subject to netting agreements

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	–	0
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	–	0
Total	**10,458**	**–4,666**	**5,792**	**–1,486**	**–2,244**	**–94**	**1,968**

31 Dec 2015, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	4,696	–320	4,376	–2,111	–	–1,854	411
Securities borrowing agreements	4,718	–	4,718	–	–4,718	–	0
Total	**9,414**	**–320**	**9,094**	**–2,111**	**–4,718**	**–1,854**	**411**

31 Dec 2015, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	4,289	–320	3,969	–2,111	–	–130	1,728
Securities lending agreements	1,351	–	1,351	–	–1,351	–	0
Total	**5,640**	**–320**	**5,320**	**–2,111**	**–1,351**	**–130**	**1,728**

1) All amounts are measured at fair value.

2) Securities borrowing agreements are on the balance sheet classified as "Loans to credit institutions" or "Loans to the public". 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 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 will remain subsequent to the transaction is not included.

Assets and liabilities held for sale relate to Nordea's earlier announced decision to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities will be derecognised in Nordea and instead an investment in an associated company will be recognised. The transaction is expected to be completed around Q2 2017 and is subject to regulatory approvals.

P44. Assets and liabilities in foreign currencies

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

31 Dec 2015, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	58.6	55.3	6.4	2.2	37.0	28.7	188.2
Total liabilities	37.9	55.9	6.4	2.2	37.0	28.7	168.1

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.

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 2016	31 Dec 2015
Securities borrowing agreements		
Received collaterals which can be repledged or sold	4,505	4,718
- of which repledged or sold	4,505	4,718

P46. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2016 Expected to be recovered or settled:			31 Dec 2015 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		101	–	101	75	–	75
Treasury bills	P14	3,438	3,145	6,583	3,295	3,610	6,905
Loans to credit institutions	P15	61,362	27,013	88,375	60,125	29,884	90,009
Loans to the public	P15	13,973	29,753	43,726	37,993	7,827	45,820
Interest-bearing securities	P16	1,339	9,020	10,359	2,165	9,998	12,163
Shares	P17	1	129	130	2,330	32	2,362
Derivatives	P18	804	3,864	4,668	994	4,017	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0	–	0	0	1	1
Investments in group undertakings	P19	–	5,733	5,733	30	4,571	4,601
Investments in group undertakings being merged	P20	14,368	–	14,368	14,793	–	14,793
Investments in associated undertakings and joint ventures	P21	–	12	12	–	7	7
Participating interest in other companies		–	1	1	–	1	1
Intangible assets	P22	–	1,539	1,539	–	1,091	1,091
Properties and equipment	P23	–	132	132	–	138	138
Deferred tax assets	P13	4	18	22	20	6	26
Current tax assets		204	–	204	3	–	3
Other assets	P24	4,560	–	4,560	4,387	–	4,387
Prepaid expenses and accrued income	P25	404	345	749	412	368	780
Total assets		**100,558**	**80,704**	**181,262**	**126,622**	**61,551**	**188,173**
Deposits by credit institutions	P26	13,240	7,134	20,374	12,693	6,376	19,069
Deposits and borrowings from the public	P27	58,099	84	58,183	60,367	676	61,043
Debt securities in issue	P28	34,450	28,712	63,162	32,726	36,182	68,908
Derivatives	P18	1,154	2,458	3,612	1,151	3,029	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,008	–	1,008	296	862	1,158
Current tax liabilities		–	0	0	34	–	34
Other liabilities	P29	3,113	166	3,279	3,531	–	3,531
Accrued expenses and prepaid income	P30	670	–	670	759	–	759
Provisions	P31	295	12	307	299	2	301
Retirement benefit liabilities	P32	6	163	169	8	151	159
Subordinated liabilities	P33	1,590	8,496	10,086	642	8,309	8,951
Total liabilities		**113,625**	**47,225**	**160,850**	**112,506**	**55,587**	**168,093**

P46. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

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**	**–**

31 Dec 2015 , EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	96	1,823	4,786	407	7,112
Loans to credit institutions	3,456	50,765	14,488	18,984	3,378	91,071
Loans to the public	1,138	13,205	6,059	19,836	9,202	49,440
Interest-bearing securities	–	2,338	1,666	9,084	834	13,922
Other	–	33,443	–	–	–	33,443
Total financial assets	**4,594**	**99,847**	**24,036**	**52,690**	**13,821**	**194,988**
Deposits by credit institutions	3,243	8,866	2,258	4,385	405	19,157
Deposits and borrowings from the public	52,019	7,137	1,633	270	1	61,060
- of which Deposits	52,019	6,123	1,633	270	1	60,046
- of which Borrowings	–	1,014	–	–	–	1,014
Debt securities in issue	–	25,506	11,752	32,648	12,419	82,325
- of which Debt securities in issue	–	25,332	11,580	27,180	7,278	71,370
- of which Other	–	174	172	5,468	5,141	10,955
Other	–	30,486	–	–	–	30,486
Total financial liabilities	**55,262**	**71,995**	**15,643**	**37,303**	**12,825**	**193,028**
Derivatives, cash inflow	–	68,574	8,698	14,606	5,603	97,481
Derivatives, cash outflow	–	68,234	8,096	12,160	4,690	93,180
Net exposure	**–**	**340**	**602**	**2,446**	**913**	**4,301**
Exposure	**–50,668**	**28,192**	**8,995**	**17,833**	**1,909**	**6,261**
Cumulative exposure	**–50,668**	**–22,476**	**–13,481**	**4,352**	**6,261**	**–**

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 26,993m (EUR 27,927m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 71,965m (EUR 72,402m) 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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Assets						
Loans and receivables	86,819	85,865	317	333	–	–
Interest-bearing securities	–	87	–	–	–	–
Derivatives	1,577	1,780	4	–	–	–
Investments in group undertakings	20,101	19,394	–	–	–	–
Other assets	704	914	–	–	–	–
Prepaid expenses and accrued income	509	579	–	–	–	–
Total assets	**109,710**	**108,619**	**321**	**333**	**–**	**–**
Liabilities						
Deposits	14,790	13,052	2	3	8	43
Debt securities in issue	54	111	–	–	–	–
Derivatives	2,433	2,798	–	5	–	–
Other liabilities	0	2	–	–	–	–
Accrued expenses and deferred income	23	286	–	–	–	–
Subordinated liabilities	19	12	–	–	–	–
Total liabilities	**17,319**	**16,261**	**2**	**8**	**8**	**43**
Off balance[1]	**68,197**	**70,814**	**1,763**	**1,668**	**–**	**–**

1) Including guarantees to Nordea Bank Finland Plc, see Note P37 "Contingent liabilities" as well as nominal values on derivatives in associated undertakings.

	Group undertakings		Associated undertakings		Other related parties	
EURm	2016	2015	2016	2015	2016	2015
Net interest income and expenses	–168	–26	1	1	0	0
Net fee and commission income	396	399	1	0	–	–
Net result from items at fair value	–161	–229	5	–3	–	–
Other operating income	708	748	–	–	–	–
Total operating expenses	–146	–565	–	0	–	–
Profit before loan losses	**629**	**327**	**7**	**–2**	**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. 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	9,049,852,113
Other free funds	2,762,284,828
Net profit for the year	2,899,588,070
Total	**15,791,650,532**

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

EUR	
Dividends paid to shareholders, EUR 0.65 per share	2,625,368,991
To be carried forward to:	
- share premium reserve	1,079,925,521
- retained earnings	9,324,071,192
- other free funds	2,762,284,828
Total	**15,791,650,532**

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 Group CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and that 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.

3 February 2017

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Tom Knutzen
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member[1]

Lars G Nordström
Board member

Gerhard Olsson
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

Casper von Koskull
President and Group CEO

Our audit report was submitted on 13 February 2017

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 2016, with the exception of the Corporate Governance report on pages 59–65. The annual accounts and consolidated accounts of the company are included on pages 35–225 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Security Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2016 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 of Credit Institutions and Security Companies. Our opinions do not include the Corporate Governance report on pages 59–65. 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.

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.

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 matters 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 per 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 legal entity.

Full scope audit is performed at 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 evidential matter 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 accounting areas. In these cases, local audit teams are instructed to perform certain procedures and report back to us. 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. In December, we reported to the Board Audit Committee our interim audit regarding internal control and management’s administration. At year end, we reported our final observations to the Board Audit Committee as well to the full Board of Directors. We have also performed a limited review of the interim report as of 30 June 2016.

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 judgment, 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 on page 229 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 judgment 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 underlying the calculation of individual and collective impairment allowances. Examples of these relate to the probability to default and loss given default calculations. 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	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. 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 detailed 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, oil and offshore 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.
Valuation of certain Level II and III financial instruments held at fair value	
The valuation of Level II and III financial instruments utilise 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 & policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Levelling 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 statements and Note G40 – Assets and liabilities at fair value.	In our audit, 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 & 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 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 have a material impact on the financial statements. Some of the economic and non-economic actuarial assumptions used in valuing insurance contracts are by nature judgmental. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and Note G27 – Liabilities to policyholders	In our audit, 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 actuarial reports, assumptions used in calculations as well as the actuarial change analysis. The audit was carried out involving PwC actuaries.
Provisions for uncertain tax positions	
The Group is subject to taxation in many jurisdictions and in certain cases the ultimate tax treatment is not determined until resolved with the relevant tax authority. Consequently, recognition and calculation of taxation requires judgment due to the uncertainty underlying its future outcome. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and G11 – Taxes	We gained an understanding over the Group's internal processes for determining uncertain tax provisions. Our tax specialists examined the correspondence between the Group and the relevant tax authorities. On a sample basis, we examined and tested significant matters in dispute and the provisions made by management as well as significant tax calculations.
IT systems supporting processes over financial reporting	
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 the IT general controls are designed and operates effectively.	For relevant IT systems and controls relating to financial reporting we assessed and tested the design and operating effectiveness. We examined the framework of governance over the Group's IT organisation and the controls over program development and changes, access to program and data and IT operations. • for logical access to program and data, audit activities included testing that new access, removal of access rights and that access rights were periodically monitored for appropriateness. • other areas tested included security configurations, controls over changes to IT-systems including appropriate segregation of duties.

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. 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 of Credit Institutions and Security companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Board Audit Committee shall, without prejudice to the Board of Director's 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 Revisorsnämnden'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 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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 fulfil 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 Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Security 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 Banking and Financing Business 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 Banking and Financing Business Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Stockholm, 13 February 2017

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

ANNEX 2 - AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF NORDEA BANK AB FOR THE YEAR ENDED 31 DECEMBER 2015, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO

Financial statements, Group – Contents

Income statement, Group

EURm	Note	2015	2014[1]
Operating income			
Interest income		8,549	9,995
Interest expense		–3,439	–4,513
Net interest income	G3	**5,110**	**5,482**
Fee and commission income		4,035	3,799
Fee and commission expense		–1,010	–957
Net fee and commission income	G4	**3,025**	**2,842**
Net result from items at fair value	G5	1,703	1,425
Profit from associated undertakings accounted for under the equity method	G18	39	18
Other operating income	G6	263	474
Total operating income		**10,140**	**10,241**
Operating expenses			
General administrative expenses:			
Staff costs	G7	–3,263	–3,159
Other expenses	G8	–1,485	–1,656
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	–209	–585
Total operating expenses		**–4,957**	**–5,400**
Profit before loan losses		**5,183**	**4,841**
Net loan losses	G10	–479	–534
Operating profit		**4,704**	**4,307**
Income tax expense	G11	–1,042	–950
Net profit for the year from continuing operations		**3,662**	**3,357**
Net profit for the year from discontinued operations, after tax	G41	–	–25
Net profit for the year		**3,662**	**3,332**
Attributable to:			
Shareholders of Nordea Bank AB (publ)		3,662	3,332
Non-controlling interests		–	–
Total		**3,662**	**3,332**

1) During 2015 the scope of discontinued operations has changed and the IT-operations earlier classified as discontinued operations were reclassified to continuing operations which affected 2014.

Basic earnings per share, EUR – Total operations	G12	0.91	0.83
Diluted earnings per share, EUR – Total operations	G12	0.91	0.83
Basic earnings per share, EUR – Continuing operations	G12	0.91	0.84
Diluted earnings per share, EUR – Continuing operations	G12	0.91	0.84

Statement of comprehensive income, Group

EURm	2015	2014
Net profit for the year	**3,662**	**3,332**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–544	–1,039
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	308	435
Tax on valuation gains/losses during the year	–68	–96
Available for sale investments[1]		
Valuation gains/losses during the year	–94	41
Tax on valuation gains/losses during the year	23	–8
Transferred to the income statement during the year	–66	–1
Tax on transfers to the income statement during the year	14	0
Cash flow hedges:		
Valuation gains/losses during the year	611	480
Tax on valuation gains/losses during the year	–145	–105
Transferred to the income statement during the year	–527	–449
Tax on transfers to the income statement during the year	126	98
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	483	–518
Tax on remeasurement of defined benefit plans during the year	–108	120
Other comprehensive income, net of tax[2]	**13**	**–1,042**
Total comprehensive income	**3,675**	**2,290**
Attributable to:		
Shareholders of Nordea Bank AB (publ)	3,675	2,290
Non-controlling interests	–	–
Total	**3,675**	**2,290**

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.
2) For 2014 EUR –12m is related to discontinued operations.

Balance sheet, Group

EURm	Note	31 Dec 2015	31 Dec 2014
Assets			
Cash and balances with central banks		35,500	31,067
Loans to central banks	G13	13,224	6,958
Loans to credit institutions	G13	10,959	12,217
Loans to the public	G13	340,920	348,085
Interest-bearing securities	G14	88,176	87,110
Financial instruments pledged as collateral	G15	8,341	12,151
Shares	G16	40,745	39,749
Derivatives	G17	80,741	105,119
Fair value changes of the hedged items in portfolio hedge of interest rate risk		151	256
Investments in associated undertakings	G18	515	487
Intangible assets	G19	3,208	2,908
Properties and equipment		557	509
Investment properties	G21	3,165	3,227
Deferred tax assets	G11	76	130
Current tax assets		87	132
Retirement benefit assets	G31	377	42
Other assets	G22	18,600	17,581
Prepaid expenses and accrued income	G23	1,526	1,614
Total assets		**646,868**	**669,342**
Liabilities			
Deposits by credit institutions	G24	44,209	56,322
Deposits and borrowings from the public	G25	193,342	197,254
Liabilities to policyholders	G26	55,491	51,843
Debt securities in issue	G27	201,937	194,274
Derivatives	G17	79,505	97,340
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,594	3,418
Current tax liabilities		225	368
Other liabilities	G28	25,756	26,973
Accrued expenses and prepaid income	G29	1,805	1,943
Deferred tax liabilities	G11	1,028	983
Provisions	G30	415	305
Retirement benefit liabilities	G31	329	540
Subordinated liabilities	G32	9,200	7,942
Total liabilities		**615,836**	**639,505**
Equity			
Non-controlling interests		1	2
Share capital		4,050	4,050
Share premium reserve		1,080	1,080
Other reserves		–1,188	–1,201
Retained earnings		27,089	25,906
Total equity		**31,032**	**29,837**
Total liabilities and equity		**646,868**	**669,342**
Assets pledged as security for own liabilities	G33	184,795	163,041
Other assets pledged	G34	9,038	11,265
Contingent liabilities	G35	22,569	22,017
Commitments	G36	74,663	75,935

Statement of changes in equity, Group

	Attributable to shareholders of Nordea Bank AB (publ)[2]									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2015	**4,050**	**1,080**	**–1,313**	**6**	**113**	**–7**	**25,906**	**29,835**	**2**	**29,837**
Net profit for the year	–	–	–	–	–	–	3,662	3,662	–	3,662
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	–	–	–544	–	–	–	–	–544	–	–544
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	–	–	308	–	–	–	–	308	–	308
Tax on valuation gains/losses during the year	–	–	–68	–	–	–	–	–68	–	–68
Available for sale investments:										
Valuation gains/losses during the year	–	–	–	–	–94	–	–	–94	–	–94
Tax on valuation gains/losses during the year	–	–	–	–	23	–	–	23	–	23
Transferred to the income statement during the year	–	–	–	–	–66	–	–	–66	–	–66
Tax on transfers to the income statement during the year	–	–	–	–	14	–	–	14	–	14
Cash flow hedges:										
Valuation gains/losses during the year	–	–	–	611	–	–	–	611	–	611
Tax on valuation gains/losses during the year	–	–	–	–145	–	–	–	–145	–	–145
Transferred to the income statement during the year	–	–	–	–527	–	–	–	–527	–	–527
Tax on transfers to the income statement during the year	–	–	–	126	–	–	–	126	–	126
Items that may not be reclassified subsequently to the income statement										
Defind benefit plans:										
Remeasurement of defined benefit plans during the year	–	–	–	–	–	483	–	483	–	483
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–108	–	–108	–	–108
Other comprehensive income, net of tax	–	–	–304	65	–123	375	–	13	–	13
Total comprehensive income	–	–	–304	65	–123	375	3,662	3,675	–	3,675
Share-based payments	–	–	–	–	–	–	2	2	–	2
Dividend for 2014	–	–	–	–	–	–	–2,501	–2,501	–	–2,501
Disposal of own shares[3]	–	–	–	–	–	–	20	20	–	20
Change in non-controlling interests	–	–	–	–	–	–	–	–	–1	–1
Balance at 31 Dec 2015	**4,050**	**1,080**	**–1,617**	**71**	**–10**	**368**	**27,089**	**31,031**	**1**	**31,032**

1) Total shares registered were 4,050 million.
2) Restricted equity was at 31 December 2015 EUR 4,318m, of which share capital was EUR 4,050m and equity method reserve was EUR 268m. Equity method reserve is recognised in retained earnings. Unrestricted equity was at 31 December 2015 EUR 26,713m.
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 18.6 million. The total holdings of own shares related to LTIP is 11.7 million.

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 2014	**4,050**	**1,080**	**–613**	**–18**	**81**	**391**	**24,236**	**29,207**	**2**	**29,209**
Net profit for the year	–	–	–	–	–	–	3,332	3,332	–	3,332
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	–	–	–1,039	–	–	–	–	–1,039	–	–1,039
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	–	–	435	–	–	–	–	435	–	435
Tax on valuation gains/losses during the year	–	–	–96	–	–	–	–	–96	–	–96
Available for sale investments:										
Valuation gains/losses during the year	–	–	–	–	41	–	–	41	–	41
Tax on valuation gains/losses during the year	–	–	–	–	–8	–	–	–8	–	–8
Transferred to the income statement during the year	–	–	–	–	–1	–	–	–1	–	–1
Tax on transfers to the income statement during the year	–	–	–	–	0	–	–	0	–	0
Cash flow hedges:										
Valuation gains/losses during the year	–	–	–	480	–	–	–	480	–	480
Tax on valuation gains/losses during the year	–	–	–	–105	–	–	–	–105	–	–105
Transferred to the income statement during the year	–	–	–	–449	–	–	–	–449	–	–449
Tax on transfers to the income statement during the year	–	–	–	98	–	–	–	98	–	98
Items that may not be reclassified subsequently to the income statement										
Defind benefit plans:										
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–518	–	–518	–	–518
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	120	–	120	–	120
Other comprehensive income, net of tax	–	–	–700	24	32	–398	–	–1,042	–	–1,042
Total comprehensive income	–	–	–700	24	32	–398	3,332	2,290	–	2,290
Share-based payments	–	–	–	–	–	–	16	16	–	16
Dividend for 2013	–	–	–	–	–	–	–1,734	–1,734	–	–1,734
Disposal of own shares[3]	–	–	–	–	–	–	56	56	–	56
Balance at 31 Dec 2014	**4,050**	**1,080**	**–1,313**	**6**	**113**	**–7**	**25,906**	**29,835**	**2**	**29,837**

1) Total shares registered were 4,050 million.
2) Restricted equity was at 31 December 2014 EUR 4,296m, of which share capital was EUR 4,050m and equity method reserve was EUR 246m. Equity method reserve is recognised in retained earnings. Unrestricted equity was at 31 December 2014 EUR 25,539m.
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 23.0 million. The total holdings of own shares related to LTIP is 15.9 million.

Dividends per share

See Statement of changes in equity for the parent company, page 168.

Cash flow statement, Group – Total operations

EURm	2015	2014
Operating activities		
Operating profit	4,704	4,307
Profit for the year from discontinued operations, after tax	–	–25
Adjustment for items not included in cash flow	2,824	8,140
Income taxes paid	–1,056	–966
Cash flow from operating activities before changes in operating assets and liabilities	**6,472**	**11,456**
Changes in operating assets		
Change in loans to central banks	–10,002	1,853
Change in loans to credit institutions	1,171	–1,050
Change in loans to the public	5,173	–17,359
Change in interest-bearing securities	–831	–3,785
Change in financial assets pledged as collateral	3,812	–2,609
Change in shares	–937	–7,196
Change in derivatives, net	4,453	155
Change in investment properties	38	169
Change in other assets	–1,402	–6,843
Changes in operating liabilities		
Change in deposits by credit institutions	–13,495	–4,398
Change in deposits and borrowings from the public	–4,272	568
Change in liabilities to policyholders	2,361	–765
Change in debt securities in issue	4,374	13,040
Change in other liabilities	3,281	5,940
Cash flow from operating activities	**196**	**–10,824**
Investing activities		
Sale of business operations	175	481
Acquisition of associated undertakings	0	–8
Sale of associated undertakings	10	480
Acquisition of property and equipment	–162	–197
Sale of property and equipment	27	14
Acquisition of intangible assets	–467	–343
Sale of intangible assets	9	–
Net divestments in debt securities, held to maturity	–139	2,822
Purchase/sale of other financial fixed assets	25	5
Cash flow from investing activities	**–522**	**3,254**
Financing activities		
Issued subordinated liabilities	2,159	1,106
Amortised subordinated liabilities	–1,424	–468
Divestment/repurchase of own shares including change in trading portfolio	20	56
Dividend paid	–2,501	–1,734
Cash flow from financing activities	**–1,746**	**–1,040**
Cash flow for the year	**–2,072**	**–8,610**
Cash and cash equivalents at the beginning of year	39,683	45,670
Translation difference	2,589	2,623
Cash and cash equivalents at the end of year	40,200	39,683
Change	**–2,072**	**–8,610**

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	2015	2014
Depreciation	189	237
Impairment charges	20	350
Loan losses	543	620
Unrealised gains/losses	1,401	–457
Capital gains/losses (net)	–197	–391
Change in accruals and provisions	143	–788
Translation differences	811	1,070
Change in bonus potential to policyholders, Life	236	918
Change in technical reserves, Life	1,053	3,839
Change in fair value of hedged items, assets/liabilities (net)	–753	1,749
Other	–622	993
Total	**2,824**	**8,140**

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	2015	2014
Interest payments received	8,810	10,319
Interest expenses paid	–3,473	–4,698

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 2015	31 Dec 2014
Cash and balances with central banks	35,500	31,067
Loans to central banks, payable on demand	2,684	6,454
Loans to credit institutions, payable on demand	2,016	2,162
Total	**40,200**	**39,683**

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.

Discontinued operations

The cash flow statements include cash flow attributable to total operations i.e. both continuing and discontinued operations. In 2014 the discontinued operations consisted of Nordea´s Polish operations, for more information see Note G1 and Note G41. The cash flows related to the discontinued operations, excluding the cash flows at the closing of the transaction, consisted of net cash flows from operating activities of EUR –379m, net cash flow from investing activities of EUR –14m and net cash flows from financing activities of EUR 1m. There are no cash flows from discontinued operations 2015.

Quarterly development, Group

EURm	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014[1]	Q3 2014[1]	Q2 2014[1]	Q1 2014[1]	2015	2014[1]
Net interest income	1,241	1,272	1,309	1,288	1,356	1,396	1,368	1,362	5,110	5,482
Net fee and commission income	768	717	783	757	763	667	708	704	3,025	2,842
Net result from items at fair value	436	222	401	644	367	291	356	411	1,703	1,425
Profit from associated undertakings accounted for under the equity method	3	18	8	10	–1	7	3	9	39	18
Other operating income	197	24	22	20	33	398	25	18	263	474
Total operating income	**2,645**	**2,253**	**2,523**	**2,719**	**2,518**	**2,759**	**2,460**	**2,504**	**10,140**	**10,241**
General administrative expenses:										
Staff costs	–956	–756	–772	–779	–760	–731	–910	–758	–3,263	–3,159
Other expenses	–455	–303	–363	–364	–418	–380	–428	–430	–1,485	–1,656
Depreciation, amortisation and impairment charges of tangible and intangible assets	–65	–49	–50	–45	–54	–410	–65	–56	–209	–585
Total operating expenses	**–1,476**	**–1,108**	**–1,185**	**–1,188**	**–1,232**	**–1,521**	**–1,403**	**–1,244**	**–4,957**	**–5,400**
Profit before loan losses	**1,169**	**1,145**	**1,338**	**1,531**	**1,286**	**1,238**	**1,057**	**1,260**	**5,183**	**4,841**
Net loan losses	–142	–112	–103	–122	–129	–112	–135	–158	–479	–534
Operating profit	**1,027**	**1,033**	**1,235**	**1,409**	**1,157**	**1,126**	**922**	**1,102**	**4,704**	**4,307**
Income tax expense	–179	–253	–283	–327	–280	–188	–216	–266	–1,042	–950
Net profit for the period from continuing operations	**848**	**780**	**952**	**1,082**	**877**	**938**	**706**	**836**	**3,662**	**3,357**
Net profit for the period from discontinued operations, after tax	–	–	–	–	–	0	–20	–5	–	–25
Net profit for the year	**848**	**780**	**952**	**1,082**	**877**	**938**	**686**	**831**	**3,662**	**3,332**

1) During 2015 the scope of discontinued operations has changed and the IT-operations earlier classified as discontinued operations were reclassified to continuing operations which affected 2014.

Diluted earnings per share (DEPS), EUR – Total operations	0.21	0.19	0.24	0.27	0.22	0.23	0.17	0.21	0.91	0.83
DEPS, rolling 12 months up to period end, EUR – Total operations	0.91	0.92	0.95	0.89	0.83	0.80	0.76	0.78	0.91	0.83

5 year overview, Group

Income statement

EURm	2015	2014[2]	2013	2012	2011[1]
Net interest income	5,110	5,482	5,525	5,563	5,456
Net fee and commission income	3,025	2,842	2,642	2,468	2,395
Net result from items at fair value	1,703	1,425	1,539	1,774	1,517
Profit from associated undertakings accounted for under the equity method	39	18	79	93	42
Other operating income	263	474	106	100	91
Total operating income	**10,140**	**10,241**	**9,891**	**9,998**	**9,501**
General administrative expenses:					
Staff costs	–3,263	–3,159	–2,978	–2,989	–3,113
Other expenses	–1,485	–1,656	–1,835	–1,808	–1,914
Depreciation, amortisation and impairment charges of tangible and intangible assets	–209	–585	–227	–267	–192
Total operating expenses	**–4,957**	**–5,400**	**–5,040**	**–5,064**	**–5,219**
Profit before loan losses	**5,183**	**4,841**	**4,851**	**4,934**	**4,282**
Net loan losses	–479	–534	–735	–895	–735
Operating profit	**4,704**	**4,307**	**4,116**	**4,039**	**3,547**
Income tax expense	–1,042	–950	–1,009	–970	–913
Net profit for the year from continuing operations	**3,662**	**3,357**	**3,107**	**3,069**	**2,634**
Net profit for the year from discontinued operations, after tax	–	–25	9	57	–
Net profit for the year	**3,662**	**3,332**	**3,116**	**3,126**	**2,634**

Balance sheet

EURm	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Cash and balances with central banks	35,500	31,067	33,529	36,060	3,765
Loans to central banks and credit institutions	24,183	19,175	22,512	18,574	51,865
Loans to the public	340,920	348,085	342,451	346,251	337,203
Interest-bearing securities and pledged instruments	96,517	99,261	96,889	94,596	92,923
Derivatives	80,741	105,119	70,992	118,789	171,943
Other assets	69,007	66,635	55,166	53,908	43,432
Assets held for sale	–	–	8,895	–	–
Total assets	**646,868**	**669,342**	**630,434**	**668,178**	**701,131**
Deposits by credit institutions	44,209	56,322	59,090	55,426	55,316
Deposits and borrowings from the public	193,342	197,254	200,743	200,678	190,092
Liabilities to policyholders	55,491	51,843	47,226	45,320	40,715
Debt securities in issue	201,937	194,274	185,602	183,908	178,028
Derivatives	79,505	97,340	65,924	114,203	167,390
Subordinated liabilities	9,200	7,942	6,545	7,797	6,503
Other liabilities	32,152	34,530	31,897	32,841	37,442
Liabilities held for sale	–	–	4,198	–	–
Equity	31,032	29,837	29,209	28,005	25,645
Total liabilities and equity	**646,868**	**669,342**	**630,434**	**668,178**	**701,131**

1) The comparative figures for 2011 have not been restated in relation to discontinued operations (Nordea´s Polish operations), see Note G41 for more information.
2) During 2015 the scope of discontinued operations has changed and the IT-operations earlier classified as discontinued operations were reclassified to continuing operations which affected 2014.

Ratios and key figures, Group

	2015	2014[6]	2013	2012	2011[2]
Basic earnings per share, EUR – Total operations	0.91	0.83	0.77	0.78	0.65
Diluted earnings per share, EUR – Total operations	0.91	0.83	0.77	0.78	0.65
Share price[1], EUR	10.15	9.68	9.78	7.24	5.98
Total shareholders' return, %	8.2	9.2	44.6	21.0	–24.4
Proposed/actual dividend per share, EUR	0.64	0.62	0.43	0.34	0.26
Equity per share[1], EUR	7.69	7.40	7.27	6.96	6.47
Potential shares outstanding[1], million	4,050	4,050	4,050	4,050	4,047
Weighted average number of diluted shares, million	4,031	4,031	4,020	4,026	4,028
Return on equity, % – Continuing operations	12.2	11.4	11.0	11.6	10.6
Return on assets, % – Total operations	0.57	0.50	0.49	0.47	0.38
Assets under management[1], EURbn	288.2	262.2	232.1	218.3	187.4
Cost/income ratio[5], % – Continuing operations	47	49	51	51	55
Loan loss ratio, basis points	14	15	21	26	23
Common Equity Tier 1 capital ratio excluding Basel I floor[1,3],%	16.5	15.7	14.9	13.1	11.2
Tier 1 capital ratio, excluding Basel I floor[1,3], %	18.5	17.6	15.7	14.3	12.2
Total capital ratio, excluding Basel I floor[1,3], %	21.6	20.6	18.1	16.2	13.4
Common equity tier 1 capital[1,3], EURm	23,575	22,821	23,112	21,961	20,677
Tier 1 capital[1,3], EURm	26,516	25,588	24,444	23,953	22,641
Risk exposure amount, excluding Basel I floor[1,4], EURbn	143	146	155	168	185
Number of employees (full-time equivalents)[1] – Continuing operations	29,815	29,643	29,429	29,491	33,068
Risk-adjusted profit[4,5], EURm – Continuing operations	3,692	3,476	3,352	3,313	2,714
Economic profit[4,5], EURm – Continuing operations	1,578	1,058	912	889	1,145
Economic capital[1,4], EURbn – Total operations	25.0	24.3	24.4	23.8	17.7
Economic capital[1,4], EURbn – Continuing operations	25.0	24.3	23.5	22.8	–
ROCAR[4,5], % – Continuing operations	14.6	14.0	13.7	13.9	15.5
RAROCAR[4,5], % – Continuing operations	14.9	14.4	13.7	13.9	15.5
MCEV, EURm	4,758	4,758	4,700	3,762	2,714

1) End of the year.
2) The comparative figures for 2011 have not been restated due to discontinued operations (Nordea´s Polish operations), see Note G41 for more information.
3) 2013 ratios are reported under the Basel II regulation framework and 2014 and 2015 ratios are reported using the Basel III (CRR/CRDIV) framework.
4) Capital deductions and physical assest (PAS) are included in 2013, 2014 and 2015 ratios.
5) Excluding non-recurring items in 2015 and 2014.
6) During 2015 the scope of discontinued operations has changed and the IT-operations earlier classified as discontinued operations were reclassified to continuing operations which affected 2014.

Business definitions

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

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

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

Diluted earnings per share Net profit for the year divided by the weighted average number of outstanding shares after full dilution, non-controlling interests excluded.

Economic capital (EC) Internal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk and Life Insurance Risk arising from activities in Nordea's various business areas.

The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

Economic profit Deducting Cost of equity from Risk-adjusted profit.

Equity per share Equity as shown on the balance sheet after full dilution and non-controlling interests excluded divided by the number of shares after full dilution.

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

Impairment rate, gross Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate, net Individually assessed impaired loans after allowances divided by total loans before allowances.

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

MCEV (Market Consistent Embedded Value) Estimate of the value a shareholder would put on a portfolio of in-force life and pension business based on objective market return. No franchise value or other additional value is included in MCEV.

Non-performing, not impaired Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

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.

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

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

Return on assets Net profit for the year as a percentage of total assets at end of the year.

Risk-adjusted profit Total income minus total operating expenses, minus Expected losses and standard tax (24% 2015). In addition, Risk-adjusted profit excludes major non-recurring items.

Risk exposure amount Total assets and off-balance-sheet items valued on the basis of the credit and market risks, as well as 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) is defined as Net profit 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 Proportion of the capital base, which includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations. Shortfall is deducted with 100% in CET1 – the negative difference between expected losses and provisions. Subsequent to the approval of the supervisory authorities, Tier 1 capital also includes qualified forms of subordinated loans (Tier 1 capital contributions and hybrid capital loans).

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

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

Total allowance rate Total allowances divided by total loans before allowances.

Total allowances in relation to impaired loans (provisioning ratio) Total allowances divided by impaired loans before allowances.

Total capital ratio 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 4 February 2016 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 17 March 2016.

2. Changed accounting policies

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2014 Annual Report. The new accounting requirements implemented during 2015 and their effects on Nordea's financial statements are described below.

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

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

The Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing "RFR 1 Supplementary Accounting Rules for Groups – January 2015". These changes were implemented by Nordea 1 January 2015 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 hedging and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted, but IFRS 9 is not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the standard.

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

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

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant deterioration in credit risk, stage 2 includes assets where there has been a significant deterioration and stage

G1 Accounting policies

3 includes assets that have been individually assessed to be impaired. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

Nordea's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the trigger event for moving items from stage 1 to stage 2 under IFRS 9. Currently Nordea does not, in addition, hold any provisions for assets where there has been no deterioration in credit risk.

For assets where there has been a significant deterioration in credit risk, Nordea currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 will require provisions equal to the lifetime expected loss. This means total provisions will increase when IFRS 9 is implemented.

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

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

IFRS 15 "Revenue from Contracts with Customers"
The IASB has published the new standard, IFRS 15 "Revenue from Contracts with Customers". 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 new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The EU-commission is expected to endorse the standard during the second quarter 2016. Nordea does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application.

Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
The IASB has issued amendments to IFRS 11 "Joint Arrangements", which add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. As Nordea does not have any joint venture the assessment is that the amendments will not have any effects 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 contribution of assets between an investor and its associate 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 effect 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.

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

IFRS 16 " Leases"
The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short 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 amendments are not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. Nordea's current assessment is that the new standard will change the accounting of property leases which mainly affects Nordea's balance sheet.

Other changes in IFRS
The IASB has published the following new or amended standards that are assessed to have no impact on Nordea's financial statement, capital adequacy or large exposures in the period of initial application:
- Amendments to IFRS 10, IFRS 12 and IAS 28: "Investment Entities: Applying the Consolidation Exception"
- Amendments to IAS 16 and IAS 38: "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- "Annual Improvements to IFRSs, 2012–2014 Cycle"

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4. Critical judgements and estimation uncertainty

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

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

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  – 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 G39 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments is exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters that are observable.

When determining fair value of financial instruments that lack quoted prices or recently observed market prices there is also a high degree of estimation uncertainty. That estimation uncertainty is mainly a result of the judgement management exercises when:

- selecting an appropriate discount rate for the instrument, and
- determining expected timing of future cash flows from the instruments.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. In order to ensure proper governance, Nordea has a Group Valuation Committee that on an on-going basis reviews critical judgements that are deemed to have a significant impact on fair value measurements.

The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was EUR 244,266m (EUR 271,194m) and EUR 156,354m (EUR 194,243m) 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 G39 "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 G19 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 2,170m (EUR 2,234m) 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 G19 "Intangible assets".

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 14 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. Nordea's total lending before impairment allowances was EUR 367,767m (EUR 370,009m) 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

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loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. Nordea monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Effectiveness testing of cash flow hedges
Nordea's accounting policies for cash flow hedges are described in section 10 "Hedge accounting".

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

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

Actuarial calculations of pension liabilities and plan assets related to employees
Nordea's accounting policy for post-employment benefits is described in section 22 "Employee benefits".

The 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 G31 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,271m (EUR 3,727m) 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 35,945m (EUR 35,103m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G26 "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 3,165m (EUR 3,227m) at the end of the year. See Note G21 "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 G20 "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. 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

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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.

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.

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 20 "Taxes" and Note G11 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

The carrying amount of deferred tax assets was EUR 76m (EUR 130m) 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 G30 "Provisions" and Note G35 "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.

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
The equity method of accounting is used for associated undertakings where the share of voting rights is between

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

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

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

Note G18 "Investments in associated undertakings" 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 27 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

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

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

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

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

Net fee and commission income

Nordea earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a

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significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan, as well as other fees received as payments for certain acts, are recognised as revenue when the act has been completed, i.e. when the syndication has been finalised.

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

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

Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

Interest income and interest expense related to all balance sheet items held at fair value in Markets 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 G39 "Assets and liabilities at fair value") are reported under "Net loan losses". Impairment losses from instruments within other categories are recognised in the items "Net loan losses" or "Impairment of securities held as financial non-current assets" (see also the sub-sections "Net loan losses" and "Impairment of securities held as financial non-current assets" below).

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

The income recognition and descriptions of the lines relating to life insurance are described in section 7 "Income recognition life insurance" below.

Profit from companies accounted for under the equity method

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

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

The change in Nordea's share of the net assets is generally based on monthly reporting from the associated undertakings. For some associated undertakings not individually significant the change in Nordea's share of the net assets is based on the external reporting of the associated undertakings and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings is, if applicable, adjusted to comply with Nordea's accounting policies.

Other operating income

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

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 13 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions" and "Loans to the public" on the balance sheet, are reported as "Net loan losses"

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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 G39 "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 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 is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associate is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required.

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

7. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the saving part of the life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 "Liabilities to policyholders".

The total income from life insurance mainly consists of the following components:

- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

The result from these components is, except for the cost result and the risk and performance margin relating to Unit Linked and Investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income", together with the risk and performance margin relating to Unit Linked and Investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholder's part of a positive or negative cost result (profit sharing) is included in the note line "Change in technical provisions, Life 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.

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

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

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

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

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

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 13 "Financial instruments", as well as Note G42 "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

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both individual assets or liabilities and portfolios of assets and/or liabilities.

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

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

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

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

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

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.

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

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

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

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- 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 G39 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

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

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

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

For further information, see Note G39 "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 G38"Classification of financial instruments" the classification of the financial instruments on Nordea's balance sheet into different categories is presented.

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

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

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

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

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are 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

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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 classification stems from that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/Financial liabilities at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 14 "Loans to the public/credit institutions".

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

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

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as "Impairment of securities held as financial non-current assets" in the income statement. See section 14 "Loans to the public/credit institutions" for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-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

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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".

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

Securities borrowing and lending agreements
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item "Financial instruments pledged as collateral".

Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities".

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public".

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

Derivatives
All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities
Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that Nordea has agreements with.

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

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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 G38 "Classification of financial instruments").

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

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

Impairment test of individually assessed loans

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

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

Impairment test of collectively assessed loans

Loans not impaired on an individual basis are collectively tested for impairment.

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

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

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

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

Impairment loss

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

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

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

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

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

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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 the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is recognised on the basis of the time-pattern of Nordea's economic benefit which differs from the straight-line basis and better resembles an ordinary rental arrangement.

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

16. Intangible assets

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

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking at the date of acquisition. Goodwill on acqui-

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sition of group undertakings is included in "Intangible assets". Goodwill on acquisitions of associates is not recognised as a separate asset, but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings is not tested for impairment separately, but included in the total carrying amount of the associated undertakings. The policies covering impairment testing of associated undertakings is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software
Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with 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 G19 "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.

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".

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19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period. It is Nordea's assessment that a risk percentage of five or higher is a significant insurance risk.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-Linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

Traditional life insurance provisions represent consolidated provisions for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland, Denmark, Poland, Luxembourg, Isle of Man, Estonia and Lithuania.

In Denmark, Sweden and Finland the measurements are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is closely related to solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential.

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis in the same way as general insurance contracts.

Investment contracts

Investment contracts are contracts with policyholders, which do not transfer sufficient insurance risk to be classified as insurance contracts.

However, investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these 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

G1 Accounting policies

flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

20. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings and associated undertakings to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

21. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank AB (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.

22. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 25 "Share-based payment".

More information can be found in Note G7 "Staff costs".

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit 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

G1 Accounting policies

value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G31 "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.

Termination benefits

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

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

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G7 "Staff costs".

23. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank AB (publ).

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

Share premium reserve

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

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges, 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, after the acquisition date, that have not been distributed is included in retained earnings.

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

24. Financial guarantee contracts and credit commitments

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

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

25. Share-based payment

Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to

G1 Accounting policies

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, 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".

26. Related party transactions

Nordea defines related parties as:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis,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

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

Further information on the associated undertakings included in the Nordea Group is found in Note G18 "Investments in associated undertakings".

Key management personnel

Key management personnel includes the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "Staff costs".

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

27. Exchange rates

EUR 1 = SEK	Jan–Dec 2015	Jan–Dec 2014
Income statement (average)	9.3537	9.1012
Balance sheet (at end of year)	9.1895	9.3930
EUR 1 = DKK		
Income statement (average)	7.4587	7.4548
Balance sheet (at end of year)	7.4626	7.4453
EUR 1 = NOK		
Income statement (average)	8.9434	8.3597
Balance sheet (at end of year)	9.6030	9.0420
EUR 1 = PLN		
Income statement (average)	4.1826	4.1859
Balance sheet (at end of year)	4.2639	4.2732
EUR 1 = RUB		
Income statement (average)	67.9657	50.9996
Balance sheet (at end of year)	80.6736	72.3370

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

Financial results are presented for the three main business areas Retail Banking, Wholesale Banking and Wealth Management, with further breakdown on operating segments, and for the operating segment Group Corporate Centre. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

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

Reportable Operating segments

Retail Banking conducts a full service banking operation and offers a wide range of products. It is Nordea's largest customer area and serves household customers and corporate customers in the Nordic markets (Retail Banking Nordic) as well as the Baltic countries (Retail Banking Baltic). Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. The division Shipping, Offshore & Oil Services is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailor made solutions and syndicated loan transactions. 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 Corporate Centre's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Corporate Centre originates from Group Treasury & ALM.

Income statement 2015, EURm	Retail Banking	Wholesale Banking	Wealth Management	Group Corporate Centre	Other Operating segments	Total operating segments	Reconciliation	Total Group
Net interest income	3,526	1,034	123	390	9	5,082	28	5,110
Net fee and commission income	1,622	565	1,439	–15	–1	3,610	–585	3,025
Net result from items at fair value	446	825	352	86	0	1,709	–6	1,703
Profit from associated undertakings accounted for under the equity method	12	0	0	0	27	39	0	39
Other income	33	3	14	17	177	244	19	263
Total operating income	**5,639**	**2,427**	**1,928**	**478**	**212**	**10,684**	**–544**	**10,140**
– of which internal transactions[1]	–1,263	–308	13	1,577	–19	0		
Staff costs	–1,432	–637	–514	–271	–5	–2,859	–404	–3,263
Other expenses	–1,254	–217	–277	7	–28	–1,769	284	–1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	–79	–19	–9	–46	–2	–155	–54	–209
Total operating expenses	**–2,765**	**–873**	**–800**	**–310**	**–35**	**–4,783**	**–174**	**–4,957**
Profit before loan losses	**2,874**	**1,554**	**1,128**	**168**	**177**	**5,901**	**–718**	**5,183**
Net loan losses	–318	–159	–1	0	0	–478	–1	–479
Operating profit	**2,556**	**1,395**	**1,127**	**168**	**177**	**5,423**	**–719**	**4,704**
Income tax expense	–617	–352	–248	–93	–39	–1,349	307	–1,042
Net profit for the year	**1,939**	**1,043**	**879**	**75**	**138**	**4,074**	**–412**	**3,662**
Balance sheet 31 Dec 2015, EURbn								
Loans to the public[2]	228	60	11	–	–	299	42	341
Deposits and borrowings from the public[2]	110	45	13	–	–	168	25	193

G2 Segment reporting, cont.

Income statement 2014, EURm	Retail Banking	Wholesale Banking	Wealth Management	Group Corporate Centre	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	3,786	1,076	141	290	–29	5,264	218	5,482
Net fee and commission income	1,559	623	1,148	–14	0	3,316	–474	2,842
Net result from items at fair value	393	675	362	102	0	1,532	–107	1,425
Profit from associated undertakings accounted for under the equity method	10	0	–	0	3	13	5	18
Other income	26	3	15	20	0	64	410	474
Total operating income	**5,774**	**2,377**	**1,666**	**398**	**–26**	**10,189**	**52**	**10,241**
– of which internal transactions[1]	–1,480	–209	16	1,740	–67	0		
Staff costs	–1,451	–616	–488	–230	–7	–2,792	–367	–3,159
Other expenses	–1,394	–199	–285	–42	–1	–1,921	265	–1,656
Depreciation, amortisation and impairment charges of tangible and intangible assets	–102	–22	–10	–36	–	–170	–415	–585
Total operating expenses	**–2,947**	**–837**	**–783**	**–308**	**–8**	**–4,883**	**–517**	**–5,400**
Profit before loan losses	**2,827**	**1,540**	**883**	**90**	**–34**	**5,306**	**–465**	**4,841**
Net loan losses	–431	–93	–3	–	–	–527	–7	–534
Operating profit	**2,396**	**1,447**	**880**	**90**	**–34**	**4,779**	**–472**	**4,307**
Income tax expense	–609	–345	–194	–46	11	–1,183	233	–950
Net profit for the year	**1,787**	**1,102**	**686**	**44**	**–23**	**3,596**	**–239**	**3,357**
Balance sheet 31 Dec 2014, EURbn								
Loans to the public[2]	224	58	9	–	–	291	57	348
Deposits and borrowings from the public[2]	108	39	11	–	–	158	39	197

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.

Break-down of Retail Banking

	Retail Banking Nordic[1]		Retail Banking Baltic[2]		Retail Banking Other[3]		Total Retail Banking	
Income statement, EURm	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	3,461	3,719	148	143	–83	–76	3,526	3,786
Net fee and commission income	1,654	1,561	30	25	–62	–27	1,622	1,559
Net result from items at fair value	429	393	14	3	3	–3	446	393
Profit from associated undertakings accounted for under the equity method	7	6	0	0	5	4	12	10
Other income	11	1	2	3	20	22	33	26
Total operating income	**5,562**	**5,680**	**194**	**174**	**–117**	**–80**	**5,639**	**5,774**
– of which internal transactions	–1,111	–1,283	–28	–41	–124	–156	–1,263	–1,480
Staff costs	–919	–942	–26	–25	–487	–484	–1,432	–1,451
Other expenses	–1,725	–1,856	–61	–61	532	523	–1,254	–1,394
Depreciation, amortisation and impairment charges of tangible and intangible assets	–43	–42	–1	–1	–35	–59	–79	–102
Total operating expenses	**–2,687**	**–2,840**	**–88**	**–87**	**10**	**–20**	**–2,765**	**–2,947**
Profit before loan losses	**2,875**	**2,840**	**106**	**87**	**–107**	**–100**	**2,874**	**2,827**
Net loan losses	–293	–356	–16	–63	–9	–12	–318	–431
Operating profit	**2,582**	**2,484**	**90**	**24**	**–116**	**–112**	**2,556**	**2,396**
Income tax expense	–621	–616	–21	–16	25	23	–617	–609
Net profit for the year	**1,961**	**1,868**	**69**	**8**	**–91**	**–89**	**1,939**	**1,787**
Balance sheet, EURbn								
Loans to the public	220	216	8	8	–	–	228	224
Deposits and borrowings from the public	106	104	4	4	–	–	110	108

1) Retail Banking Nordic includes banking operations in Denmark, Finland, Norway and Sweden.
2) Retail Banking Baltic includes banking operations in Estonia, Latvia and Lithuania.
3) Retail Banking Other includes the support areas Development & Projects, Distribution, Segments, Products and IT.

G2 Segment reporting, cont.

Break-down of Wholesale Banking

	Corporate & Institutional Banking		Shipping, Offshore & Oil Services		Nordea Bank Russia		Capital Markets unallocated		Wholesale Banking Other[1]		Total Wholesale Banking	
Income statement, EURm	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	610	674	290	265	228	213	–5	–1	–89	–75	1,034	1,076
Net fee and commission income	511	562	61	68	12	14	–67	–62	48	41	565	623
Net result from items at fair value	307	260	40	33	13	–1	425	346	40	37	825	675
Other income	0	0	0	0	1	0	2	3	0	0	3	3
Total operating income	**1,428**	**1,496**	**391**	**366**	**254**	**226**	**355**	**286**	**–1**	**3**	**2,427**	**2,377**
– of which internal transactions	–136	–139	–67	–63	–82	–30	65	101	–88	–78	–308	–209
Staff costs	–38	–38	–19	–20	–46	–45	–471	–446	–63	–67	–637	–616
Other expenses	–377	–382	–38	–42	–21	–22	232	256	–13	–9	–217	–199
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–9	–5	–7	–15	–3	–2	–19	–22
Total operating expenses	**–415**	**–420**	**–57**	**–62**	**–76**	**–72**	**–246**	**–205**	**–79**	**–78**	**–873**	**–837**
Profit before loan losses	**1,013**	**1,076**	**334**	**304**	**178**	**154**	**109**	**81**	**–80**	**–75**	**1,554**	**1,540**
Net loan losses	–144	–120	–5	38	–23	–11	0	0	13	0	–159	–93
Operating profit	**869**	**956**	**329**	**342**	**155**	**143**	**109**	**81**	**–67**	**–75**	**1,395**	**1,447**
Income tax expense	–228	–242	–75	–67	–41	–36	–26	–20	18	20	–352	–345
Net profit for the year	**641**	**714**	**254**	**275**	**114**	**107**	**83**	**61**	**–49**	**–55**	**1,043**	**1,102**
Balance sheet, EURbn												
Loans to the public	40	39	13	12	7	7	–	–	–	–	60	58
Deposits and borrowings from the public	39	34	5	4	1	1	–	–	–	–	45	39

1) Wholesale Banking Other includes the area International Units and the support areas Transaction Products, Segment CIB and IT.

Break-down of Wealth Management

	Private Banking		Asset Management		Life & Pensions unallocated		Wealth Management Other[1]		Total Wealth Management	
Income statement, EURm	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	122	140	1	1	0	0	0	0	123	141
Net fee and commission income	631	544	761	572	337	269	–290	–237	1,439	1,148
Net result from items at fair value	104	88	2	5	246	269	0	0	352	362
Other income	8	5	4	2	9	9	–7	–1	14	15
Total operating income	**865**	**777**	**768**	**580**	**592**	**547**	**–297**	**–238**	**1,928**	**1,666**
– of which internal transactions	13	12	0	0	0	0	0	4	13	16
Staff costs	–180	–171	–135	–120	–118	–122	–81	–75	–514	–488
Other expenses	–223	–227	–101	–101	–60	–61	107	104	–277	–285
Depreciation, amortisation and impairment	–4	–4	0	–1	–3	–3	–2	–2	–9	–10
Total operating expenses	**–407**	**–402**	**–236**	**–222**	**–181**	**–186**	**24**	**27**	**–800**	**–783**
Profit before loan losses	**458**	**375**	**532**	**358**	**411**	**361**	**–273**	**–211**	**1,128**	**883**
Net loan losses	–1	–3	0	0	0	0	0	0	–1	–3
Operating profit	**457**	**372**	**532**	**358**	**411**	**361**	**–273**	**–211**	**1,127**	**880**
Income tax expense	–101	–82	–117	–79	–90	–79	60	46	–248	–194
Net profit for the year	**356**	**290**	**415**	**279**	**321**	**282**	**–213**	**–165**	**879**	**686**
Balance sheet, EURbn										
Loans to the public	11	9	–	–	–	–	–	–	11	9
Deposits and borrowings from the public	13	11	–	–	–	–	–	–	13	11

1) Wealth Management Other includes the area Savings and support areas, such as IT.

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	
	2015	2014	2015	2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Total Operating segments	10,684	10,189	5,423	4,779	299	291	168	158
Group functions[1,2]	5	14	–119	–77	–	–	–	–
Unallocated items[2]	61	392	–192	–130	47	61	26	40
Eliminations	–4	–5	–	–	–	–	–	–
Differences in accounting policies[3]	–606	–349	–408	–265	–5	–4	–1	–1
Total	**10,140**	**10,241**	**4,704**	**4,307**	**341**	**348**	**193**	**197**

1) Consists of Group Risk Management, Group Internal Audit, Group Identity & Communications, Group Human Resources, Board of Directors and Group Executive Management.
2) Including non-recurring items 2015. Total operating income EUR 176m (EUR 378m) and Operating profit EUR –87m (EUR –157m).
3) Impact from plan rates used in the segment reporting and from that comparative figures for lending/deposits in Banking Poland are restated in operating segments but not in financial statements.

Total operating income split on product groups, EURm	2015	2014
Banking products	6,183	6,188
Capital Markets products	1,793	1,968
Savings products & Asset management	1,341	1,038
Life & Pensions	593	553
Other	230	494
Total	**10,140**	**10,241**

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	
	2015	2014	31 Dec 2015	31 Dec 2014
Sweden	2,590	2,421	180	162
Finland	2,091	1,831	75	83
Norway	1,692	1,772	80	85
Denmark	2,792	3,183	250	277
Baltic countries	247	203	10	22
Russia	182	203	5	6
Other	546	628	47	34
Total	**10,140**	**10,241**	**647**	**669**

Nordea's main geographical markets comprise the Nordic countries, the Baltic countries and Russia. Revenues and assets are distributed to geographical areas based on the location of the customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G3 Net interest income

EURm	2015	2014
Interest income		
Loans to credit institutions	18	52
Loans to the public	7,350	8,555
Interest-bearing securities	551	728
Other interest income	630	660
Interest income[1]	**8,549**	**9,995**

1) Of which contingent leasing income amounts to EUR 94m (EUR 116m). 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.

EURm	2015	2014
Interest expense		
Deposits by credit institutions	–90	–103
Deposits and borrowings from the public	–652	–1,145
Debt securities in issue	–3,175	–3,545
Subordinated liabilities	–362	–331
Other interest expenses[1]	840	611
Interest expense	**–3,439**	**–4,513**
Net interest income	**5,110**	**5,482**

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.

Interest income from financial instruments not measured at fair value through profit or loss amounts to EUR 6,551m (EUR 7,725m). Interest expenses from financial instruments not measured at fair value through profit or loss amounts to EUR –3,213m (EUR –3,925m).

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

G4 Net fee and commission income

EURm	2015	2014
Asset management commissions	1,496	1,188
Life insurance	373	367
Brokerage, securities issues and corporate finance	274	281
Custody and issuers services	121	129
Deposits	31	39
Total savings and investments	**2,295**	**2,004**
Payments	408	406
Cards	523	529
Total payments and cards	**931**	**935**
Lending	505	541
Guarantees and documentary payments	182	181
Total lending related commissions	**687**	**722**
Other commission income	122	138
Fee and commission income	**4,035**	**3,799**
Savings and investments	–344	–363
Payments	–102	–85
Cards	–252	–253
State guarantee fees	–147	–132
Other commission expenses	–165	–124
Fee and commission expense	**–1,010**	**–957**
Net fee and commission income	**3,025**	**2,842**

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 507m (EUR 557m).

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 2,144m (EUR 1,837m). The corresponding amounts for fee expenses is EUR –74m (EUR –96m).

G5 Net result from items at fair value

EURm	2015	2014
Equity related instruments	271	431
Interest related instruments and foreign exchange gains/losses	1,135	323
Other financial instruments (including credit and commodities)	56	409
Investment properties	–4	–10
Life insurance[1]	245	272
Total	**1,703**	**1,425**

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	2015	2014
Equity related instruments	1,417	2,398
Interest related instruments and foreign exchange gains/losses	–148	2,232
Other financial instruments	–	0
Investment properties	150	255
Change in technical provisions	–1,053	–3,834
Change in collective bonus potential	–169	–871
Insurance risk income	213	212
Insurance risk expense	–165	–120
Total	**245**	**272**

Net result from categories of financial instruments[2], EURm	2015	2014
Available for sale assets, realised	66	1
Financial instruments designated at fair value through profit or loss	–31	184
Financial instruments held for trading[3]	656	1,522
Financial instruments under fair value hedge accounting	–5	33
– of which net result on hedging instruments	–605	1,248
– of which net result on hedged items	600	–1,215
Financial assets measured at amortised cost[4]	58	49
Financial liabilities measured at amortised cost	–30	–28
Foreign exchange gains/losses excluding currency hedges	751	–588
Other	–7	–20
Financial risk income, net Life insurance[1]	197	180
Insurance risk income, net Life insurance	48	92
Total	**1,703**	**1,425**

1) Premium income amounts to EUR 2,500m (EUR 2,270m).
2) 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.
3) Of which amortised deferred day one profits amounts to EUR 11m (EUR 11m).
4) Of which EUR 58m (EUR 49m) related to instruments classified into the category “Loans and receivables” and EUR 0m (EUR 0m) related to instruments classified into the category “Held to maturity”.

G6 Other operating income

EURm	2015	2014
Divestment of shares[1]	182	378
Income from real estate	3	9
Sale of tangible assets	13	12
Other	65	75
Total	**263**	**474**

1) Gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m in 2015. Gain from divestment of Nets Holding A/S amounts to EUR 378m in 2014.

G7 Staff costs

EURm	2015	2014
Salaries and remuneration (specification below)[1]	–2,490	–2,374
Pension costs (specification below)	–295	–289
Social security contributions	–434	–429
Other staff costs	–44	–67
Total[2]	**–3,263**	**–3,159**

Salaries and remuneration		
To executives[3]		
– Fixed compensation and benefits	–18	–16
– Performance-related compensation	–10	–12
– Allocation to profit-sharing	–1	0
Total	**–29**	**–28**
To other employees	–2,461	–2,346
Total	**–2,490**	**–2,374**

1) Of which allocation to profit-sharing 2015 EUR 84m (EUR 80m) consisting of a new allocation of EUR 84m (EUR 76m) and an adjustment related to prior years of EUR 0m (EUR 4m).
2) Of which EUR 185m in salaries and EUR 20m in pension costs, including social security contributions, regards termination benefits in connection to the restructuring activities launched in the fourth quarter.
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating group undertakings, are included. Executives amount to 185 (182) individuals.

EURm	2015	2014
Pension costs[1]		
Defined benefits plans (Note G31)[2]	–76	–80
Defined contribution plans	–219	–209
Total	**–295**	**–289**

1) Pension cost for executives as defined in footnote 3 above, amounts to EUR 1m (EUR 5m) and pension obligations to EUR 23m (EUR 39m).
2) Excluding social security contributions. Including social security contributions EUR 90m (EUR 99m).

Additional disclosures on remuneration under Nordic FSAs' regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) no later than one week before the Annual General Meeting on 17 March 2016.

Remuneration to the Board of Directors, CEO and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2015 decided to increase the remuneration to the Board of Directors (the Board). The remuneration was decided to be EUR 279,000 for the chairman, EUR 132,500 for the vice chairman and EUR 86,250 for other members. The annual remuneration for committee work was EUR 35,000 for the chairman of the committee and EUR 25,000 for other members. 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 fixed annual salary as CEO was decided to be SEK 12,200,000 (EUR 1,304,295).

GEM EIP 2015 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2015 the outcome of the GEM EIP amounted to EUR 179,123.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2015 will be paid out in 2016, 30% will be deferred to 2019 and 30% to 2021.

The benefits for 2015 amounted to EUR 8,164 and include primarily car benefits.

The total earned remuneration for 2015, as CEO, based on the three components amounted to EUR 404,670.

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 2015.

Remuneration to the Board of Directors[1]

EUR	2015	2014
Chairman of the Board:		
Björn Wahlroos	296,377	273,160
Vice Chairman of the Board:		
Marie Ehrling	161,614	140,996
Other Board members[2]**:**		
Peter F Braunwaldern[3]	–	22,435
Elisabeth Grieg[4]	23,808	94,862
Svein Jacobsen[5]	–	57,767
Tom Knutzen	116,224	97,502
Robin Lawther	107,183	72,426
Lars G Nordström	107,183	94,862
Sarah Russell	107,183	94,862
Silvija Seres[6]	83,374	–
Kari Stadigh	116,224	101,035
Birger Steen[6]	64,639	–
Total	**1,183,809**	**1,049,907**

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. In the accounting the exchange rate effects have had a decreasing impact on the remuneration to the Board.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2014.
4) Resigned as member of the Board as from the AGM 2015.
5) Resigned as member of the Board as from 31 July 2014.
6) New member of the Board as from the AGM 2015.

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 fixed annual salary as Group COO and Deputy CEO was decided to be DKK 8,000,000 (EUR 1,072,567).

GEM EIP 2015 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2015 the outcome of the GEM EIP amounted to EUR 165,175.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2015 will be paid out in 2016, 30% will be deferred to 2019 and 30% to 2021.

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 remuneration	
EUR	2015	2014	2015	2014	2015	2014	2015	2014
Chief Executive Officer (CEO):								
Christian Clausen[3]	1,041,869	1,241,653	1,003,526	1,084,267	72,114	73,026	2,117,509	2,398,946
Casper von Koskull[4]	217,383	–	179,123	–	8,164	–	404,670	–
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):								
Torsten Hagen Jørgensen[5]	178,761	–	165,175	–	2,015	–	345,951	–
Group Executive Management (GEM):								
7 (6) individuals excluding CEO and Group COO and Deputy CEO[6]	4,800,274	4,451,342	3,657,267	3,912,561	108,072	175,714	8,565,613	8,539,617
Former Chief Executive Officer (Former CEO):								
Christian Clausen[3]	207,512	–	–	–	5,390	–	212,902	–
Total	**6,445,799**	**5,692,995**	**5,005,091**	**4,996,828**	**195,755**	**248,740**	**11,646,645**	**10,938,563**

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. The fixed salaries and benefits 2014 have been restated and holiday pay and car allowance is, if applicable, classified as fixed salary in the above table while they were classified as Benefits in the Annual Report 2014. Benefits are included at taxable values.
2) The CEO and members of GEM were until 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, in order to reduce complexity, to offer a GEM Executive Incentive Programme (GEM EIP). The outcome from GEM EIP 2015 has been expensed in full in 2015 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 is indexed with Nordea's total shareholder return (TSR) 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 fixed annual salary as CEO is, as communicated at the Annual General Meeting (AGM) 2015, SEK 11,646,020 (EUR 1,245,070). Remuneration as CEO is included for the period of appointment as CEO, for the period 1 January 2015 to 31 October 2015. Remuneration as Former CEO is included for the period 1 November 2015 to 31 December 2015.
4) The fixed annual salary as CEO is SEK 12,200,000 (EUR 1,304,295). Remuneration as CEO is included for the period of appointment as CEO, for the period 1 November 2015 to 31 December 2015. The remuneration as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.
5) The fixed annual salary as Group COO and Deputy CEO is decided to be DKK 8,000,000 (EUR 1,072,567). Remuneration for the Group COO and Deputy CEO is included for the period of appointment as Group COO and Deputy CEO, for the period 1 November 2015 to 31 December 2015. The remuneration as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.
6) Remuneration to GEM members is included for the period they have been appointed. One new GEM member was appointed 1 May 2015 and two members were appointed 1 November 2015. Two members are reported individually, as CEO and Group COO and Deputy CEO, as from 1 November 2015.

Long Term Incentive Programmes (LTIP) 2010–2012

	Expense[1] (EUR)		Number of outstanding shares[2]			
	2015	2014	LTIP 2012	LTIP 2011	LTIP 2010	Total
Chief Executive Officer (CEO):						
Christian Clausen	51,172	398,081	–	–	–	–
Casper von Koskull	6,550	–	39,340	24,448	8,097	71,885
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):						
Torsten Hagen Jørgensen	6,076	–	36,495	21,876	6,363	64,734
Group Executive Management (GEM):						
7(6) individuals excluding CEO and Group COO and Deputy CEO	145,327	1,062,253	89,159	54,668	14,724	158,551
Former Chief Executive Officer (Former CEO):						
Christian Clausen	10,234	–	61,470	38,200	10,152	109,822
Total	**219,359**	**1,460,334**	**226,464**	**139,192**	**39,336**	**404,992**

1) The expense from the LTIP programmes is recognised as the vesting requirements are fulfilled over the three years vesting period starting the year of issuance. The expense 2014 includes expense from LTIP 2011 and LTIP 2012. The expense 2015 includes expense from LTIP 2012 and LTIP 2012 was fully expensed in May 2015. The expense is calculated in accordance with IFRS 2 "Share-based Payment" and presented for the period appointed CEO, Group COO and Deputy CEO, GEM and Former CEO.
2) 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 53 and below for more details. The numbers of outstanding shares are presented as of 31 December 2015. Shares in LTIP 2010, LTIP 2011 and LTIP 2012 are fully vested and consequently not conditional.

The benefits for 2015 amounted to EUR 2,015 and include primarily housing benefits.

The total earned remuneration for 2015, as Group COO and Deputy CEO, based on the three components amounted to EUR 345,951.

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.

G7 Staff costs, cont.

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 2015, which is based on agreed, specific targets, can be a maximum of 100% of the fixed salary.

Benefits include primarily car and/or housing. As for the CEO, most 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.

GEM members are entitled to retire with pension at the age of 62, 65 or 70. Pension agreements are defined benefit plans, defined contribution plans or a combination of such plans.

One member has a defined benefit plan not based on a collective agreement. The defined benefit plan provides a retirement pension amounting to 50% of pensionable income for life from age 62, including national pension benefits. One member had a defined benefit plan which was closed by end of March 2015 and substituted by a defined benefit pension based on collective agreement, with a complementing defined contribution plan on top of the collective agreement. Four members have pensions in accordance with the Swedish collective agreement, two in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. Finally one member has a defined contribution plan not based on a collective agreement. Fixed salary is pensionable income for all GEM-members. Part of GEM EIP is included in the pensionable income for one member.

Pension expense and pension obligation

	2015		2014	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Board members[3]:				
Lars G Nordström	–	334,110	–	367,851
Chief Executive Officer (CEO):				
Christian Clausen[4]	–2,159,170	–	760,804	15,341,148
Casper von Koskull[5]	65,215	284,571	–	–
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen[6]	53,677	–	–	–
Group Executive Management (GEM):				
7 (6) individuals excluding CEO and Group COO and Deputy CEO[7]	1,837,118	8,741,323	2,122,898	8,585,591
Former Chairman of the Board and CEOs:				
Vesa Vainio[8]	–	5,376,111	–339,377	5,773,806
Christian Clausen[4]	62,254	–	–	–
Total	**–140,906**	**14,736,115**	**2,544,325**	**30,068,396**

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 1,366,811 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.
4) The pension agreement changed from a defined benefit plan to a defined contribution plan as from 1 April 2015. The pension obligation/pension risk was transferred to the CEO 1 April 2015 and the pension obligation for the Former CEO is hence accounted for as settled. The settlement led to a gain of EUR 2,611,144 which has had a decreasing impact on the pension expense. The pension agreement from 1 April 2015 is a defined contribution plan with a contribution amounting to 30% of fixed salary. The pension expense in 2015 is presented for the period appointed CEO, 1 January 2015 to 31 October 2015. The pension expense excluding the settlement was EUR 451,974 for the period as CEO. The pension expense as Former CEO and Senior Advisor is presented for the period 1 November 2015 to 31 December 2015.
5) 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 expense as CEO is presented for the period appointed CEO, for the period 1 November 2015 to 31 December 2015. The pension obligation is in accordance with the collective pension agreement BTP2 and earned as a member of GEM. The pension expense as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.
6) The Group COO and Deputy CEO's pension agreement is a defined contribution plan and the contribution is 30% of fixed salary. The pension expense as Group COO and Deputy CEO is presented for the period appointed Group COO and Deputy CEO, 1 November 2015 to 31 December 2015. The pension expense as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.
7) 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.
8) 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 2015.

G7 Staff costs, cont.

Notice period and severance pay
In accordance with their employment contracts CEO and one GEM member have a notice period of 12 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. The Group COO and Deputy CEO and three GEM members have a notice period of 6 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. Two GEM members have a notice period of 6 months' and a severance pay equal to 18 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 18 months. One GEM member has a notice period of 4 months. The Former CEO is not entitled to any severance pay.

Loans to key management personnel
Loans to key management personnel, as defined in Note G1 section 26, amount to EUR 4m (EUR 3m). 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 2014 2.8% for loans up to NOK 5m and 3.15% 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. 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, a decrease from 150 basis points as from 1 December 2014). There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans above the defined caps is set on market terms. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Long Term Incentive Programmes

	2015			2014		
Conditional rights LTIP 2012	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Outstanding at the beginning of the year	1,254,300	3,141,893	1,254,300	1,260,752	3,164,297	1,260,752
Granted[1]	66,029	165,168	66,029	54,976	137,708	54,976
Forfeited	–136,196	–395,678	–136,196	–61,428	–160,112	–61,428
Alloted	–903,505	–2,069,499	–903,505	–	–	–
Outstanding at end of year	**280,628**	**841,884**	**280,628**	**1,254,300**	**3,141,893**	**1,254,300**
– of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	269,671	450,568	121,352	974,746	1,949,493	974,746
Granted[1]	14,513	24,248	6,531	42,030	84,060	42,030
Forfeited	–	–	–	–24,245	–375,231	–570,137
Alloted	–71,643	–119,698	–32,242	–722,860	–1,207,754	–325,287
Outstanding at end of year[2]	**212,541**	**355,118**	**95,641**	**269,671**	**450,568**	**121,352**
– of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	132,584	140,078	59,664	179,929	190,096	80,971
Alloted	–45,629	–48,220	–20,545	–47,345	–50,018	–21,307
Outstanding at end of year[2]	**86,955**	**91,858**	**39,119**	**132,584**	**140,078**	**59,664**
– 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.

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

G7 Staff costs, cont.

Long Term Incentive Programmes, cont.

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

1) The fair value has been recalculated due to dividend during the vesting period which the participants are compensated for through additional Matching and Performance Shares.

Conditions and requirements

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

When the performance conditions are not fulfilled in full, the rights that are no longer exercisable are shown as forfeited in the previous tables, together with shares forfeited due to participants leaving the Nordea Group.

LTIP 2012/2011/2010 are not alloted in full due to deferral and retention requirements by Nordic FSAs.

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

G7 Staff costs, cont.

Long Term Incentive Programmes, cont.

Fair value calculations

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

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

As the exercise price (zero for LTIP 2012, LTIP 2011 and LTIP 2010) is significantly below the share price at grant date, the value has a limited sensitivity to expected volatility and risk-free interest.

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

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

EURm	LTIP 2012	LTIP 2011
Total expense during 2015	–2	–
Total expense during 2014	–14	–2

1) All amounts excluding social security contribution.

Cash-settled share-based payment transactions

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

In addition Nordea 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 2015 is paid no earlier than autumn 2019. 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 2015 is decided during spring 2016, and a reservation of EUR 47m excl. social costs is made 2015. 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	2015	2014
Opening balance	32	28
Reclassification[1]	12	–
Deferred/earned during the year	47	17
TSR indexation during the year	3	4
Payments during the year[2]	–26	–17
Translation differences	–1	0
Closing balance	**67**	**32**

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

G7 Staff costs, cont.

Average number of employees

	Total		Men		Women	
	2015	2014	2015	2014	2015	2014
Full-time equivalents						
Denmark	8,288	8,255	4,486	4,328	3,802	3,927
Sweden	6,957	6,963	3,346	3,212	3,611	3,751
Finland	6,946	6,971	2,181	1,990	4,765	4,981
Norway	3,137	3,238	1,678	1,748	1,459	1,490
Poland	1,197	931	585	461	612	470
Russia	1,085	1,418	268	454	817	964
Estonia	480	486	114	104	366	382
Latvia	436	431	125	132	311	299
Luxembourg	393	373	243	245	150	128
Lithuania	360	351	123	110	237	241
United States	110	118	57	61	53	57
Singapore	86	85	39	29	47	56
United Kingdom	82	75	52	46	30	29
Germany	58	57	32	31	26	26
Switzerland	32	30	23	13	9	17
China	29	28	13	12	16	16
Brazil	5	4	4	3	1	1
Total average	**29,681**	**29,814**	**13,369**	**12,979**	**16,312**	**16,835**
Total number of employees (FTEs), end of period	**29,815**	**29,643**				

Gender distribution

In the parent company´s Board of Directors 56% (50%) were men and 44% (50%) were women. In the Board of Directors of the Nordea Group companies, 73% (75%) were men and 27% (25%) were women. The corresponding numbers for Other executives were 69% (65%) men and 31% (35%) women. Internal Boards consist mainly of management in Nordea.

G8 Other expenses

EURm	2015	2014
Information technology	–485	–561
Marketing and representation	–84	–103
Postage, transportation, telephone and office expenses	–145	–178
Rents, premises and real estate	–373	–389
Other	–398	–425
Total	**–1,485**	**–1,656**

Auditors' fees – Total operations

EURm	2015	2014
PricewaterhouseCoopers		
Auditing assignments	–5	–
Audit-related services	0	–
Tax advisory services	–1	–
Other assignments	–1	–
Total	**–7**	**–**
KPMG		
Auditing assignments	–1	–5
Audit-related services	–1	–1
Tax advisory services	0	0
Other assignments	–1	–1
Total	**–3**	**–7**
E&Y		
Auditing assignments	0	–1
Audit-related services	0	0
Tax advisory services	0	0
Other assignments	–1	0
Total	**–1**	**–1**
Total Auditors' fees	**–11**	**–8**

G9 Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2015	2014
Depreciation/amortisation		
Properties and equipment	–113	–125
Intangible assets	–76	–110
Total	**–189**	**–235**
Impairment charges		
Intangible assets	–20	–350
Total	**–20**	**–350**
Total	**–209**	**–585**

G10 Net loan losses

EURm	2015	2014
Loan losses divided by class		
Realised loan losses	–	–2
Allowances to cover realised loan losses	–	2
Reversals of previous provisions	1	23
Loans to credit institutions[1]	**1**	**23**
Realised loan losses	–605	–633
Allowances to cover realised loan losses	448	450
Recoveries on previous realised loan losses	63	81
Provisions	–1,074	–998
Reversals of previous provisions	693	557
Loans to the public[1]	**–475**	**–543**
Realised loan losses	–11	–3
Allowances to cover realised loan losses	11	3
Provisions	–104	–107
Reversals of previous provisions	99	93
Off-balance sheet items[2]	**–5**	**–14**
Net loan losses	**–479**	**–534**

1) See Note G13 "Loans and impairment".
2) Included in Note G30 "Provisons" as "Transfer risk" and "Guarantees/commitments".

G11 Taxes

Income tax expense

EURm	2015	2014
Current tax	−957	−884
Deferred tax	−85	−6
Bank tax in Finland[1]	–	−60
Total	**−1,042**	**−950**

1) The Finnish bank tax which was introduced in 2013 and ended in 2014 was based on risk exposure amount rather than income.

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 (excluding bank tax in Finland 2014) as follows:

EURm	2015	2014
Profit before tax	4,704	4,307
Tax calculated at a tax rate of 22.0%	−1,035	−948
Effect of different tax rates in other countries	−34	−55
Income from associated undertakings	6	2
Tax-exempt income	72	131
Non-deductible expenses	−16	−25
Adjustments relating to prior years	−17	9
Utilization of non-capitalized tax losses carry-forwards from previous periods	–	1
Change of tax rate	27	3
Not creditable foreign taxes	−45	−8
Tax charge	**−1,042**	**−890**
Average effective tax rate	22%	21%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2015	2014	2015	2014
Deferred tax related to:				
Tax losses carry-forward	86	283	–	–
Loans to the public	22	20	430	410
Derivatives	8	10	394	459
Intangible assets	6	0	45	44
Investment properties	0	0	142	150
Retirement benefit assets/obligations	44	156	84	60
Hedge of net investments in foreign operations	–	–	–	94
Liabilities/provisions	87	54	103	127
Other	17	7	24	39
Netting between deferred tax assets and liabilities	−194	−400	−194	−400
Total	**76**	**130**	**1,028**	**983**

EURm	2015	2014
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	44	44
Total	**44**	**44**

G12 Earnings per share

	Total operations		Continuing operations		Discontinued operations	
	2015	2014	2015	2014	2015	2014
Earnings:						
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	3,662	3,332	3,662	3,357	–	–25
Number of shares (in millions):						
Number of shares outstanding at beginning of year	4,050	4,050	4,050	4,050	–	4,050
Average number of own shares	–21	–26	–21	–26	–	–26
Weighted average number of basic shares outstanding	**4,029**	**4,024**	**4,029**	**4,024**	**–**	**4,024**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	2	7	2	7	–	7
Weighted average number of diluted shares outstanding	**4,031**	**4,031**	**4,031**	**4,031**	**–**	**4,031**
Basic earnings per share, EUR	0.91	0.83	0.91	0.84	–	–0.01
Diluted earnings per share, EUR	0.91	0.83	0.91	0.84	–	–0.01

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 section 21.

G13 Loans and impairment

	Central banks and credit institutions		The public[1]		Total	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans, not impaired	24,185	19,177	337,622	344,407	361,807	363,584
Impaired loans	–	–	5,960	6,425	5,960	6,425
– Performing	–	–	3,682	4,115	3,682	4,115
– Non-performing	–	–	2,278	2,310	2,278	2,310
Loans before allowances	**24,185**	**19,177**	**343,582**	**350,832**	**367,767**	**370,009**
Allowances for individually assessed impaired loans	–	–	–2,213	–2,329	–2,213	–2,329
– Performing	–	–	–1,289	–1,432	–1,289	–1,432
– Non-performing	–	–	–924	–897	–924	–897
Allowances for collectively assessed impaired loans	–2	–2	–449	–418	–451	–420
Allowances	**–2**	**–2**	**–2,662**	**–2,747**	**–2,664**	**–2,749**
Loans, carrying amount	**24,183**	**19,175**	**340,920**	**348,085**	**365,103**	**367,260**

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G20 Leasing.

G13 Loans and impairment, cont.

Movements of allowance accounts for impaired loans

	Central banks and credit institutions			The public			Total		
EURm	Individually assessed	Collectively assessed	Total	Indi-vidually assessed	Collectively assessed	Total	Indi-vidually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2015	**0**	**–2**	**–2**	**–2,329**	**–418**	**–2,747**	**–2,329**	**–420**	**–2,749**
Provisions	–	0	0	–818	–256	–1,074	–818	–256	–1,074
Reversals of previous provisions	–	1	1	476	217	693	476	218	694
Changes through the income statement	**–**	**1**	**1**	**–342**	**–39**	**–381**	**–342**	**–38**	**–380**
Allowances used to cover realised loan losses	–	–	–	448	–	448	448	–	448
Reclassification	–	–	–	4	–	4	4	–	4
Translation differences	–	–1	–1	6	8	14	6	7	13
Closing balance at 31 Dec 2015	**0**	**–2**	**–2**	**–2,213**	**–449**	**–2,662**	**–2,213**	**–451**	**–2,664**
Opening balance at 1 Jan 2014	**–24**	**–3**	**–27**	**–2,373**	**–419**	**–2,792**	**–2,397**	**–422**	**–2,819**
Provisions	1	0	1	–877	–121	–998	–876	–121	–997
Reversals of previous provisions	22	0	22	442	115	557	464	115	579
Changes through the income statement	**23**	**0**	**23**	**–435**	**–6**	**–441**	**–412**	**–6**	**–418**
Allowances used to cover realised loan losses	2	–	2	450	–	450	452	–	452
Translation differences	–1	1	–	29	7	36	28	8	36
Closing balance at 31 Dec 2014	**0**	**–2**	**–2**	**–2,329**	**–418**	**–2,747**	**–2,329**	**–420**	**–2,749**

Allowances and provisions[1]

	Central banks and credit institutions		The public		Total	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Allowances for items on the balance sheet	–2	–2	–2,662	–2,747	–2,664	–2,749
Provisions for off balance sheet items	–	–9	–65	–63	–65	–72
Total allowances and provisions	**–2**	**–11**	**–2,727**	**–2,810**	**–2,729**	**–2,821**

1) Included in Note G30 "Provisions" as "Transfer risk" and "Guarantees/commitments".

Key ratios[1]

	31 Dec 2015	31 Dec 2014
Impairment rate, gross, basis points	162	174
Impairment rate, net, basis points	102	111
Total allowance rate, basis points	72	74
Allowances in relation to impaired loans, %	37	36
Total allowances in relation to impaired loans, %	45	43
Non-performing loans, not impaired, EURm	485	289

1) For definitions, see "Business definitions" on page 69.

G14 Interest-bearing securities

EURm	31 Dec 2015	31 Dec 2014
State and sovereigns	23,093	26,107
Municipalities and other public bodies	2,667	2,385
Mortgage institutions	27,785	28,742
Other credit institutions	27,804	23,730
Corporates	6,176	5,175
Corporates sub-investment grade	650	758
Other	1	213
Total	**88,176**	**87,110**

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 2015	31 Dec 2014
Interest-bearing securities	8,333	12,121
Shares	8	30
Total	**8,341**	**12,151**

For information on transferred assets and reverse repos, see Note G42.

G16 Shares

EURm	31 Dec 2015	31 Dec 2014
Shares	15,302	15,505
Fund units, equity related	17,611	16,529
Fund units, interest related	7,840	7,745
Total	**40,753**	**39,779**
– of which Financial instruments pledged as collateral (Note G15)	8	30
Total	**40,745**	**39,749**

G17 Derivatives and Hedge accounting

Derivatives held for trading

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	46,918	42,076	4,517,572
FRAs	7	12	51,470
Futures and forwards	264	327	1,538,842
Options	10,731	9,392	431,777
Other	6	88	6,671
Total	**57,926**	**51,895**	**6,546,332**
Equity derivatives			
Equity swaps	294	332	6,825
Futures and forwards	8	15	985
Options	521	750	24,238
Total	**823**	**1,097**	**32,048**
Foreign exchange derivatives			
Currency and interest rate swaps	14,529	21,136	856,486
Currency forwards	1,708	1,219	113,622
Options	266	208	28,027
Other	1	1	79
Total	**16,504**	**22,564**	**998,214**
Credit derivatives			
Credit Default Swaps (CDS)	2,304	2,288	92,427
Total	**2,304**	**2,288**	**92,427**
Commodity derivatives	17	13	483
Other derivatives	20	30	3,370
Total derivatives held for trading	**77,594**	**77,887**	**7,672,874**

Derivatives used for hedge accounting

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	1,677	712	81,603
Foreign exchange derivatives	1,470	906	25,613
Total derivatives used for hedge accounting	**3,147**	**1,618**	**107,216**
– of which cash flow hedges	968	849	12,664[1]
– of which fair value hedges	1,891	708	86,503[1]
– of which net investment hedges	288	61	12,962
Total derivatives	**80,741**	**79,505**	**7,780,090**

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 2015, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	688	4,434	2,773	2,038	712
Net cash outflows	**688**	**4,434**	**2,773**	**2,038**	**712**

G17 Derivatives and Hedge accounting, cont.

Derivatives held for trading

31 Dec 2014, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	62,562	56,949	4,187,058
FRAs	55	62	61,419
Futures and forwards	360	392	1,294,054
Options	15,447	12,815	456,865
Total	**78,424**	**70,218**	**5,999,396**
Equity derivatives			
Equity swaps	105	275	7,372
Futures and forwards	13	22	981
Options	549	780	20,132
Total	**667**	**1,077**	**28,485**
Foreign exchange derivatives			
Currency and interest rate swaps	17,526	19,612	723,861
Currency forwards	2,224	994	84,666
Options	467	329	29,654
Other	1	1	99
Total	**20,218**	**20,936**	**838,280**
Credit derivatives			
Credit Default Swaps (CDS)	2,864	2,853	91,827
Total	**2,864**	**2,853**	**91,827**
Commodity derivatives	71	19	787
Other derivatives	35	15	2,359
Total derivatives held for trading	**102,279**	**95,118**	**6,961,134**

Derivatives used for hedge accounting

31 Dec 2014, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	2,044	1,064	95,925
Equity derivatives	–	4	55
Foreign exchange derivatives	796	1,154	28,094
Total derivatives used for hedge accounting	**2,840**	**2,222**	**124,074**
– of which cash flow hedges	816	850	36,091[1]
– of which fair value hedges	1,672	1,370	100,598[1]
– of which net investment hedges	352	2	12,674
Total derivatives	**105,119**	**97,340**	**7,085,208**

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 affec the income statement

31 Dec 2014, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	3,626	10,022	3,989	3,628	1,191
Net cash outflows	**3,626**	**10,022**	**3,989**	**3,628**	**1,191**

G18 Investments in associated undertakings

EURm	31 Dec 2015	31 Dec 2014
Acquisition value at beginning of year	488	641
Acquisitions during the year	0	8
Sales during the year	–2	–102
Share in earnings[1]	59	22
Dividend received	–18	–55
Reclassification	0	–8
Translation differences	–10	–18
Acquisition value at end of year	**517**	**488**
Accumulated impairment charges at beginning of year	–1	–11
Reversed impairment charges during the year	–	1
Reclassifications	–	8
Translation differences	–1	1
Accumulated impairment charges at end of year	**–2**	**–1**
Total	**515**	**487**

1) Share in earnings

EURm	2015	2014
Profit from companies accounted for under the equity method	39	18
Portfolio hedge, Eksportfinans ASA	3	–10
Associated undertakings in Life insurance, reported as Net result from items at fair value	17	14
Share in earnings	**59**	**22**

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2015	31 Dec 2014
Total assets	3 767	4,068
Net profit or loss from continuing operations	34	–141
Other comprehensive income	–	–
Total comprehensive income	34	–141

Nordea has issued contingent liabilities of EUR 226m (EUR 358m) on behalf of associated undertakings.

31 Dec 2015	Registration number	Domicile	Carrying amount 2015, EURm	Carrying amount 2014, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	180	164	23
Ejendomspartnerskabet af 1/7 2003	27134971	Ballerup	200	194	49
Suomen Luotto-osuuskunta	0201646–0	Helsinki	3	3	27
LR Realkredit A/S	26045304	Copenhagen	6	10	39
Realia Holding Oy	2106796-8	Helsinki	20	20	25
Samajet Nymøllevej 59–91	24247961	Ballerup	21	21	25
E-nettet Holding A/S	28308019	Copenhagen	2	2	20
Hovedbanens Forretningscenter K/S	16301671	Ballerup	17	16	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	9	9	33
Automatia Pankkiautomaatit Oy	0974651–1	Helsinki	8	8	33
SWIPP Holding APS	36439696	Copenhagen	3	3	30
Bankernas Kontantservice A/S	33077599	Copenhagen	6	5	20
Samejet Lautruphøj I/S	50857859	Ballerup	6	6	50
NF Techfleet AB	556967–5423	Stockholm	2	1	20
NF Fleet Oy	2006935–5	Espoo	6	5	20
NF Fleet AB	556692–3271	Stockholm	4	3	20
Upplysningscentralen UC AB	556137–5113	Stockholm	4	2	26
Bankomat AB	556817–9716	Stockholm	6	5	20
Other			12	10	
Total			**515**	**487**	

G19 Intangible assets

EURm	31 Dec 2015	31 Dec 2014
Goodwill allocated to cash generating units[1]		
Retail Banking Norway	745	787
Retail Banking Denmark	588	591
Retail Banking Sweden	225	221
Life & Pensions, Denmark	128	129
Life & Pensions, Norway	127	127
Life & Pensions, Poland	41	40
Banking Russia	139	154
Shipping, Offshore & Oil services	177	185
Total goodwill	**2,170**	**2,234**
Computer software	938	580
Other intangible assets	100	94
Total intangible assets	**3,208**	**2,908**

1) Excluding goodwill in associated undertakings.

Movements in goodwill		
Acquisition value at beginning of year	2,235	2,422
Translation differences	–64	–187
Acquisition value at end of year	**2,171**	**2,235**
Accumulated impairment charges at beginning of year	–1	–1
Accumulated impairment charges at end of year	**–1**	**–1**
Total	**2,170**	**2,234**
Movements in computer software		
Acquisition value at beginning of year	1,415	1,184
Acquisitions during the year	429	279
Disposals during the year	–635	–10
Reclassifications	–	4
Translation differences	–9	–42
Acquisition value at end of year	**1,200**	**1,415**
Accumulated amortisation at beginning of year	–448	–380
Amortisation according to plan for the year	–49	–85
Accumulated amortisation on disposals during the year	266	10
Translation differences	2	7
Accumulated amortisation at end of year	**–229**	**–448**
Accumulated impairment charges at beginning of year	–387	–47
Accumulated impairment charges on disposals during the year	369	–
Impairment charges during the year	–20	–350
Translation differences	5	10
Accumulated impairment charges at end of year	**–33**	**–387**
Total	**938**	**580**

G19 Intangible assets, cont.

Impairment testing of goodwill

A cash generating unit, defined as the operating segment, is the basis for the goodwill 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 near future (generally between 3–5 years) are based on financial forecasts, derived from forecasted margins, volumes and cost development. These input variables are based on historical data adjusted to reflect Nordea's assumptions about the future. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. For impairment testing, a growth rate of 1.3% (2.0%) has been used for all cash generating units, except Retail Banking Norway and Life & Pensions, Norway where 1.8% (2.0%) has been used. Growth rates are based on historical data, updated to reflect the current situation.

Cash flows include normalised loan losses.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The post-tax discount rate used for the impairment test 2015 is 7.6% (7.5%), which equals a pre-tax rate of 10.0% (9.9%). For operations in Norway, the expected interest rate is higher and the discount rate used is 8.1% (7.5%). For Russia an additional risk premium of 400 (580) basis points has been applied.

The impairment tests conducted in 2015 did not indicate any need for goodwill impairment. See Note G1 section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage points are considered to be reasonably possible changes in key assumptions. Such a change would not result in an impairment in any of the cash generating units.

The impairment test for Russia did not indicate any impairment loss based on the estimated cash flows and abovementioned assumptions. Reasonable possible changes to the discount rate and the growth rate do not trigger any impairment loss, but the current turmoil in Russia does however create uncertainty also around estimated cash flows. It is however Nordea's assessment that even a significant decrease in future cash flows would, all other assumptions unchanged, will not lead to an impairment loss.

G20 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 2015	31 Dec 2014
Gross investments	7,281	7,480
Less unearned finance income	–282	–356
Net investments in finance leases	**6,999**	**7,124**
Less unguaranteed residual values accruing to the benefit of the lessor	–21	–22
Present value of future minimum lease payments receivable	**6,978**	**7,102**
Accumulated allowance for uncollectible minimum lease payments receivable	8	8

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

	31 Dec 2015	
EURm	Gross Investment	Net Investment
2016	1,971	1,865
2017	1,769	1,696
2018	1,465	1,417
2019	963	935
2020	520	496
Later years	593	590
Total	**7,281**	**6,999**

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 2015
2016	13
2017	15
2018	11
2019	6
2020	3
Later years	1
Total	**49**

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 2015	31 Dec 2014
Leasing expenses during the year	–236	–236
– of which minimum lease payments	–231	–233
– of which contingent rents	–5	–3
Leasing income during the year regarding sublease payments	5	6

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

EURm	31 Dec 2015
2016	136
2017	107
2018	89
2019	63
2020	56
Later years	227
Total	**678**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 13m.

G21 Investment properties

EURm	31 Dec 2015	31 Dec 2014
Carrying amount at beginning of year	3,227	3,524
Acquisitions during the year	226	172
Sales/disposables during the year	–205	–423
Fair value adjustments	28	50
Transfers/reclassifications during the year	–156	–35
Translation differences	45	–61
Carrying amount at end of year	**3,165**	**3,227**

Amounts recognised in the income statement[1]

EURm	2015	2014
Fair value adjustments	28	50
Rental income	165	220
Direct operating expenses that generate rental income	–37	–43
Direct operating expenses that did not generate rental income	–10	–9
Total	**146**	**218**

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 G39.

G22 Other assets

EURm	31 Dec 2015	31 Dec 2014
Claims on securities settlement proceeds	1,596	3,339
Cash/margin receivables	14,697	11,176
Other	2,307	3,066
Total	**18,600**	**17,581**

G23 Prepaid expenses and accrued income

EURm	31 Dec 2015	31 Dec 2014
Accrued interest income	310	404
Other accrued income	558	487
Prepaid expenses	658	723
Total	**1,526**	**1,614**

G24 Deposits by credit institutions

EURm	31 Dec 2015	31 Dec 2014
Central banks	12,243	13,601
Banks	20,187	28,940
Other credit institutions	11,779	13,781
Total	**44,209**	**56,322**

G25 Deposits and borrowings from the public

EURm	31 Dec 2015	31 Dec 2014
Deposits[1]	179,630	168,682
Contracts where the return is based on separate assets	4,293	4,287
Repurchase agreements	9,419	24,285
Total	**193,342**	**197,254**

1) Deposits related to individual pension savings (IPS) are also included.

G26 Liabilities to policyholders

EURm	31 Dec 2015	31 Dec 2014
Traditional life insurance provisions	19,081	19,705
– of which guaranteed provisions	18,989	19,612
– of which non-guaranteed provisions	92	93
Collective bonus potential	3,984	3,732
Unit-linked insurance provisions	12,236	11,026
– of which guaranteed provisions	0	0
– of which non-guaranteed provisions	12,236	11,026
Insurance claims provision	395	387
Provisions, Health & personal accident	250	253
Total insurance contracts	**35,946**	**35,103**
Investment contracts	19,545	16,740
– of which guaranteed provisions	3,517	3,666
– of which non-guaranteed provisions	16,028	13,074
Total	**55,491**	**51,843**

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.

31 Dec 2015, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit–linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,705**	**3,732**	**11,026**	**387**	**253**	**16,740**	**51,843**
Gross premiums written	784	–	2,125	–	–	4,942	7,851
Transfers	–499	–	354	–	–	–684	–829
Addition of interest/investment return	421	–	225	–	–	580	1,226
Claims and benefits	–1,618	–	–1,041	12	–6	–1,890	–4,543
Expense loading including addition of expense bonus	–102	–	–90	–	–	–97	–289
Change in provisions/bonus potential	95	246	–333	–	4	–	12
Other	605	–	1	–	–	–35	571
Translation differences	–309	6	–31	–4	–2	–11	–352
Provisions/bonus potentials, end of year	**19,082**	**3,984**	**12,236**	**395**	**249**	**19,545**	**55,491**
Provision relating to bonus schemes/discretionary participation feature:	95%					14%	

31 Dec 2014, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit–linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**20,613**	**2,897**	**9,321**	**420**	**238**	**13,737**	**47,226**
Gross premiums written	878	–	1,797	–	–	4,473	7,148
Transfers	–822	–	152	–	–	–749	–1,419
Addition of interest/investment return	454	–	468	–	–	1,345	2,267
Claims and benefits	–2,004	–	–990	–29	5	–1,539	–4,557
Expense loading including addition of expense bonus	–110	–	–79	–	–	–89	–278
Change in provisions/bonus potential	0	915	0	–	13	–	928
Other	1,042	0	373	–	–	18	1,433
Translation differences	–346	–80	–16	–4	–3	–456	–905
Provisions/bonus potentials, end of year	**19,705**	**3,732**	**11,026**	**387**	**253**	**16,740**	**51,843**
Provision relating to bonus schemes/discretionary participation feature:	95%					17%	

G26 Liabilities to policyholders, cont.

Insurance risks

Insurance risk is described in the "Risk, Liquidity and Capital management" section of the Board of Directors' Report. Additional quantitative information is found below.

Life insurance risk and market risks in the Life insurance operations

	31 Dec 2015		31 Dec 2014	
Sensitivites, 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	27.8	–21.4	68.3	–52.6
Mortality – decreased living with 1 year	–6.5	5.0	–1.2	0.9
Disability – 10% increase	13.8	–10.6	27.7	–21.3
Disability – 10% decrease	–9.2	7.1	–16.1	12.4
50 bp increase in interest rates	–816.6	0.3	–915.0	–7.6
50 bp decrease in interest rates	872.3	–0.5	1,001.7	4.7
12% decrease in all share prices	–1,478.9	–2.8	–1,684.3	–1.8
8% decrease in property value	–236.8	–1.5	–240.3	–0.7
8% loss on counterparts	–24.9	–0.2	–31.7	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decrease.

Liabilities to policyholders divided in guarantee levels (technical interest rate)

31 Dec 2015, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	28,357	2,340	7,666	4,820	3,996	3,684	50,863
31 Dec 2014, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	24,194	2,236	7,854	5,391	3,966	3,830	47,471

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	– Mortality	Yes
	– Disability	Yes
	– Return guaranties	Yes
Unit-Link	– Mortality	Yes
	– Disability	Yes
	– Return guaranties	No
Health and personal accident	– Mortality	No
	– Disability	Yes
	– Return guaranties	No
Financial contract	– Mortality	No
	– Disability	No
	– Return guaranties	No

For investments where the customer is bearing the risk, see Note G43.

G27 Debt securities in issue

EURm	31 Dec 2015	31 Dec 2014
Certificates of deposit	26,018	22,926
Commercial papers	23,243	30,133
Covered bonds	106,746	98,986
Other bonds	45,860	42,155
Other	70	74
Total	**201,937**	**194,274**

G28 Other liabilities

EURm	31 Dec 2015	31 Dec 2014
Liabilities on securities settlement proceeds	1,108	3,085
Sold, not held, securities	8,824	6,903
Accounts payable	179	174
Cash/margin payables	11,141	10,061
Other	4,504	6,750
Total	**25,756**	**26,973**

G29 Accrued expenses and prepaid income

EURm	31 Dec 2015	31 Dec 2014
Accrued interest	20	45
Other accrued expenses	1,464	1,589
Prepaid income	321	309
Total	**1,805**	**1,943**

G30 Provisions

EURm	31 Dec 2015	31 Dec 2014
Restructuring	333	167
Transfer risk	–	10
Guarantees/commitments	65	62
Tax	1	1
Other	16	65
Total	**415**	**305**

EURm	Restructuring	Transfer risk	Guarantees/ commitments	Tax	Other	Total
At beginning of year	167	10	62	1	65	305
New provisions made	249	0	104	1	2	356
Provisions utilised	–71	–	–11	–1	–3	–86
Reversals	–9	–10	–89	0	–46	–154
Reclassifications	–3	–	–	–	–2	–5
Translation differences	0	0	–1	0	0	–1
At end of year	**333**	**-**	**65**	**1**	**16**	**415**

New provisions for restructuring costs were recognised in the fourth quarter by EUR 238m, and cover termination benefits (EUR 191m) and redundant premises (EUR 47m). The restructuring activities have been initiated to manage the transformational change to a truly digital bank. The majority of the provision is expected to be used during 2016. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Loan loss provisions for individually assessed guarantees and other commitments amounted to EUR 65m.

Provision for legal disputes amounts to EUR 1m (EUR 0m expected to be settled 2016) and other provisions to EUR 15m (EUR 6m expected to be settled 2016).

G31 Retirement benefit obligations

EURm	31 Dec 2015	31 Dec 2014
Defined benefit plans, net	48	–498
Total	**48**	**–498**

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.

No significant plan amendments, curtailments and settlements have been made during the year.

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
2015				
Discount rate[2]	3.07%	2.89%	2.14%	2.67%
Salary increase	2.25%	2.75%	1.75%	2.25%
Inflation	1.25%	1.75%	1.25%	1.25%
Mortality	DUS06	GAP07/I73	Gompertz	FSA
2014				
Discount rate[2]	2.50%	2.50%	2.00%	2.25%
Salary increase	2.50%	3.00%	2.00%	2.50%
Inflation	1.50%	1.75%	1.50%	1.50%
Mortality	DUS06	GAP07/I73	Gompertz	FSA

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

2) More information on the discount rate can be found in Note G1, section 22. The sensitivities to changes in the discount rate can be found below.

Sensitivities – Impact on Defined Benefit Obligation (DBO) %	Swe	Nor	Fin	Den
Discount rate – Increase 50bps	–7.3%	–7.0%	–6.8%	–4.9%
Discount rate – Decrease 50bps	8.3%	7.8%	7.6%	5.3%
Salary increase – Increase 50bps	2.8%	2.5%	0.4%	5.3%
Salary increase – Decrease 50bps	–2.0%	–2.3%	–0.4%	–5.0%
Inflation – Increase 50bps	7.2%	6.5%	4.2%	–
Inflation – Decrease 50bps	–6.3%	–5.9%	–3.9%	–
Mortality – Increase 1 year	3.2%	3.3%	3.9%	4.8%
Mortality – Decrease 1 year	–3.2%	–3.2%	–3.8%	–4.7%

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 2014 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.

G31 Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2015	Nor 2015	Fin 2015	Den 2015	Total 2015	Total 2014
Obligations	1,421	843	907	100	3,271	3,727
Plan assets	1,554	644	992	129	3,319	3,229
Net liability(–)/asset(+)	**133**	**–199**	**85**	**29**	**48**	**–498**
– of which retirement benefit liabilities	123	199	5	2	329	540
– of which retirement benefit assets	256	–	90	31	377	42

Movements in the obligation

2015, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,663	968	985	111	3,727
Current service cost	29	20	3	0	52
Interest cost	40	24	21	2	87
Pensions paid	–73	–29	–42	–5	–149
Past service cost and settlements	–18	16	1	–	–1
Remeasurement from changes in demographic assumptions	–	–	–31	–	–31
Remeasurement from changes in financial assumptions	–204	–63	–26	–5	–298
Remeasurement from experience adjustments	7	–23	–12	–3	–31
Translation differences	35	–55	8	0	–12
Change in provision for SWT/SSC[1]	–58	–15	–	–	–73
Closing balance	**1,421**	**843**	**907**	**100**	**3,271**
– of which relates to the active population	32%	43%	11%	–	28%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

2014, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,368	829	818	115	3,130
Current service cost	23	17	3	0	43
Interest cost	50	31	29	4	114
Pensions paid	–68	–32	–43	–9	–152
Past service cost and settlements	22	25	0	–15	32
Remeasurement from changes in demographic assumptions	–	–	–	1	1
Remeasurement from changes in financial assumptions	300	165	181	14	660
Remeasurement from experience adjustments	15	–9	–10	1	–3
Translation differences	–91	–81	7	0	–165
Change in provision for SWT/SSC[1]	44	23	–	–	67
Closing balance	**1,663**	**968**	**985**	**111**	**3,727**
– of which relates to the active population	34%	47%	10%	–	30%

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 15 (16) years in Sweden, 15 (15) years in Norway, 14 (14) years in Finland and 10 (10) years in Denmark based on discounted cash flows. The fact that all DBPs are closed for new entrants and that there are no active members in Denmark, and to some extent also in Finland, leads to lower duration.

G31 Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2015, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,497	636	972	124	3,229
Interest income (calculated using the discount rate)	37	17	20	2	76
Pensions paid	–	–17	–42	–7	–66
Settlements	–16	–	2	–	–14
Contributions by employer	0	26	–1	6	31
Remeasurement (actual return less interest income)	2	22	33	2	59
Translation differences	34	–40	8	2	4
Closing balance	**1,554**	**644**	**992**	**129**	**3,319**

2014, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,412	650	927	128	3,117
Interest income (calculated using the discount rate)	52	26	32	5	115
Pensions paid	–	–17	–43	–7	–67
Settlements	–	8	–	–13	–5
Contributions by employer	0	5	7	2	14
Refund to employer	–	–	–21	–	–21
Remeasurement (actual return less interest income)	118	18	62	9	207
Translation differences	–85	–54	8	0	–131
Closing balance	**1,497**	**636**	**972**	**124**	**3,229**

Asset composition

The combined return on assets in 2015 was 4.2% (10.3%). The assets return was driven by positive return on equities and real estate with only limited contribution from bonds and credit investments. At the end of the year the equity exposure in Nordea's pension funds/foundations represented 27% (26%) of total assets.

Asset composition in funded schemes	Swe 2015	Nor 2015	Fin 2015	Den 2015	Total 2015	Total 2014
Bonds	70%	56%	55%	81%	63%	66%
– sovereign	35%	41%	38%	46%	38%	39%
– covered bonds	25%	11%	–	35%	15%	18%
– corporate bonds	10%	4%	17%	–	10%	9%
– with quoted market price in an active market	70%	56%	55%	81%	63%	66%
Equity	27%	27%	28%	17%	27%	26%
– domestic	6%	6%	8%	17%	7%	8%
– european	7%	9%	8%	–	8%	7%
– US	8%	7%	7%	–	7%	7%
– emerging	5%	5%	5%	–	5%	4%
– Nordea shares	1%	–	–	–	–	0%
– with quoted market price in an active market	27%	27%	28%	17%	27%	26%
Real estate[1]	–	12%	10%	–	6%	5%
– occupied by Nordea	–	–	3%	–	1%	1%
Cash and cash equivalents	3%	5%	7%	2%	4%	3%

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

The Group expects to contribute EUR 36m to its defined benefit plans in 2016.

G31 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 90m (EUR 99m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7).

Recognised in the income statement

2015, EURm	Swe	Nor	Fin	Den	Total
Current service cost	29	20	3	0	52
Net interest	3	7	1	0	11
Past service cost and settlements[1]	–2	16	–1	–	13
SWT/SSC[2]	8	6	–	–	14
Pension cost on defined benefit plans (expense+ income–)	**38**	**49**	**3**	**0**	**90**

1) The past service cost 2015 mainly regards termination benefits in connection to restructuring activities launched in the fourth quarter.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2014, EURm	Swe	Nor	Fin	Den	Total
Current service cost	23	17	3	0	43
Net interest	–2	5	–3	–1	–1
Past service cost and settlements[1]	22	18	0	–2	38
SWT/SSC[2]	13	6	–	–	19
Pension cost on defined benefit plans (expense+ income–)	**56**	**46**	**0**	**–3**	**99**

1) The past service cost 2014 mainly regards termination benefits in connection to the cost efficiency programme launched in the second quarter.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2014, excluding past service cost and related SWT and SSC, the pension cost has increased in 2015 as a consequence of the change of actuarial assumptions at the end of 2014.

Recognised in other comprehensive income

2015, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	–	–	–31	–	–31
Remeasurement from changes in financial assumptions	–204	–63	–26	–5	–298
Remeasurement from experience adjustments	7	–23	–12	–3	–31
Remeasurement of plan assets (actual return less interest income)	–2	–22	–33	–2	–59
SWT/SSC[1]	–48	–16	–	–	–64
Pension cost on defined benefit plans (expense+/income–)	**–247**	**–124**	**–102**	**–10**	**–483**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2014, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	–	–	–	1	1
Remeasurement from changes in financial assumptions	300	165	181	14	660
Remeasurement from experience adjustments	15	–9	–10	1	–3
Remeasurement of plan assets (actual return less interest income)	–118	–18	–62	–9	–207
SWT/SSC[1]	48	19	–	–	67
Pension cost on defined benefit plans (expense+/income–)	**245**	**157**	**109**	**7**	**518**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

G31 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 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 2015 is 2.4% of the employees' wages between 1 and 7.1 times the average base amount according to 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 2015 amount to EUR 4m. Payments to the plan during 2015 covered 2,872 employees. The premium rate for 2016 will be 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premium in 2016 amounts to EUR 4m.

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 15m (EUR 30m) 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 2015 were EUR 0m (EUR 2m). Complete information concerning key management personnel is disclosed in Note G7.

G32 Subordinated liabilities

EURm	31 Dec 2015	31 Dec 2014
Dated subordinated debenture loans	5,940	4,434
Undated subordinated debenture loans	262	1,557
Hybrid capital loans	2,998	1,951
Total	**9,200**	**7,942**

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.

G33 Assets pledged as security for own liabilities

EURm	31 Dec 2015	31 Dec 2014
Assets pledged for own liabilities		
Securities etc[1]	17,628	19,571
Loans to the public	134,520	130,539
Other assets pledged	32,647	12,931
Total	**184,795**	**163,041**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	8,178	8,620
Deposits and borrowings from the public	6,711	8,618
Derivatives	13,773	10,667
Debt securities in issue	106,178	98,547
Other liabilities and commitments	22,267	19,971
Total	**157,107**	**146,423**

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 G42, Transferred assets and obtained collaterals.

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

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

G34 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 9,019m (EUR 11,247m)). 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.

G35 Contingent liabilities

EURm	31 Dec 2015	31 Dec 2014
Guarantees		
– Loan guarantees	5,865	4,811
– Other guarantees	14,791	15,027
Documentary credits	1,805	2,102
Other contingent liabilities	108	77
Total	**22,569**	**22,017**

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.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7.

Legal proceedings

Within the framework of the normal business operations, 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.

G36 Commitments

EURm	31 Dec 2015	31 Dec 2014
Unutilised overdraft facilities	37,961	38,234
Loan commitments	33,379	36,057
Future payment obligations	956	722
Other commitments	2,367	922
Total	**74,663**	**75,935**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2015 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2015. 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, section 24, about derivatives, see Note G17 and about reverse repos, see Note G42.

G37 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/CRR require higher capitalisation levels and better quality of capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn in periods of stress and the introduction of liquidity standards. 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 first of 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 2016, 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 134.

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. Due to the implementation of CRR, deduction that according to previous rules were made 50% from Tier 1 and 50% from tier 2 are now fully deducted from common equity tier 1. Furthermore, CRR also changes the treatment of investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences, which are now risk weighted instead of deducted from Tier 1 and Tier 2.

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 may 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 2015, Nordea issued one Additional Tier 1 instrument of EUR 0.9bn and two undated Additional Tier 1 loans were called after approval by the Swedish FSA. As of year-end, Nordea held EUR 2.8bn 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-a`-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 can be dated or undated instruments. 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. During 2015, Nordea issued four Tier 2 instrument of in total EUR 1.3bn. As of year-end, Nordea held EUR 5.8bn 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.

G37 Capital adequacy, cont.

Table A2 Transitional own funds

	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	21,589	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–64	–
5	Minority interests (amount allowed in consolidated CET1)	0	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	727	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**27,382**	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–258	–
8	Intangible assets (net of related tax liability) (negative amount)	–2,866	–
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	–71	–
12	Negative amounts resulting from the calculation of expected loss amounts	–297	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–12	–
15	Defined-benefit pension fund assets (negative amount)	–296	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–7	–
25	of which: deferred tax assets arising from temporary differences	0	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	–
	Of which: … filter for unrealised loss 1	0	68
	Of which: … filter for unrealised gain 1	0	283
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–3,807**	–
29	**Common Equity Tier 1 (CET1) capital**	**23,575**	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,241	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	729	0
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,970**	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	–
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	0	0
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–30**	–
44	**Additional Tier 1 (AT1) capital**	**2,941**	–
45	**Tier 1 capital (T1 = CET1 + AT1)**	**26,516**	–
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	5,870	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	76	–
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	0	0
49	of which: instruments issued by subsidiaries subject to phase out	0	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,946**	–

G37 Capital adequacy, cont.

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)	−1,501	–
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	0	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**−1,562**	–
58	**Tier 2 (T2) capital**	**4,384**	–
59	**Total capital (TC = T1 + T2)**	**30,900**	–
60	**Total risk weighted assets**	**143,294**	–
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.5%	–
62	Tier 1 (as a percentage of risk exposure amount)	18.5%	–
63	Total capital (as a percentage of risk exposure amount)	21.6%	–
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)	5.9%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.4%	–
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	0.0%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.0%	–
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)	189	–
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)	954	–
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	–
Applicable caps 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)	103,717	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	622	–
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	1,379	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	–
84	Current cap on T2 instruments subject to phase out arrangements	668	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	–

G37 Capital adequacy, cont.

Minimum capital requirement and REA

EURm	31 Dec 2015 Minimum Capital requirement	31 Dec 2015 REA	31 Dec 2014 Minimum Capital requirement	31 Dec 2014 REA
Credit risk	**9,358**	**116,978**	**9,522**	**119,029**
– of which counterparty credit risk	761	9,510	843	10,535
IRB	8,297	103,717	8,451	105,637
- corporate	5,630	70,371	5,743	71,792
- advanced	4,497	56,211	4,048	50,600
- foundation	1,133	14,160	1,695	21,192
- institutions	682	8,526	766	9,572
- retail	1,802	22,520	1,755	21,940
- secured by immovable property collateral	1,016	12,702	897	11,219
- other retail	786	9,818	858	10 ,721
- other	183	2,300	187	2,333
Standardised	1,061	13,261	1,071	13,392
- central governments or central banks	40	504	57	717
- regional governments or local authorities	19	237	17	211
- public sector entities	3	32	2	20
- multilateral development banks	0	0	–	–
- international organisations	–	–	–	–
- institutions	23	282	27	338
- corporate	169	2,109	154	1,921
- retail	251	3,137	255	3,181
- secured by mortgages on immovable properties	231	2,887	222	2,777
- in default	9	119	12	155
- associated with particularly high risk	59	741	53	666
- covered bonds	–	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	209	2,617	195	2,442
- other items	48	596	77	964
Credit Value Adjustment Risk	**140**	**1,751**	**185**	**2,308**
Market risk	**522**	**6,534**	**588**	**7,341**
- trading book, Internal Approach	239	2,990	312	3,898
- trading book, Standardised Approach[1]	96	1,209	116	1,447
- banking book, Standardised Approach	187	2,335	160	1,996
Operational risk	**1,363**	**17,031**	**1,347**	**16,842**
Standardised	1,363	17,031	1,347	16,842
Additional risk exposure amount, Article 3 CRR	**80**	**1,000**	**–**	**–**
Sub total	**11,463**	**143,294**	**11,642**	**145,520**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	6,283	78,533	5,995	74,938
Total	**17,746**	**221,827**	**17,637**	**220,458**

1) Market Risk – of which trading book, Standardised Approach restated for 2014.

Leverage ratio

	31 Dec 2015	31 Dec 2014
Tier 1 capital, transitional definition, EURm[1]	26,516	25,382
Leverage ratio exposure, EURm	576,317	590,759
Leverage ratio, percentage	4.6	4.3

1) Including profit for the period.

G37 Capital adequacy, cont.

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]	1,193	96	966	77	–	–	2,159	173
Equity risk	353	28	220	17	–	–	573	45
Foreign exchange risk	209	17	–	–	2,335	187	2,544	204
Commodity risk	–	–	22	2	–	–	22	2
Settlement risk	–	–	1	0	–	–	1	0
Diversification effect	–644	–52	–	–	–	–	–644	–52
Stressed Value-at-Risk	1,046	84	–	–	–	–	1,046	84
Incremental Risk Measure	381	30	–	–	–	–	381	30
Comprehensive Risk Measure	452	36	–	–	–	–	452	36
Total	**2,990**	**239**	**1,209**	**96**	**2,335**	**187**	**6,534**	**522**

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 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

G37 Capital adequacy, cont.

Table A4 – Capital 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)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947
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 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 Swedish law	Governed by English law, except for the subordination provisions which are governed by 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
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	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
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
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 153m	EUR 76m	EUR 912m	EUR 455m	EUR 243m	EUR 129m	EUR 502m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 153m	JPY 10,000m / EUR 76m	USD 1,000m / EUR 919m	USD 500m / EUR 459m	SEK 2,250m / EUR 245m	NOK 1,250m / EUR 130m	USD 550m / EUR 505m
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
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
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
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
12	Perpetual or dated	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
14	Issuer call subject to prior supervisory approval	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
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	2-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	2-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	13-Sep each year after first call date

G37 Capital adequacy, cont.

Additional Tier 1 instrument

Coupons/dividends

17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	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
19	Existence of a dividend stopper	Yes	Yes	Yes	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
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
21	Existence of step up or other incentive to redeem	No	Yes	Yes	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
23	Convertible or 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
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
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
33	If write-down, permanent or 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
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
36	Non-compliant transitioned features	Yes	Yes	Yes	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

G37 Capital adequacy, cont.

Table A5 – Capital main features template – T2

Tier 2 instruments

1	Issuer	Nordea Bank Norge ASA	Nordea Bank Finland PLC	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	XS0743689993
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 Finnish 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 the laws of the State of New York, 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
Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/ solo & (sub-) consolidated	Solo, sub-consolidated & consolidated	Solo, sub-consolidated & 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 (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 184m	EUR 76m	EUR 845m (84.5 per cent of Nominal amount, <5 yrs to maturity)	EUR 747m	EUR 1,142m	EUR 749m
9	Nominal amount of instrument	USD 200m / EUR 184m	JPY 10,000m / EUR 76m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,148m	EUR 750m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.803 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	15-Feb-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	15-Feb-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	15-Feb-2017 In addition tax 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

G37 Capital adequacy, cont.

Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	
US65557FAD87/ US65557HAD44	XS1292434146	XS1292433767	N/A	XS1317439559	
Governed by the laws of the State of New York, 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 Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	
Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	
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	
EUR 911m	EUR 185m	EUR 250m	EUR 114m	EUR 743m	
USD 1,000m / EUR 919m	SEK 1,700m / EUR 185m	SEK 2,300m / EUR 250m	JPY 15,000m / EUR 114m	EUR 750m	
99.364 per cent	100 per cent	100 per cent	100 per cent	99.434 per cent	
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	
Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	
21-Sep-2012	17-Sep-2015	17-Sep-2015	06-Oct-2015	10-Nov-2015	
Dated	Dated	Dated	Dated	Dated	
21-Sep-2022	17-Sep-2025	17-Sep-2025	06-Oct-2025	10-Nov-2025	
Yes	Yes	Yes	Yes	Yes	
Tax/regulatory call 100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10-Nov-2020 In addition tax/regulatory call100 per cent of nominal amount	
	N/A	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

G37 Capital adequacy, cont.

Table A5 – Capital 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%	Fixed 4.625 per cent per annum (equivalent to Euro Swap Rate +3.15 per cent per annum) to call date, thereafter reset fixed rate to Euro Swap Rate +3.15 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)	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	No	Yes	No	No	No	No
37	If yes, specify non-compliant features	N/A	Step-up	N/A	N/A	N/A	N/A

G37 Capital adequacy, cont.

Fixed	Floating	Fixed	Fixed	Fixed
4,250%	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
No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
No	No	No	No	No
Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
No	No	No	No	No
N/A	N/A	N/A	N/A	N/A

G37 Capital adequacy, cont.

Specification of group undertakings 31 December 2015

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
Nordea Bank AB (publ)	**Nordea Bank Finland Plc**	**100**	**Finland**	**Purchase method**
Nordea Bank Finland Plc	Nordea Finance Finland Ltd	100	Finland	Purchase method
	Realia Holding Oy	25	Finland	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Finland	Purchase method
	Nordea Finance Estonia Ltd	100	Estonia	Purchase method
	Nordea Finance Latvia Ltd	100	Latvia	Purchase method
	Nordea Finance Lithuania Ltd	100	Lithuania	Purchase method
	NF Fleet Oy	20	Finland	Equity method
Nordea Finance Estonia Ltd	ALD Automotive Eesti AS	25	Estonia	Equity method
Nordea Finance Latvia Ltd	ALD Automotive SIA	25	Latvia	Equity method
Nordea Finance Lithuania Ltd	UAB ALD Automotive	25	Lithuania	Equity method
Nordea Bank Finland Plc	*Ancillary service undertakings*			
Nordea Bank AB (publ)	**Nordea Bank Norge ASA**	**100**	**Norway**	**Purchase method**
Nordea Bank Norge ASA	Nordea Eiendomskreditt AS	100	Norway	Purchase method
	Nordea Finans Norge AS	100	Norway	Purchase method
	Eksportfinans ASA	23	Norway	Purchase method
Nordea Finans Norge AS	NF Fleet AS	20	Norway	Equity method
Nordea Bank Norge ASA	*Ancillary service undertakings*			
Nordea Bank AB (publ)	**Nordea Bank Danmark A/S**	**100**	**Denmark**	**Purchase method**
Nordea Bank Danmark A/S	LR-Realkredit A/S	39	Denmark	Equity method
	Nordea Finans Danmark A/S	100	Denmark	Purchase method
	Nordea Kredit Realkreditaktieselskab	100	Denmark	Purchase method
	NJK1 ApS	100	Denmark	Purchase method
	Swipp Holding ApS	30	Denmark	Equity method
	Bankernas Kontantservice A/S	20	Denmark	Equity method
	Fiona Asset Company A/S	100	Denmark	Purchase method
Nordea Finans Danmark A/S	Fleggaard Busleasing	39	Germany	Equity method
	NF Fleet A/S	20	Denmark	Equity method
	K/S UL 676	100	Denmark	Purchase method
	K/S UL 677	100	Denmark	Purchase method
	K/S UL 678	100	Denmark	Purchase method
	UL Transfer Aps	100	Denmark	Purchase method
Nordea Finans Danmark A/S	UL International ApS	100	Denmark	Purchase method
	DT Finance K/S	100	Denmark	Purchase method
	BH Finance K/S	100	Denmark	Purchase method
	NAMIT 10 K/S	100	Denmark	Purchase method
	City 10 K/S	100	Denmark	Purchase method
	Tide Leasing 2012 K/S	100	Denmark	Purchase method
	LB12 K/S	100	Denmark	Purchase method
	BAAS 2012 K/S	100	Denmark	Purchase method
Nordea Bank Danmark A/S	*Ancillary service undertakings*			

G37 Capital adequacy, cont.

Specification of group undertakings 31 December 2015, cont.

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
Nordea Bank AB (publ)	**OOO Promyshlennaya Companiya Vestkon**	**100**	**Russia**	**Purchase method**
OOO Promyshlennaya Companiya Vestkon / Nordea Bank AB (publ)	Joint Stock Company Nordea Bank	100	Russia	Purchase method
Joint Stock Company Nordea Bank	Nordea Leasing LLC	100	Russia	Purchase method
Joint Stock Company Nordea Bank	*Ancillary service undertakings*			
Nordea Bank AB (publ)	Nordea Hypotek AB (publ)	100	Sweden	Purchase method
	Nordea Finans Sverige AB (publ)	100	Sweden	Purchase method
	Nordea Investment Management AB	100	Sweden	Purchase method
	Bankomatcentralen AB	48	Sweden	Equity method
	Svenska e-fakturabolaget AB	50	Sweden	Equity method
	BDB Bankernas Depå AB	20	Sweden	Equity method
	BAB Bankernas Automatbolag AB	20	Sweden	Equity method
	Getswish AB (former Goldcup 8289)	20	Sweden	Equity method
	PK Properties Int'l Corp	100	USA	Purchase method
	Nordea Funds Ltd	100	Finland	Purchase method
Nordea Finans Sverige AB (publ)	NF Fleet AB	20	Sweden	Purchase method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	USA	Purchase method
	Nordea Investment Management AG	100	Germany	Purchase method
	Nordea Private Equity Holding A/S	100	Denmark	Purchase method
Nordea Private Equity Holding A/S	Nordea Private Equity I A/S	100	Denmark	Purchase method
	Nordea Private Equity II – Global A/S	100	Denmark	Purchase method
	Nordea Private Equity III – GLOBAL A/S	100	Denmark	Purchase method
	Nordea Private Equity II – EU Mezz A/S	100	Denmark	Purchase method
	Nordea Private Equity II – EU MM Buyout A/S	100	Denmark	Purchase method
	PWM Global PE III ApS	100	Denmark	Purchase method
	NF Techfleet AB	20	Sweden	Equity method
Nordea Bank AB (publ)	*Ancillary service undertakings*			
Nordea Bank AB (publ) / Nordea Investment Management AB	**Nordea Bank S.A.**	**100**	**Luxembourg**	**Purchase method**
Nordea Bank S.A.	Nordea Investment Funds S.A.	100	Luxembourg	Purchase method

G38 Classification of financial instruments

31 Dec 2015, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings	Total
Assets								
Cash and balances with central banks	35,500	–	–	–	–	–	–	35,500
Loans to central banks	8,095	–	5,129	–	–	–	–	13,224
Loans to credit institutions	7,449	–	3,489	21	–	–	–	10,959
Loans to the public	251,876	–	36,999	52,045	–	–	–	340,920
Interest-bearing securities	61	2,708	34,870	16,421	–	34,116	–	88,176
Financial instruments pledged as collateral	–	–	8,341	–	–	–	–	8,341
Shares	–	–	4,917	35,828	–	–	–	40,745
Derivatives	–	–	77,594	–	3,147	–	–	80,741
Fair value changes of the hedged items in portfolio hedge of interest rate risk	151	–	–	–	–	–	–	151
Investments in associated undertakings	–	–	–	–	–	–	515	515
Intangible assets	–	–	–	–	–	–	3,208	3,208
Properties and equipment	–	–	–	–	–	–	557	557
Investment properties	–	–	–	–	–	–	3,165	3,165
Deferred tax assets	–	–	–	–	–	–	76	76
Current tax assets	–	–	–	–	–	–	87	87
Retirement benefit assets	–	–	–	–	–	–	377	377
Other assets	2,698	–	–	14,697	–	–	1,205	18,600
Prepaid expenses and accrued income	968	–	–	–	–	–	558	1,526
Total	**306,798**	**2,708**	**171,339**	**119,012**	**3,147**	**34,116**	**9,748**	**646,868**

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	17,534	1,086	–	25,589	–	44,209
Deposits and borrowings from the public	10,465	8,520	–	174,357	–	193,342
Liabilities to policyholders	–	19,545	–	–	35,946	55,491
Debt securities in issue	6,885	46,229	–	148,823	–	201,937
Derivatives	77,887	–	1,618	–	–	79,505
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	2,594	–	2,594
Current tax liabilities	–	–	–	–	225	225
Other liabilities	8,824	11,141	–	3,652	2,139	25,756
Accrued expenses and prepaid income	–	–	–	341	1,464	1,805
Deferred tax liabilities	–	–	–	–	1,028	1,028
Provisions	–	–	–	–	415	415
Retirement benefit liabilities	–	–	–	–	329	329
Subordinated liabilities	–	–	–	9,200	–	9,200
Total	**121,595**	**86,521**	**1,618**	**364,556**	**41,546**	**615,836**

G38 Classification of financial instruments, cont.

31 Dec 2014, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings	Total
Assets								
Cash and balances with central banks	31,067	–	–	–	–	–	–	31,067
Loans to central banks	6,676	–	282	–	–	–	–	6,958
Loans to credit institutions	7,657	–	4,547	13	–	–	–	12,217
Loans to the public	246,862	–	49,517	51,706	–	–	–	348,085
Interest-bearing securities	–	2,630	34,418	18,541	–	31,521	–	87,110
Financial instruments pledged as collateral	–	–	12,151	–	–	–	–	12,151
Shares	–	–	8,445	31,300	–	4	–	39,749
Derivatives	–	–	102,279	–	2,840	–	–	105,119
Fair value changes of the hedged items in portfolio hedge of interest rate risk	256	–	–	–	–	–	–	256
Investments in associated undertakings	–	–	–	–	–	–	487	487
Intangible assets	–	–	–	–	–	–	2,908	2,908
Properties and equipment	–	–	–	–	–	–	509	509
Investment properties	–	–	–	–	–	–	3,227	3,227
Deferred tax assets	–	–	–	–	–	–	130	130
Current tax assets	–	–	–	–	–	–	132	132
Retirement benefit assets	–	–	–	–	–	–	42	42
Other assets	4,590	–	–	11,176	–	–	1,815	17,581
Prepaid expenses and accrued income	1,123	–	4	–	–	–	487	1,614
Total	**298,231**	**2,630**	**211,643**	**112,736**	**2,840**	**31,525**	**9,737**	**669,342**

31 Dec 2014, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	23,806	3,220	–	29,296	–	56,322
Deposits and borrowings from the public	24,577	8,343	–	164,334	–	197,254
Liabilities to policyholders	–	16,741	–	–	35,102	51,843
Debt securities in issue	8,001	42,619	–	143,654	–	194,274
Derivatives	95,118	–	2,222	–	–	97,340
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	3,418	–	3,418
Current tax liabilities	–	–	–	–	368	368
Other liabilities	6,903	10,061	–	6,377	3,632	26,973
Accrued expenses and prepaid income	9	–	–	345	1,589	1,943
Deferred tax liabilities	–	–	–	–	983	983
Provisions	–	–	–	–	305	305
Retirement benefit liabilities	–	–	–	–	540	540
Subordinated liabilities	–	–	–	7,942	–	7,942
Total	**158,414**	**80,984**	**2,222**	**355,366**	**42,519**	**639,505**

G38 Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2015	31 Dec 2014
Carrying amount	52,066	51,719
Maximum exposure to credit risk	52,066	51,719
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 46,229m (EUR 42,619m), the funding of the Markets operation, EUR 16,454m (EUR 17,337m) deposits linked to the investment return of separate assets, EUR 4,293m (EUR 4,287m) and investment contracts in Life, EUR 19,545m (EUR 16,741m). 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 assetslinked 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 decreased by EUR 100m (decreased EUR 6m) in 2015 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 691m (decrease EUR 592m). 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 51,713m (EUR 51,244m) and lending in the Markets operation, EUR 353m (EUR 475). The fair value of lending in Nordea Kredit Realkreditaktieselskab decreased by EUR 19m (increased EUR 7m) in 2015 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 171m (decrease EUR 153m). 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

2015, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	86,521	85,776

2014, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	80,984	79,198

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.

G39 Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2015		31 Dec 2014	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	35,500	35,500	31,067	31,067
Loans	365,254	366,598	367,516	368,872
Interest-bearing securities	88,176	88,391	87,110	87,421
Financial instruments pledged as collateral	8,341	8,341	12,151	12,151
Shares	40,745	40,745	39,749	39,749
Derivatives	80,741	80,741	105,119	105,119
Other assets	17,395	17,395	15,766	15,766
Prepaid expenses and accrued income	968	968	1,127	1,127
Total	**637,120**	**638,679**	**659,605**	**661,272**
Financial liabilities				
Deposits and debt instruments	451,282	451,167	459,210	460,653
Liabilities to policyholders	19,545	19,545	16,741	16,741
Derivatives	79,505	79,505	97,340	97,340
Other liabilities	23,617	23,617	23,341	23,341
Accrued expenses and prepaid income	341	341	354	354
Total	**574,290**	**574,175**	**596,986**	**598,429**

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.

G39 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 2015, 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	–	–	5,129	–	–	–	5,129
Loans to credit institutions	–	–	3,510	–	–	–	3,510
Loans to the public	–	–	89,044	–	–	–	89,044
Interest-bearing securities[2]	49,979	12,986	43,511	6,044	250	45	93,740
Shares[3]	33,158	26,757	2,717	2,414	4,878	4,212	40,753
Derivatives	211	–	78,875	32	1,655	–	80,741
Investment properties	–	–	–	–	3,165	3,085	3,165
Other assets	–	–	14,697	–	–	–	14,697
Total	**83,348**	**39,743**	**237,483**	**8,490**	**9,948**	**7,342**	**330,779**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	18,620	1,361	–	–	18,620
Deposits and borrowings from the public	–	–	18,985	–	–	–	18,985
Liabilities to policyholders	–	–	19,545	19,545	–	–	19,545
Debt securities in issue[4]	46,229	–	6,885	–	–	–	53,114
Derivatives[4]	242	–	77,739	153	1,524	–	79,505
Other liabilities	6,909	–	13,056	–	–	–	19,965
Total	**53,380**	**–**	**154,830**	**21,059**	**1,524**	**–**	**209,734**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 8,333m relates to the balance sheet item Financial instruments pledged as collateral.
3) Of which EUR 8m relates to the balance sheet item Financial instruments pledged as collateral.
4) 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 6,825m, of which EUR 6,881m is categorised into Level 2 and a net positive fair value of EUR 56m into Level 3 in the fair value hierarchy.

31 Dec 2014, 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	–	–	282	–	–	–	282
Loans to credit institutions	–	–	4,560	7	–	–	4,560
Loans to the public	–	–	101,223	–	–	–	101,223
Interest-bearing securities[2]	54,724	12,805	41,598	6,936	279	53	96,601
Shares[3]	32,724	22,739	1,597	1,596	5,458	4,486	39,779
Derivatives	102	–	103,551	119	1,466	–	105,119
Investment properties	–	–	–	–	3,227	3,127	3,227
Other assets	–	–	11,176	–	–	–	11,176
Prepaid expenses and accrued income	–	–	4	–	–	–	4
Total	**87,550**	**35,544**	**263,991**	**8,658**	**10,430**	**7,666**	**361,971**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	27,026	1,541	–	–	27,026
Deposits and borrowings from the public	–	–	32,920	–	–	–	32,920
Liabilities to policyholders	–	–	16,741	16,741	–	–	16,741
Debt securities in issue[4]	42,619	–	8,001	–	–	–	50,620
Derivatives[4]	91	–	95,623	56	1,626	–	97,340
Other liabilities	4,667	–	12,297	–	–	–	16,964
Accrued expenses and prepaid income	–	–	9	–	–	–	9
Total	**47,377**	**–**	**192,617**	**18,338**	**1,626**	**–**	**241,620**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 12,121m relates to the balance sheet item Financial instruments pledged as collateral.
3 Of which EUR 30m relates to the balance sheet item Financial instruments pledged as collateral.
4) For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as Debt securities in issue and the embedded derivative on the balance sheet as Derivatives. The total fair value off the structured bonds is EUR 7,541m, of which EUR 7,185m is categorised into Level 2 and a net negative fair value of EUR –356m into Level 3 in the fair value hierarchy.

G39 Assets and liabilities at fair value, cont.

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 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 non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. Volatilities and correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

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

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

Valuations of Private Equity Funds (PEF) and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by EVCA (European Venture Capital Association). The EVCA guidelines are considered 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 and thus categorised as Level 1 in the fair value hierarchy. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower. The credit risk adjustment is calculated based on an incurred loss model.

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

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value of the counterparty´s credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, probabilities of defaults (PDs) and recovery rates are sourced from the CDS markets. For counterparties where this information is not directly available, PDs and recovery rates are estimated using a cross sectional approach where the illiquid counterparties are mapped to comparable liquid CDS names.

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

G39 Assets and liabilities at fair value, cont.

market practices, and consequently reviewing and developing the methodology in use.

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

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

Transfers between Level 1 and 2

During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 1,129m (EUR 149m) from Level 1 to Level 2 and EUR 295m (EUR 1,290m) from Level 2 to Level 1 of the fair value hierarchy. Nordea also transfered shares of EUR 22m (EUR 0m) from Level 1 to Level 2, derivative assets of EUR 96m (EUR 0m) and derivative liabilities of EUR 120m (EUR 0m) from Level 2 to Level 1 and other liabilities of EUR 4m (EUR 55m) 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 been actively traded during the year and reliable qouted prices are obtained in the market. Transfers have also occurred following the implementation of an improved and more granular classification approach. Transfers between levels are considered to have occurred at the end of the year.

Movements in Level 3

2015, EURm	1 Jan 2015	Fair value gains/losses recognised in the income statement during the year		Recog-nised in OCI	Purchases/ Issues	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2015
		Realised	Unrealised								
Interest-bearing securities	279	1	8	–	75	–111	–1	–	–2	1	250
– of which Life	53	–	–3	–	–	–6	–	–	–	1	45
Shares	5,458	307	49	–	4,468	–5,021	–58	29	–333	–21	4,878
– of which Life	4,486	281	36	–	4,377	–4,897	–55	3	–	–19	4,212
Derivatives (net)	–160	37	–18	–	–1	–	–37	443	–133	0	131
Investment properties	3,227	–1	27	–	222	–263	–	–	–	–47	3,165
– of which Life	3,127	–	27	–	215	–237	–	–	–	–47	3,085

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. During 2015 Nordea transferred shares of EUR 29m from Level 2 to Level 3 and EUR 333m from Level 3 to Level 2. Nordea also transferred derivatives (net) of EUR 443 from Level 2 to Level 3 and EUR 133 m from Level 3 to Level 2. The reason for the transfer from Level 3 to Level 2 was that observable market data became available. The reason for the transfer from Level 2 to Level 3 was that oberservable market data was no longer avaliable. Transfers have also occurred following the implemenation of an improved and more granular classifcation approach. 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.

G39 Assets and liabilities at fair value, cont.

Movements in Level 3, cont.

2014, EURm	1 Jan 2014	Fair value gains/ losses recognised in the income statement during the year: Realised	Unrealised	Recog-nised in OCI	Purchases/ Issues	Sales	Settle-ments	Transfers out of Level 3	Translation differences	31 Dec 2014
Interest-bearing securities	478	8	10	–2	163	–373	–3	–	–2	279
– of which Life	104	5	5	–	19	–78	–	–	–2	53
Shares	3,841	388	313	–	2,417	–1,441	–22	–22	–16	5,458
– of which Life	2,842	324	238	–	2,332	–1,196	–15	–22	–17	4,486
Derivatives (net)	37	–488	–197	–	–	–	488	–	–	–160
Investment properties	3,524	–1	–3	–	267	–462	–	–33	–65	3,227
– of which Life	3,367	7	–3	–	241	–390	–	–33	–62	3,127
Other liabilities	1	–	–	–	–	–1	–	–	–	–

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. During 2014 Nordea transferred shares of EUR 22m from Level 3 to Level 2. The reason for the transfer from Level 3 to Level 2 was that observable market data became 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.

The valuation processes for fair value measurements in Level 3

Financial instruments

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

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

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

The valuation 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.

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 enitity 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.

G39 Assets and liabilities at fair value, cont.

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

31 Dec 2015, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	205	–	Discounted cash flows	Credit spread	–5/5
Corporates	45	45	Discounted cash flows	Credit spread	–3/3
Total	**250**	**45**			**–8/8**
Shares					
Private equity funds	1,965	1,781	Net asset value[3]		–218/232
Hedge funds	474	298	Net asset value[3]		–31/37
Credit Funds	423	237	Net asset value/market consensus[3]		–23/28
Other funds	1,880	1,868	Net asset value/fund prices[3]		–223/224
Other	136	28	–		–9/9
Total	**4,878**	**4,212**			**–504/530**
Derivatives					
Interest rate derivatives	180	–	Option model	Correlations Volatilities	–26/19
Equity derivatives	–24	–	Option model	Correlations Volatilities Dividend	–26/19
Foreign exchange derivatives	–35	–	Option model	Correlations Volatilities	+/–0
Credit derivatives	–18	–	Credit derivative model	Correlations Recovery rates	–8/6
Other	28	–	Option model	Correlations Volatilities	+/–0
Total	**131**	**–**			**–60/44**

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 the EVCA (European Venture Capital Association). 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 0% to 100% compared to the values received from suppliers/custodians.

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 then 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.

G39 Assets and liabilities at fair value, cont.

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

31 Dec 2014, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	235	9	Discounted cash flows	Credit spread	–8/8
Corporates	44	44	Discounted cash flows	Credit spread	–3/3
Total	**279**	**53**			**–11/11**
Shares					
Private equity funds	2,328	1,820	Net asset value[3]		
Hedge funds	443	181	Net asset value[3]		
Credit Funds	487	377	Net asset value/market consensus[3]		
Other funds	1,970	1,950	Net asset value/Fund prices[3]		
Other	230	158	–		
Total	**5,458**	**4,486**			**–542/575**
Derivatives					
Interest rate derivatives	191	–	Option model	Correlations	–13/9
				Volatilities	
Equity derivatives	–220	–	Option model	Correlations	–18/12
				Volatilities	
				Dividend	
Foreign exchange derivatives	–31	–	Option model	Correlations	+/–0
				Volatilities	
Credit derivatives	–129	–	Credit derivat model	Correlations	–10/9
				Recovery rates	
Other	29	–	Option model	Correlations	+/–0
				Volatilities	
Total	**–160**	**–**			**–41/30**

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 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 assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by the EVCA (European Venture Capital Association). 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 0% to 95% compared to the values received from suppliers/custodians.

G39 Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2015, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,688	1,679	Discounted cash flows	Market rent		
				Commercial	25–312 EUR/m²	159 EUR/m²
				Office	34–324 EUR/m²	110 EUR/m²
				Apartment	65–245 EUR/m²	151 EUR/m²
				Yield requirement		
				Commercial	6.4% – 9.5%	7.5%
				Office	4.3% – 9.5%	6.1%
				Apartment	3.5% – 6.0%	3.9%
Norway	695	689	Discounted cash flows	Market rent		
				Commercial	82–234 EUR/m²	170 EUR/m²
				Office	114–746 EUR/m²	205 EUR/m²
				Apartment	151–151 EUR/m²	151 EUR/m²
				Other	66–86 EUR/m²	67 EUR/m²
				Yield requirement		
				Commercial	5.0% – 6.5%	5.5%
				Office	4.3% – 7.8%	5.5%
				Apartment	5.6% – 5.6%	5.6%
				Other	5.5% – 8.5%	7.9%
Finland	564	563	Discounted cash flows[2]	Market rent		
				Commercial	104–327 EUR/m²	177 EUR/m²
				Office	125–306 EUR/m²	187 EUR/m²
				Apartment	186–237 EUR/m²	210 EUR/m²
				Other	89–127 EUR/m²	97 EUR/m²
				Yield requirement		
				Commercial	4.8% – 6.8%	5.8%
				Office	4.8% – 8.0%	6.4%
				Apartment	4.0% – 6.0%	5.0%
				Other	6.5% – 9.0%	7.8%
Sweden	154	154	Discounted cash flows[2]	Market rent		
				Commercial	117–195 EUR/m²	146 EUR/m²
				Apartment	149–176 EUR/m²	156 EUR/m²
				Other	65–66 EUR/m²	65 EUR/m²
				Yield requirement		
				Commercial	5.8% – 6.8%	6.3%
				Apartment	3.5% – 4.4%	3.7%
				Other	7.0% – 7.8%	7.4%
Other	64	–	Discounted cash flows	–		
Total	**3,165**	**3,085**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.

G39 Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2014, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,656	1,645	Discounted cash flows	Market rent		
				Commercial	26–235 EUR/m²	133 EUR/m²
				Office	28–377 EUR/m²	108 EUR/m²
				Apartment	65–220 EUR/m²	140 EUR/m²
				Yield requirement		
				Commercial	6.1%–9.0%	7.5%
				Office	4.6%–9.5%	6.0%
				Apartment	3.5%–6.0%	5.0%
Norway	774	767	Discounted cash flows	Market rent		
				Commercial	28–1,166 EUR/m²	271 EUR/m²
				Office	69–459 EUR/m²	227 EUR/m²
				Apartment	166–238 EUR/m²	195 EUR/m²
				Other	25–642 EUR/m²	91 EUR/m²
				Yield requirement		
				Commercial	5.3%–8.5%	5.9%
				Office	5.0%–8.8%	6.3%
				Apartment	5.5%–5.5%	5.5%
				Other	7.3%–8.5%	7.8%
Finland	642	640	Discounted cash flows[2]	Market rent		
				Commercial	104–327 EUR/m²	177 EUR/m²
				Office	125–306 EUR/m²	187 EUR/m²
				Apartment	186–237 EUR/m²	210 EUR/m²
				Other	89–127 EUR/m²	97 EUR/m²
				Yield requirement		
				Commercial	5.0%–7.0%	6.0%
				Office	5.0%–8.0%	6.5%
				Apartment	4.5%–6.0%	5.3%
				Other	6.5%–9.0%	7.8%
Sweden	75	75	Discounted cash flows[2]	Market rent		
				Commercial	122–191 EUR/m²	147 EUR/m²
				Apartment	146–172 EUR/m²	153 EUR/m²
				Other	64–64 EUR/m²	64 EUR/m²
				Yield requirement		
				Commercial	6.3%–7.0%	6.7%
				Apartment	4.0%–4.5%	4.1%
				Other	7.0%–7.0%	7.0%
Other	80	–	Discounted cash flows	–	–	–
Total	**3,227**	**3,127**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.

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.

G39 Assets and liabilities at fair value, cont.

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).

Deferred day 1 profit – derivatives EURm	2015	2014
Amount at beginning of year	36	38
Deferred profit/loss on new transactions	9	9
Recognised in the income statement during the year	–11	–11
Amount at end of year	**34**	**36**

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

	31 Dec 2015		31 Dec 2014		
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	35,500	35,500	31,067	31,067	3
Loans	267,571	268,915	261,451	259,547	3
Interest-bearing securities	2,769	2,984	2,630	2,941	1,2,3
Other assets	2,698	2,698	4,590	4,590	3
Prepaid expenses and accrued income	968	968	1,123	1,123	3
Total	**309,506**	**311,065**	**300,861**	**299,268**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	360,563	360,448	348,644	350,087	3
Other liabilities	3,652	3,652	6,377	6,377	3
Accrued expenses and prepaid income	341	341	345	345	3
Total	**364,556**	**364,441**	**355,366**	**356,809**	

Cash and balances with central banks

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

Loans

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

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

Interest-bearing securities

The fair value is EUR 2,984m (EUR 2,941m), of which EUR 2m (EUR 27m) is categorised in Level 1 and EUR 2,922m (EUR 2,914m) in Level 2 and EUR 60m (EUR 0m) in Level 3. 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.

G40 Financial instruments set off on balance or subject to netting agreements

31 Dec 2015, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	207,514	–127,812	79,702	–60,192	–	–9,828	9,682
Reverse repurchase agreements	60,734	–9,888	50,846	–16,491	–34,162	–	193
Securities borrowing agreements	4,765	–	4,765	–	–4,765	–	0
Total	**273,013**	**–137,700**	**135,313**	**–76,683**	**–38,927**	**–9,828**	**9,875**

31 Dec 2015, EURm	Gross recognised financial liabilities[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 pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	205,970	–127,812	78,158	–60,192	–	–10,991	6,975
Repurchase agreements	46,372	–9,888	36,484	–16,491	–19,956	–	37
Securities lending agreements	1,402	–	1,402	–	–1,402	–	0
Total	**253,744**	**–137,700**	**116,044**	**–76,683**	**–21,358**	**–10,991**	**7,012**

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 2014, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	245,959	–141,572	104,387	–79,016	–	–11,994	13,377
Reverse repurchase agreements	49,352	–	49,352	–19,299	–29,605	–	448
Securities borrowing agreements	5,272	–	5,272	–	–5,272	–	0
Total	**300,583**	**–141,572**	**159,011**	**–98,315**	**–34,877**	**–11,994**	**13,825**

31 Dec 2014, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	237,562	–141,572	95,990	–79,016	–	–10,360	6,614
Repurchase agreements	44,488	–	44,488	–19,299	–23,559	–	1,630
Securities lending agreements	2,778	–	2,778	–	–2,778	–	0
Total	**284,828**	**–141,572**	**143,256**	**–98,315**	**–26,337**	**–10,360**	**8,244**

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.

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.

G41 Discontinued operations

EURm	2015	2014
Net interest income	–	28
Net fee and commission income	–	0
Other operating income	–	4
Total operating income	**-**	**32**
Total operating expenses	–	–19
Net loan losses	–	–5
Operating profit	–	**8**
Income tax expense	–	–4
Net profit for the period from discontinued operations	–	**4**
Net result for the period recognised on the measurement at fair value	–	–19
Transaction and transition cost (including cost to sell)	–	–10
Net profit for the period from discontinued operations after measurement at fair value less cost to sell	–	**–25**

Discontinued operations relate to Nordea's earlier announced decision to divest its Polish banking, financing and life insurance operations, including Nordea Bank Polska S.A., Nordea Finance Polska S.A. and Nordea Polska Towarzystwo Ubezpieczen na Zycie S.A., to PKO Bank Polski. All regulatory approvals were received and the transaction closed during the second quarter 2014, when also the operations were derecognised. During the second quarter 2015 the scope of discontinued operations changed and the IT-operations earlier classified as discontinued operations were reclassified to continuing operations. The disposal group is excluded from Note G2 "Segment reporting" as this is not part of the reporting to the Chief Operating Decision Maker (CODM). The majority of the business was previously reported in the Retail Banking Poland segment. The impact from discontinued operation on the other comprehensive income can be found in the statement of comprehensive income.

G42 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 2015	31 Dec 2014
Repurchase agreements		
Interest-bearing securities	8,333	12,121
Securities lending agreements		
Shares	8	30
Total	**8,341**	**12,151**

Liabilities associated with the assets

EURm	31 Dec 2015	31 Dec 2014
Repurchase agreements		
Deposits by credit institutions	6,288	7,291
Deposits and borrowings from the public	1,921	4,659
Securities lending agreements		
Deposits by credit institutions	8	31
Total	**8,217**	**11,981**
Net	**124**	**170**

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 2015	31 Dec 2014
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	38,819	47,165
– of which repledged or sold	19,447	36,676
Securities borrowing agreements		
Received collaterals which can be repledged or sold	4,869	5,469
– of which repledged or sold	152	2,969
Total	**43,688**	**52,634**

G43 Investments, customer bearing the risk

The Life Group and Nordea Bank Danmark A/S have assets and liabilities included on their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included on the Group's balance sheet.

EURm	31 Dec 2015	31 Dec 2014
Assets		
Interest-bearing securities	12,205	9,971
Shares	20,921	18,294
Other assets	1,411	860
Total assets	**34,537**	**29,125**
Liabilities		
Deposits and borrowings from the public	4,293	4,287
Insurance contracts	12,236	11,025
Investment contracts	16,784	13,813
Other liabilities	1,224	–
Total liabilities	**34,537**	**29,125**

G44 Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2015			31 Dec 2014		
		Expected to be recovered or settled:			Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		35,500	–	35,500	31,067	–	31,067
Loans to central banks	G13	13,224	–	13,224	6,958	–	6,958
Loans to credit institutions	G13	9,705	1,254	10,959	10,608	1,609	12,217
Loans to the public	G13	111,672	229,248	340,920	119,462	228,623	348,085
Interest-bearing securities	G14	23,641	64,535	88,176	20,095	67,015	87,110
Financial instruments pledged as collateral	G15	1,539	6,802	8,341	3,603	8,548	12,151
Shares	G16	4,945	35,800	40,745	10,823	28,926	39,749
Derivatives	G17	12,527	68,214	80,741	14,966	90,153	105,119
Fair value changes of the hedged items in portfolio hedge of interest rate risk		10	141	151	13	243	256
Investments in associated undertakings	G18	2	513	515	2	485	487
Intangible assets	G19	93	3,115	3,208	78	2,830	2,908
Properties and equipment		20	537	557	13	496	509
Investment properties	G21	3	3,162	3,165	12	3,215	3,227
Deferred tax assets	G11	41	35	76	57	73	130
Current tax assets		87	–	87	132	–	132
Retirement benefit assets	G31	74	303	377	0	42	42
Other assets	G22	18,582	18	18,600	17,553	28	17,581
Prepaid expenses and accrued income	G23	1,164	362	1,526	1,198	416	1,614
Total assets		**232,829**	**414,039**	**646,868**	**236,640**	**432,702**	**669,342**
Deposits by credit institutions	G24	41,800	2,409	44,209	53,226	3,096	56,322
Deposits and borrowings from the public	G25	186,716	6,626	193,342	190,044	7,210	197,254
Liabilities to policyholders	G26	4,086	51,405	55,491	4,073	47,770	51,843
Debt securities in issue	G27	72,977	128,960	201,937	77,152	117,122	194,274
Derivatives	G17	13,724	65,781	79,505	13,557	83,783	97,340
Fair value changes of the hedged items in portfolio hedge of interest rate risk		521	2,073	2,594	351	3,067	3,418
Current tax liabilities		225	0	225	341	27	368
Other liabilities	G28	26,657	99	25,756	26,828	145	26,973
Accrued expenses and prepaid income	G29	1,769	36	1,805	1,909	34	1,943
Deferred tax liabilities	G11	83	945	1,028	145	838	983
Provisions	G30	305	110	415	215	90	305
Retirement benefit liabilities	G31	3	326	329	11	529	540
Subordinated liabilities	G32	642	8,558	9,200	–	7,942	7,942
Total liabilities		**348,508**	**267,328**	**615,836**	**367,852**	**271,653**	**639,505**

G44 Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2015, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	52,162	96,460	50,330	153,919	244,812	597,683
Non interest-bearing financial assets	–	–	–	–	67,601	67,601
Non-financial assets	–	–	–	–	9,748	9,748
Total assets	**52,162**	**96,460**	**50,330**	**153,919**	**322,161**	**675,032**
Interest-bearing financial liabilities	148,270	120,280	56,979	105,474	49,556	480,559
Non interest-bearing financial liabilities	–	–	–	–	46,097	46,097
Non-financial liabilities and equity	–	–	–	–	72,578	72,578
Total liabilities and equity	**148,270**	**120,280**	**56,979**	**105,474**	**168,231**	**599,234**
Derivatives, cash inflow	–	526,203	115,018	57,379	14,915	713,515
Derivatives, cash outflow	–	526,114	115,240	61,418	14,387	717,159
Net exposure	**–**	**89**	**–222**	**–4,039**	**528**	**–3,644**
Exposure	**–96,108**	**–23,731**	**–6,871**	**44,406**	**154,458**	**72,154**
Cumulative exposure	**–96,108**	**–119,839**	**–126,710**	**–82,304**	**72,154**	**–**

31 Dec 2014, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	21,618	117,658	52,743	154,129	245,499	591,647
Non interest-bearing financial assets	–	–	–	–	57,627	57,627
Non-financial assets	–	–	–	–	9,737	9,737
Total assets	**21,618**	**117,658**	**52,743**	**154,129**	**312,863**	**659,011**
Interest-bearing financial liabilities	128,160	139,785	63,412	98,666	49,086	479,109
Non interest-bearing financial liabilities	–	–	–	–	43,844	43,844
Non-financial liabilities and equity	–	–	–	–	72,356	72,356
Total liabilities and equity	**128,160**	**139,785**	**63,412**	**98,666**	**165,286**	**595,309**
Derivatives, cash inflow	–	416,856	127,842	228,299	75,117	848,114
Derivatives, cash outflow	–	435,736	126,093	217,485	75,285	854,599
Net exposure	**–**	**–18,880**	**1,749**	**10,814**	**–168**	**–6,485**
Exposure	**–106,542**	**–41,007**	**–8,920**	**66,277**	**147,409**	**57,217**
Cumulative exposure	**–106,542**	**–147,549**	**–156,469**	**–90,192**	**57,217**	**–**

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 71,340m (EUR 74,291m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 20,656m (EUR 19,838m) 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 31 Dec 2015	Associated undertakings 31 Dec 2014	Other related parties[1] 31 Dec 2015	Other related parties[1] 31 Dec 2014
Assets				
Loans	546	594	–	–
Interest-bearing securities	73	59	–	–
Derivatives	76	224	–	–
Investments in associated undertakings	515	487	–	–
Total assets	**1,210**	**1,364**	**–**	**–**
Liabilities				
Deposits	69	215	74	36
Derivatives	118	154	–	–
Total liabilities	**187**	**369**	**74**	**36**
Off balance[2]	**5,307**	**6,212**	**–**	**–**

EURm	Associated undertakings 2015	Associated undertakings 2014	Other related parties[1] 2015	Other related parties[1] 2014
Net interest income	5	9	–	–
Net fee and commission income	4	5	–	1
Net result from items at fair value	246	–90	–	–
Profit before loan losses	**255**	**–76**	**–**	**1**

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.

Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the negative fair value of the contract as of the balance sheet date amounts to approx. EUR 16m. The agreement's expiring date corresponds with the maturity dates of the bonds included in the guarantee. The latest maturity is on 31 December 2023.

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) 2015, 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, EURm	31 Dec 2015	31 Dec 2014
On-balance sheet items	414,675	404,720
Off-balance sheet items	50,746	47,191
Securities financing	5,699	4,667
Derivatives	26,757	30,992
Exposure At Default (EAD)	**497,877**	**487,570**

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 between exposure classes where each exposure class is divided into exposure types as follows:
- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):
- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

The table below on page 155 shows the link between the CRR credit risk exposure and items presented in the Annual Report.

On-balance sheet items
The following items have been excluded from the balance sheet, when calculating on-balance exposure in accordance with the CRD:
- 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 values of derivatives are recognised on the balance sheet, while nominal amounts on derivatives are reported off-balance 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.

G46 Credit risk disclosures

On-balance sheet items

31 Dec 2015, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items excluded from CRR scope of consolidation	Other	Balance sheet
Cash and balances with central banks	35,500	–	–	–	–	35,500
Loans to credit institutions and central banks	14,409	–	8,618	1,158	–2	24,183
Loans to the public	304,896	–	39,527	–4,386	883	340,920
Interest-bearing securities and pledged instruments	56,629	18,807	–	21,081	–	95,517
Derivatives[1]	–	–	82,781	–2,040	–	80,741
Intangible assets	–	–	–	342	2,866	3,208
Other assets and prepaid expenses	4,283	26,225	–	34,870	421	65,799
Total assets	**415,717**	**45,032**	**130,926**	**51,025**	**4,168**	**646,868**
Exposure at default[2]	**414,675**					

1) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.
2) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

31 Dec 2014, EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items excluded from CRR scope of consolidation	Other	Balance sheet
Cash and balances with central banks	31,067	–	–	–	–	31,067
Loans to credit institutions and central banks	14,030	–	4,822	326	–3	19,175
Loans to the public	300,926	–	49,515	–	–2,356	348,085
Interest-bearing securities and pledged instruments	53,432	24,181	–	21,648	–	99,261
Derivatives[1]	–	–	104,999	120	–	105,119
Intangible assets	–	–	–	324	2,584	2,908
Other assets and prepaid expenses	6,301	25,144	91	32,896	–705	63,727
Total assets	**405,756**	**49,325**	**159,427**	**55,314**	**–480**	**669,342**
Exposure at default[2]	**404,720**					

1) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.
2) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

Off-balance sheet items

31 Dec 2015, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	22,541	28	–	22,569
Commitments	73,673	990	–	74,663
Total	**96,214**	**1,018**	**–**	**97,232**

31 Dec 2015, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	50,637	1,422	52,059	48%	24,760
Checking accounts	16,800	4,205	21,005	51%	10,786
Loan commitments	6,194	7,827	14,021	41%	5,692
Guarantees	21,012	–	21,012	44%	8,939
Other	1,571	27	1,598	36%	569
Total	**96,214**	**13,481**	**109,695**		**50,746**

G46 Credit risk disclosures

31 Dec 2014, EURm	Credit risk in accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	21,985	32	–	22,017
Commitments	75,032	875	28	75,935
Total	**97,017**	**907**	**28**	**97,952**

31 Dec 2014, EURm	Credit risk in accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	50,777	437	51,214	48%	24,626
Checking accounts	18,161	3,960	22,121	50%	11,065
Loan commitments	6,091	7,246	13,337	36%	4,858
Guarantees	20,760	1	20,761	31%	6,335
Other	1,228	32	1,260	24%	307
Total	**97,017**	**11,676**	**108,693**		**47,191**

Exposure classes split by exposure type

As of year-end 2015, 80% of the total credit risk exposure was calculated using the IRB approach. The main part of the exposure is within the IRB corporate and IRB retail portfolios. During 2015, total exposure slightly increased due to growth of the sovereign, retail and corporate portfolios.

31 Dec 2015, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	76,620	1,074	713	4,418	82,825
Institutions	35,462	1,086	3,335	8,548	48,431
Corporate	126,266	34,021	1,111	13,416	174,814
Retail[1]	167,086	14,367	1	89	181,543
Other	9,241	198	539	286	10,264
Total exposure	**414,675**	**50,746**	**5,699**	**26,757**	**497,877**

31 Dec 2014, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	67,781	1,502	932	5,338	75,553
Institutions	37,940	968	2,751	9,994	51,653
Corporate	126,683	31,251	751	15,078	173,763
Retail[1]	163,051	13,263	–	141	176,455
Other	9,265	207	233	441	10,146
Total exposure	**404,720**	**47,191**	**4,667**	**30,992**	**487,570**

1) Includes exposures secured by real estate.

Exposure split by geography and exposure classes

Nordea is geographically well diversified and as of end 2015, no market accounts for more than 25% of the total exposure. The exposures in Denmark and Sweden represent 25% and 24% of the total exposure in Nordea respectively, while Finland accounts for 16% and Norway 13%.

G46 Credit risk disclosures

31 Dec 2015, 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	39,469	11,708	12,014	2,978	12,769	327	234	33,961	8,834	82,825
Institutions	29,311	15,229	546	4,634	8,902	6	156	2,022	16,936	48,431
Corporate	139,110	43,823	27,073	29,222	38,992	5,368	4,271	2,381	23,684	174,814
Retail	175,519	51,961	39,886	28,313	55,359	3,315	263	5	2,441	181,543
Other[1]	5,925	1,142	1,405	942	2,436	185	113	200	3,841	10,264
Total exposure	**389,334**	**123,863**	**80,924**	**66,089**	**118,458**	**9,201**	**5,037**	**38,569**	**55,736**	**497,877**

31 Dec 2014, EURm	Nordic countries	– of which Denmark	– of which Finland	– of which Norway	– of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities andcentral banks	36,204	11,294	13,261	3,222	8,427	1,254	498	28,514	9,083	75,553
Institutions	33,668	16,557	2,853	4,693	9,565	179	404	1,406	15,996	51,653
Corporate	140,586	44,457	26,265	30,940	38,924	5,501	4,505	1,970	21,201	173,763
Retail	170,596	53,023	38,982	27,986	50,605	3,237	343	4	2,275	176,455
Other[1]	6,283	1,059	1,402	979	2,843	252	111	145	3,355	10,146
Total exposure	**387,337**	**126,390**	**82,763**	**67,820**	**110,364**	**10,423**	**5,861**	**32,039**	**51,910**	**487,570**

1) Including exposures secured by real estate.

Exposure split by industry group

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (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 industry group is the largest, which together with other financial institutions account for 35% of total IRB corporate exposure. The biggest increase in terms of corporate exposure relative industry group weightings between 2014 and 2015 can be seen in industrial commercial services. The biggest decrease occurred in consumer staples.

Counterparties classified as Other, public and organisations compose the main part of the retail exposure class. The largest relative decrease compared to 2014 total figures occurred in the industry group IT software, hardware and services. The largest relative increase occurred in industrial capital goods.

EURm	31 Dec 2015	31 Dec 2014
Construction and engineering	5,673	5,179
Consumer durables (cars, appliances etc)	4,543	4,713
Consumer staples (food, agriculture etc)	13,685	14,447
Energy (oil, gas etc)	4,337	4,745
Health care and pharmaceuticals	2,010	2,141
Industrial capital goods	4,931	4,250
Industrial commercial services	16,154	14,413
IT software, hardware and services	1,856	2,226
Media and leisure	2,730	2,861
Metals and mining materials	1,081	1,098
Other financial institutions	67,167	68,383
Other materials (chemical, building materials etc)	8,213	8,180
Other, public and organisations	275,013	264,218
Paper and forest material	2,467	2,718
Real estate management and investment	46,619	47,149
Retail trade	13,045	13,378
Shipping and offshore	13,065	12,160
Telecommunication equipment	283	261
Telecommunication operators	1,642	1,742
Transportation	4,626	4,566
Utilities distribution and production	8,737	8,742
Total exposure	**497,877**	**487,570**

G46 Credit risk disclosures

Exposure secured by collaterals, guarantees and credit derivatives

The guarantees used as credit risk mitigation are to a large extent issued by central and regional governments in the Nordic countries. Banks and insurance companies are also important guarantors of credit risk. Only eligible providers of guarantees and credit derivatives can be recognised in the standardised and IRB approach for credit risk. All central governments, regional governments and institutions are eligible as well as some multinational development banks and international organisations. Corporate guarantees that have a credit assessment by an ECAI, or cases where institutions calculate REA and expected loss amount under the IRB approach and are internally rated by the institutions, are eligible. Central governments and municipalities guarantee approximately 52% of the total guaranteed exposure. Exposure guarantee by these guarantors has an average risk weight of 0%. 2% of the total guaranteed exposure is guaranteed by IRB institutions. The remainder is guaranteed by IRB corporate guarantors. Credit derivatives are only used as credit risk protection to a very limited extent since the credit portfolio is considered to be well diversified. At the end of the year, approximately 43% (41%) of the total exposure was secured by eligible collateral. The relative share of collateralised exposure remains stable.

31 Dec 2015, EURm	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
Government, local authorities and central banks	82,345	82,825	551	–
Institutions	50,375	48,431	144	608
Corporate	222,486	174,814	11,551	67,611
Retail	191,986	181,543	2,054	143,507
Other	10,967	10,264	53	52
Total exposure	**558,159**	**497,877**	**14,353**	**211,778**

31 Dec 2014, EURm	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
Government, local authorities and central banks	73,966	75,553	501	–
Institutions	54,139	51,653	524	543
Corporate	224,415	173,763	12,050	63,637
Retail	187,169	176,455	1,706	136,550
Other	10,640	10,146	16	42
Total exposure	**550,329**	**487,570**	**14,797**	**200,772**

Collateral distribution

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate to constitute a major share of eligible collateral in relative terms. The other physical collateral category saw an increase during the year while residential and commercial real estate, receivables and financial collateral decreased in relative. Real estate is commonly used as collateral for credit risk mitigation purposes. There is no concentration of real estate collateral to any particular region within the Nordic and Baltic countries. Other physical collateral consists mainly of ships.

	31 Dec 2015	31 Dec 2014
Financial Collateral	1.3%	1.4%
Receivables	0.8%	0.9%
Residential Real Estate	71.8%	71.9%
Commercial Real Estate	17.4%	17.5%
Other Physical Collateral	8.7%	8.3%
Total	**100.0%**	**100.0%**

G46 Credit risk disclosures

Loan-to-value distribution

A common way to analyse the value of the collateral is to measure the loan to value (LTV) ratio, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV range up to the top LTV bucket based on the LTV ratio. In 2015, the retail mortgage exposure remained stable including the LTV bucket representing LTV below 50%.

	31 Dec 2015		31 Dec 2014	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	105.3	78	98.2	77
50–70%	21.4	16	20.8	16
70–80%	5.1	4	5.4	4
80–90%	1.7	1	2.1	2
>90%	0.8	1	1.1	1
Total	**134.3**	**100**	**127.6**	**100**

Collateralised Debt Obligations (CDO) – Exposure[1]

Nordea acts as an intermediary in the credit derivatives market, especially in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and synthetic CDOs. When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

Credit derivative transactions create counterparty credit risk in a similar manner to other derivative trans-actions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements.

CDO valuations are subject to fair value adjustments for model risk. These fair value adjustments are recog-nised in the income statement.

	31 Dec 2015		31 Dec 2014	
Nominal, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	788	2,418	1,204	2,155
Hedged exposures	754	754	1,005	1,005
CDOs, net[2]	**34**[3]	**1,664**[4]	**199**[3]	**1,150**[4]
– of which Equity	3	509	20	355
– of which Mezzanine	10	626	98	512
– of which Senior	21	529	81	283

1) First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 15m (EUR 47m) and net sold protection to EUR 64m (EUR 46m). Both bought and sold protection are, to the predominant part, investment grade.
2) Net exposure disregards exposure where tranches are completely identical in terms of reference pool attachment, detachment, maturity and currency.
3) Of which investment grade EUR 0m (EUR 54m) and sub investment grade EUR 34m (EUR 145m).
4) Of which investment grade EUR 604m (EUR 457m) and sub investment grade EUR 962m (EUR 600m) and not rated EUR 98m (EUR 93m).

Forbearance

EURm	31 Dec 2015	31 Dec 2014
Forborne loans	5,568	6,165
– of which defaulted	2,466	2,697
Allowances for individually assessed impaired and forborne loans	1,050	1,070
– of which defaulted	1,050	1,070

Key ratios	31 Dec 2015	31 Dec 2014
Forberance ratio[1]	1.5%	1.7%
Forbearance coverage ratio[2]	19%	17%
– of which defaulted	43%	40%

1) Forborne loans / Loans before allowances.
2) Individual allowances / Forborne loans.

G46 Credit risk disclosures

Assets taken over for protection of claims[1]

EURm	31 Dec 2015	31 Dec 2014
Current assets, carrying amount:		
Land and buildings	66	90
Shares and other participations	39	26
Other assets	2	2
Total	**107**	**118**

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 2015 EUR 962m, up from EUR 628m one year ago, and past due loans for household customers increased to EUR 1,620m (EUR 1,258m).

	31 Dec 2015		31 Dec 2014	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	653	1,058	375	838
31–60 days	153	250	125	222
61–90 days	37	89	70	99
>90 days	118	223	58	99
Total	**961**	**1,620**	**628**	**1,258**
Past due not impaired loans divided by loans to the public after allowances, %	0.54	1.02	0.33	0.82

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 66% (73%) of the corporate volume represents loans up to EUR 50m per customer.

	31 Dec 2015		31 Dec 2014	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	74.8	42	89.5	48
10–50	42.0	24	47.7	25
50–100	20.1	11	19.2	10
100–250	23.4	13	20.7	11
250–500	8.3	5	7.1	4
500–	8.8	5	4.1	2
Total	**177.4**	**100**	**188.3**	**100**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note G14 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 1,330m (EUR 1,430m) and at year-end EUR 1,018m (EUR 1,103) where utilised. Total assets in the conduit were EUR 1,072m (EUR 1,177m) 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 90m) and at year-end 2015 EUR 117m (EUR 75m) were utilised. The entity holds assets of EUR 95m (EUR 80m) 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 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 347m (EUR 300m), 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 2015	31 Dec 2014
Assets, carrying amount:		
Shares	32,189	27,740
Total assets	**32,189**	**27,740**
Liabilities, carrying amount:		
Deposits and borrowings from the public	1,077	1,386
Liabilities to policy holders	30,333	25,287
Derivatives	109	105
Total liabilities	**31,519**	**26,778**
Off balance, nominal amount:		
Loan commitments	28	29

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 132bn (EUR 114bn). 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, averages 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 subsidies.

			2015				2014			
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	8,288	2,602	914	–202	8,255	2,974	1,130	–161
Finland	RB, WB, AM, LP	Finland	6,946	2,605	1,535	–358	6,971	2,197	1,136	–222
Sweden	RB, WB, AM, LP	Sweden	6,957	2,893	773	–130	6,963	2,963	706	–205
Norway	RB, WB, AM, LP	Norway	3,137	1,584	835	–180	3,238	1,732	900	–238
Russia	WB	Russia	1,085	182	94	–22	1,418	203	92	–20
Poland	Other	Poland	1,197	62	0	–2	931	15	–40	7
Estonia	RB, WB, LP	Estonia	480	90	60	–12	486	61	27	–3
Latvia	RB, WB	Latvia	436	76	28	–6	431	64	–49	–3
Luxembourg	AM, LP	Luxembourg	393	313	211	–64	373	252	143	–42
Lithuania	RB, WB, LP	Lithuania	360	38	14	–2	351	52	21	–4
United States	RB, WB, AM, LP	New York	110	147	95	–31	118	134	94	–45
United Kingdom	RB, WB, AM, LP	London	82	128	88	–17	75	103	71	0
Singapore	WB	Singapore	86	51	28	–5	85	51	50	–8
Germany	WB, AM	Frankfurt	58	33	24	–9	57	37	23	–5
Switzerland	AM	Zürich	32	14	4	–1	30	13	2	0
China	WB	Shanghai	29	7	1	–1	28	6	1	–1
Brazil	WB	Sao Paolo	5	2	0	0	4	1	0	0
Eliminations[3]			–	–686	–	–	–	–617	–	–
Total			**29,681**	**10,141**	**4,704**	**–1,042**	**29,814**	**10,241**	**4,307**	**–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 is split on countries based on the location of the customers´ operations.
3) Eliminations of transactions consist mainly of intra-group IT-services.

G48 Country by country reporting, cont.

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 2015" in Note G37 and in the last table in Note G18.

Denmark
Nordea Liv & Pension, Livforsikringsselskab A/S
Nordea Investment Management AB, Denmark Branch
Nordea, Filial af Nordea Bank AB (publ), Sverige

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finland Branch
Nordea Fund Management, filial af Nordea funds Oy, Finland
Nordea Bank AB (publ) Finnish Branch

Sweden
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Svensk Filial

Norway
Nordea Liv Holding Norge AS
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norway Branch
Nordea Funds, Norwegian Branch
Nordea Bank AB (publ), Norsk avdelning av utenlandsk foretak

Estonia
Nordea Bank AB Estonia Branch

Latvia
Nordea Bank AB Latvia Branch

Lithuania
Nordea Bank AB Lithuania Branch

Germany
Nordea Bank AB Frankfurt Branch

China
Nordea Bank AB Shanghai Branch

Poland
Nordea Bank AB Spólka Akcyjna Oddział w Połsce

Singapore
Nordea Bank Finland Plc, Singapore Branch

Switzerland
Nordea Bank S.A., Zürich Branch

United Kingdom
Nordea Bank AB London Branch

United States
Nordea Bank Finland Plc, New York and Cayman Islands Branch

Financial statements, Parent company – Contents

Income statement, Parent company

EURm	Note	2015	2014
Operating income			
Interest income		1,607	1,942
Interest expense		–1,031	–1,293
Net interest income	P3	**576**	**649**
Fee and commission income		1,094	1,093
Fee and commission expense		–273	–273
Net fee and commission income	P4	**821**	**820**
Net result from items at fair value	P5	136	186
Dividends	P6	2,176	2,333
Other operating income	P7	833	975
Total operating income		**4,542**	**4,963**
Operating expenses			
General administrative expenses:			
Staff costs	P8	–1,196	–1,070
Other expenses	P9	–851	–904
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P22, P23	–140	–261
Total operating expenses		**–2,187**	**–2,235**
Profit before loan losses		**2,355**	**2,728**
Net loan losses	P11	–143	–98
Impairment of securities held as financial non-current assets	P20	–9	–15
Operating profit		**2,203**	**2,615**
Appropriations	P12	2	–1
Income tax expense	P13	–285	–189
Net profit for the year		**1,920**	**2,425**

Statement of comprehensive income

EURm	2015	2014
Net profit for the year	**1,920**	**2,425**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–4	2
Available for sale investments[1]:		
Valuation gains/losses during the year	–55	6
Tax on valuation gains/losses during the year	12	–1
Transferred to the income statement during the year	–4	0
Tax on transfers to the income statement during the year	1	0
Cash flow hedges:		
Valuation gains/losses during the year	181	140
Tax on valuation gains/losses during the year	–40	–31
Transferred to the income statement during the year	–154	–139
Tax on transfers to the income statement during the year	34	31
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of benefit plans during the year	12	–11
Tax on remeasurement of benefit plans during the year	–3	2
Other comprehensive income, net of tax	**–20**	**–1**
Total comprehensive income	**1,900**	**2,424**

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

Balance sheet, Parent company

EURm	Note	31 Dec 2015	31 Dec 2014
Assets			
Cash and balances with central banks		75	931
Treasury bills	P14	6,905	5,035
Loans to credit institutions	P15	90,009	86,704
Loans to the public	P15	45,820	39,809
Interest-bearing securities	P16	12,163	11,321
Financial instruments pledged as collateral	P17	–	43
Shares	P18	2,363	6,061
Derivatives	P19	5,011	5,981
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1	1
Investments in group undertakings	P20	19,394	16,986
Investments in associated undertakings	P21	7	7
Intangible assets	P22	1,091	758
Properties and equipment	P23	138	119
Deferred tax assets	P13	26	14
Current tax assets		3	50
Other assets	P24	4,387	3,727
Prepaid expenses and accrued income	P25	780	884
Total assets		**188,173**	**178,431**
Liabilities			
Deposits by credit institutions	P26	19,069	27,452
Deposits and borrowings from the public	P27	61,043	49,367
Debt securities in issue	P28	68,908	63,280
Derivatives	P19	4,180	4,653
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,158	1,368
Current tax liabilities		34	4
Other liabilities	P29	3,531	2,895
Accrued expenses and prepaid income	P30	759	642
Deferred tax liabilities	P13	0	0
Provisions	P31	301	206
Retirement benefit liabilities	P32	159	171
Subordinated liabilities	P33	8,951	7,728
Total liabilities		**168,093**	**157,766**
Untaxed reserves	P34	**2**	**4**
Equity			
Share capital		4,050	4,050
Share premium reserve		1,080	1,080
Other reserves		–21	–5
Retained earnings		14,969	15,536
Total equity		**20,078**	**20,661**
Total liabilities and equity		**188,173**	**178,431**
Assets pledged as security for own liabilities	P35	1,208	3,946
Other assets pledged	P36	7,686	9,238
Contingent liabilities	P37	72,402	71,103
Commitments	P38	27,927	23,824

Statement of changes in equity, Parent company

EURm	Restricted equity	Unrestricted equity[1]					
			Other reserves:				
	Share capital	Share premium reserve	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2015	**4,050**	**1,080**	**–37**	**41**	**–9**	**15,536**	**20,661**
Net profit for the year	–	–	–	–	–	1,920	1,920
Items that may be reclassified subsequently to the income statement							
Currency translation differences during the year	–	–	–	–	–	–4	–4
Available for sale investments:							
Valuation gains/losses during the year	–	–	–	–55	–	–	–55
Tax on valuation gains/losses during the year	–	–	–	12	–	–	12
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	–	–	181	–	–	–	181
Tax on valuation gains/losses during the year	–	–	–40	–	–	–	–40
Transferred to the income statement during the year	–	–	–154	–	–	–	–154
Tax on transfers to the income statement during the year	–	–	34	–	–	–	34
Items that may not be reclassified subsequently to the income statement							
Defined benefit plans:							
Remeasurement of benefit plans during the year	–	–	–	–	12	–	12
Tax on remeasurement of benefit plans during the year	–	–	–	–	–3	–	–3
Other comprehensive income, net of tax	**–**	**–**	**21**	**–46**	**9**	**–4**	**–20**
Total comprehensive income	**–**	**–**	**21**	**–46**	**9**	**1,916**	**1,900**
Share-based payments	–	–	–	–	–	2	2
Dividend for 2014	–	–	–	–	–	–2,501	–2,501
Divestment of own shares[2]	–	–	–	–	–	16	16
Balance at 31 Dec 2015	**4,050**	**1,080**	**–16**	**–5**	**0**	**14,969**	**20,078**

1) Apart from retained earnings, unrestricted equity consists of a free fund to the amount of EUR 2,762m.
2) Refers to the change in the holding of own shares related to Long Term Incentive Programme and trading portfolio. The number of own shares were 11.7 million.

EURm	Restricted equity	Unrestricted equity[1]					
			Other reserves:				
	Share capital	Share premium reserve	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2014	**4,050**	**1,080**	**–38**	**36**	**–**	**14,793**	**19,921**
Net profit for the year	–	–	–	–	–	2,425	2,425
Items that may be reclassified subsequently to the income statement							
Currency translation differences during the year	–	–	–	–	–	2	2
Available for sale investments:							
Valuation gains/losses during the year	–	–	–	6	–	–	6
Tax on valuation gains/losses during the year	–	–	–	–1	–	–	–1
Transferred to the income statement during the year	–	–	–	0	–	–	0
Tax on transfers to the income statement during the year	–	–	–	0	–	–	0
Cash flow hedges:							
Valuation gains/losses during the year	–	–	140	–	–	–	140
Tax on valuation gains/losses during the year	–	–	–31	–	–	–	–31
Transferred to the income statement during the year	–	–	–139	–	–	–	–139
Tax on transfers to the income statement during the year	–	–	31	–	–	–	31
Items that may not be reclassified subsequently to the income statement							
Defined benefit plans:							
Remeasurement of benefit plans during the year	–	–	–	–	–11	–	–11
Tax on remeasurement of benefit plans during the year	–	–	–	–	2	–	2
Other comprehensive income, net of tax	**–**	**–**	**1**	**5**	**–9**	**2**	**–1**
Total comprehensive income	**–**	**–**	**1**	**5**	**–9**	**2,427**	**2,424**
Share-based payments	–	–	–	–	–	15	15
Dividend for 2013	–	–	–	–	–	–1,733	–1,733
Divestment of own shares[2]	–	–	–	–	–	34	34
Balance at 31 Dec 2014	**4,050**	**1,080**	**–37**	**41**	**–9**	**15,536**	**20,661**

1) Apart from retained earnings, unrestricted equity consists of a free fund to the amount of EUR 2,762m.
2) Refers to the change in the holding of own shares related to Long Term Incentive Programme and trading portfolio. The number of own shares were 17.6 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 2014	**1.0**	**4,049,951,919**	**4,049,951,919**
Balance at 31 Dec 2015	**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 17 March 2016, a dividend in respect of 2015 of EUR 0.64 per share (2014 actual dividend EUR 0.62 per share) amounting to a total of EUR 2,584,494,736 (2014 actual: EUR 2,501,100,294) is to be proposed. The financial statements for the year ended 31 December 2015 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2016.

Cash flow statement, Parent company

EURm	2015	2014
Operating activities		
Operating profit	2,203	2,615
Adjustment for items not included in cash flow	–1,026	–655
Income taxes paid	–226	–232
Cash flow from operating activities before changes in operating assets and liabilities	**951**	**1,728**
Changes in operating assets		
Change in treasury bills	–1,918	–58
Change in loans to credit institutions	–7,543	–239
Change in loans to the public	–6,153	–5,809
Change in interest-bearing securities	–927	–217
Change in financial assets pledged as collateral	43	694
Change in shares	3,699	–704
Change in derivatives, net	558	–63
Change in other assets	1,643	561
Changes in operating liabilities		
Change in deposits by credit institutions	–5,952	9,941
Change in deposits and borrowings from the public	11,460	1,817
Change in debt securities in issue	5,600	–10
Change in other liabilities	–1,570	–1,279
Cash flow from operating activities	**–109**	**6,362**
Investing activities		
Shareholder's contributions to group undertakings	–2,754	–
Sale of business operations	200	626
Acquisition of properties and equipment	–55	–30
Sale of property and equipment	1	1
Acquisition of intangible assets	–446	–258
Sale of intangible assets	–1	–
Net divestments in debt securities, held to maturity	110	209
Cash flow from investing activities	**–2,945**	**548**
Financing activities		
Issued subordinated liabilities	2,166	1,224
Amortised subordinated liabilities	–1,317	–
Repurchase/divestment of own shares incl change in trading portfolio	16	34
Dividend paid	–2,501	–1,734
Cash flow from financing activities	**–1,636**	**–476**
Cash flow for the year	**–4,690**	**6,434**
Cash and cash equivalents at the beginning of year	8,033	1,599
Cash and cash equivalents at the end of year	3,343	8,033
Change	**–4,690**	**6,434**

Comments on the cash flow statement

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

Operating activities

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

EURm	2015	2014
Depreciation	130	118
Impairment charges	19	158
Loan losses	152	122
Unrealised gains/losses	–14	–281
Capital gains/losses (net)	–171	–280
Change in accruals and provisions	287	236
Anticipated dividends	–1,293	–1,109
Group contributions	–614	–645
Translation differences	681	386
Change in fair value of the hedged items, assets/liabilities (net)	–210	641
Other	7	–1
Total	**–1,026**	**–655**

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	2015	2014
Interest payments received	1,574	2,039
Interest expenses paid	1,024	1,315

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 2015	31 Dec 2014
Cash and balances with central banks	75	931
Loans to credit institutions, payable on demand	3,268	7,102
Total	**3,343**	**8,033**

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 any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

5 year overview, Parent company

Income statement

EURm	2015	2014	2013	2012	2011
Net interest income	576	649	641	724	680
Net fee and commission income	821	820	1,009	623	560
Net result from items at fair value	136	186	131	189	234
Dividends	2 ,176	2,333	1,827	3,554	1,534
Other income	833	975	674	501	122
Total operating income	**4,542**	**4,963**	**4,282**	**5,591**	**3,130**
General administrative expenses:					
Staff costs	–1,196	–1,070	–982	–938	–823
Other expenses	–851	–904	–1,018	–842	–561
Depreciation, amortisation and impairment charges of tangible and intangible assets	–140	–261	–109	–105	–112
Total operating expenses	**–2,187**	**–2,235**	**–2,109**	**–1,885**	**–1,496**
Profit before loan losses	**2,355**	**2,728**	**2,173**	**3,706**	**1,634**
Net loan losses	–143	–98	–124	–19	–20
Impairment of securities held as financial non-current assets	–9	–15	–4	–15	–9
Operating profit	**2,203**	**2,615**	**2,045**	**3,672**	**1,605**
Appropriations	2	–1	102	–103	1
Income tax expense	–285	–189	–192	–95	–114
Net profit for the year	**1,920**	**2,425**	**1,955**	**3,474**	**1,492**

Balance sheet

EURm	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Treasury bills and interest-bearing securities	19,068	16,356	16,080	16,686	18,314
Loans to credit institutions	90,009	86,704	80,918	68,006	59,379
Loans to the public	45,820	39,809	34,155	36,214	36,421
Investments in group undertakings	19,394	16,986	17,723	17,659	16,713
Other assets	13,882	18,576	15,047	13,565	10,554
Total assets	**188,173**	**178,431**	**163,923**	**152,130**	**141,381**
Deposits by credit institutions	19,069	27,452	17,500	19,342	22,441
Deposits and borrowings from the public	61,043	49,367	47,531	50,263	44,389
Debt securities in issue	68,908	63,280	62,961	48,285	45,367
Subordinated liabilities	8,951	7,728	5,971	7,131	6,154
Other liabilities/untaxed reserves	10,124	9,943	10,039	7,734	6,109
Equity	20,078	20,661	19,921	19,375	16,921
Total liabilities and equity	**188,173**	**178,431**	**163,923**	**152,130**	**141,381**

Ratios and key figures, Parent company

	2015	2014	2013	2012	2011
Return on equity, %	10.1	12.6	10.5	20.5	9.4
Return on assets, %	1.0	1.4	1.2	2.3	1.1
Cost/income ratio, %	48.2	45.0	49.3	33.9	47.8
Loan loss ratio, basis points	31	25	36	5	5
Common Equity Tier 1 capital ratio excluding transition rules[1,2], %	18.8	21.8	20.8	17.6	24.9
Tier 1 capital ratio, excluding transition rules[1], %	22.2	25.3	23.1	19.6	28.1
Total capital ratio, excluding transition rules[1], %	27.1	30.6	28.0	24.4	33.3
Tier 1 capital[1,2,3], EURm	19,314	19,932	19,300	19,244	17,134
Risk-exposure amount, including transition rules[1], EURbn	87	79	83	98	61

1) End of the year.
2) Including result of the year.
3) The 2013 ratios are reported under the Basel II regulation framework and the 2014 and 2015 ratios are reported using the Basel III (CRR/CRD IV) framework.

P1 Accounting policies

Basis for presentation

The financial statements for the parent company, Nordea Bank AB (publ), are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the accounting recommendation RFR 2 Accounting for legal entities (RFR 2) 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.

Changed accounting policies

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

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities RFR 2 by issuing "RFR 2 Accounting for Legal Entities – January 2015". Those amendments were implemented by the parent company 1 January 2015, but have not had any significant impact on the parent company's financial statement.

Other changes implemented by the parent company 1 January 2015 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.

Changes in IFRSs not yet applied

The IASB has issued "Amendments to IAS 27, Equity method in Separate Financial Statements" which allows the equity method when accounting for investments in subsidiaries, joint ventures and associated companies. The amendment is effective as from annual periods beginning on or after 1 January 2016. The amendment is endorsed by the EU commission. However, the Swedish accounting laws do not allow the equity method for investments in subsidiaries. Nordea's expectation is that the amendments in IAS 27 will not have any significant impact on the parent company's financial statements, capital adequacy or large exposures in the period of initial application.

Other 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.

Accounting policies applicable for the parent company only

Investments in group undertakings and associated undertakings

The parent company's investments in group undertakings and associated undertakings are recognised under the cost model. At each balance sheet date, all shares in group undertakings and associated undertakings are reviewed for indications of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of each holding of shares is fully recoverable. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment charge is calculated as the difference between the carrying amount and the recoverable amount and is classified as "Impairment of securities held as financial non-current assets" in the income statement.

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 (Sw: redovisningsvaluta) 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 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 consists of how the discount rate is determined, that the calculation of the defined benefit obligation is based on current salary level without assumptions about future salary increases.

In Sweden, defined 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 local accounting requirements.

P1 Accounting policies, cont.

Group contributions

Group contributions paid to group undertakings are recognised as an increase in the value of investments in group undertakings, net of tax. Group contributions received from group undertakings are recognised as dividends. The possible tax effects on group contributions received are classified as "Income tax expense" in the income statement.

Untaxed reserves

The parent company reports untaxed reserves, related to accelerated depreciation and tax allocation reserve under tax regulations. In the consolidated financial statements, untaxed reserves are split on the items "Retained earnings" and "Deferred tax liabilities" on the balance sheet.

P2 Segment reporting

Geographical information

	Sweden		Finland		Norway		Denmark		Others		Total	
EURm	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income	576	649	–	–	–	–	–	–	–	–	576	649
Net fee and commission income	821	820	–	–	–	–	–	–	–	–	821	820
Net result from items at fair value	136	186	–	–	–	–	–	–	–	–	136	186
Dividends[1]	734	949	876	604	–	–	401	750	165	30	2,176	2,333
Other operating income	156	327	205	214	91	94	381	340	–	–	833	975
Total operating income	**2,423**	**2,931**	**1,081**	**818**	**91**	**94**	**782**	**1,090**	**165**	**30**	**4,542**	**4,963**

1) Regards dividends from group undertakings.

P3 Net interest income

EURm	2015	2014
Interest income		
Loans to credit institutions	455	651
Loans to the public	880	928
Interest-bearing securities	201	295
Other interest income	71	68
Interest income	**1,607**	**1,942**
Interest expense		
Deposits by credit institutions	–46	–127
Deposits and borrowings from the public	–83	–193
Debt securities in issue	–917	–958
Subordinated liabilities	–359	–313
Other interest expenses[1]	374	298
Interest expense	**–1,031**	**–1,293**
Net interest income	**576**	**649**

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 1,407m (EUR 1,655m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –1,424m (EUR –1,617m). Interest on impaired loans amounted to an insignificant portion of interest income.

P4 Net fee and commission income

EURm	2015	2014
Asset management commissions	154	129
Life insurance	1	1
Brokerage, securities issues and corporate finance	150	168
Custody and issuers services	34	24
Deposits	19	23
Total savings related commissions	**358**	**345**
Payments	108	105
Cards	230	238
Total payment commissions	**338**	**343**
Lending	162	157
Guarantees and documentary payment	197	215
Total lending related commissions	**359**	**372**
Other commission income	39	33
Fee and commission income	**1,094**	**1,093**
Savings and investments	–35	–30
Payments	–24	–22
Cards	–130	–136
State guarantee fees	–65	–55
Other commission expenses	–19	–30
Fee and commission expense	**–273**	**–273**
Net fee and commission income	**821**	**820**

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 181m (EUR 180m).

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 305m (EUR 298m). The corresponding amount for fee expenses is EUR –35m (EUR –30m).

P5 Net result from items at fair value

EURm	2015	2014
Equity related instruments	7	47
Interest related instruments and foreign exchange gains/losses	131	125
Other financial instruments (including credit and commodities)	–2	14
Total[1]	**136**	**186**

1) Of which EUR 26m (EUR 41m) is dividends from shares.

P5 Net result from items at fair value, cont.

Net result from categories of financial instruments

EURm	2015	2014
Available for sale assets, realised	4	0
Financial instruments designated at fair value through profit or loss	19	21
Financial instruments held for trading	29	53
Financial instruments under fair value hedge accounting	1	6
– of which net losses on hedging instruments	–157	–487
– of which net gains on hedged items	158	493
Financial assets measured at amortised cost	14	27
Foreign exchange gains/losses excluding currency hedges	69	83
Other	0	–4
Total	**136**	**186**

P6 Dividends

EURm	2015	2014
Dividends from group undertakings		
Nordea Bank Finland Plc	780	550
Nordea Bank Denmark A/S	395	739
LLC Promyshlennaya Kompaniya VESTKON	89	–
JSC Nordea Bank	6	–
Nordea Life Holding AB	–	220
Nordea Funds Ltd	96	54
Nordea Bank S.A.	70	30
Nordea Investment Management AB	120	75
Nordea Ejendomsinvestering A/S	5	11
Barkman Elektronik AB in liquidation	–	8
Dividends from associated undertakings		
Upplysningscentralen (UC) AB	–	1
Group Contributions		
Nordea Hypotek AB	492	494
Nordea Nordic Baltic 1 AB	–	8
Nordea Investment Management AB	11	14
Nordea Finans AB	112	129
Total	**2,176**	**2,333**

P7 Other operating income

EURm	2015	2014
Divestment of shares	170	278
Remuneration from group undertakings	661	691
Other	2	6
Total	**833**	**975**

P8 Staff costs

EURm	2015	2014
Salaries and remuneration (specification below)[1]	–836	–716
Pension costs (specification below)	–146	–134
Social security contributions	–233	–213
Other staff costs	19	–7
Total	**–1,196**	**–1,070**
Salaries and remuneration		
To executives[2]		
– Fixed compensation and benefits	–6	–6
– Performance-related compensation	–4	–6
– Allocation to profit-sharing	0	0
Total	**–10**	**–12**
To other employees	–826	–704
Total	**–836**	**–716**

1) Allocation to profit-sharing foundation 2015 EUR 29m (EUR 25m) consists of a new allocation of EUR 28m (EUR 24m) and an allocation related to prior year of EUR 1m (EUR 1m).
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 18 (15) positions.

EURm	2015	2014
Pension costs[1]		
Defined benefit plans	–77	–73
Defined contribution plans	–69	–61
Total	**–146**	**–134**

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 17 March 2016.

Compensation to key management personnel

Salaries and renumeration 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".

Long Term Incentive Programmes

Participation in the Long Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares. For more information about conditions and requirements, see Note G7 "Staff costs".

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).

The expenses in below table regards only employees in Nordea Bank AB (publ).

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

EURm	LTIP 2012	LTIP 2011
Total expense during 2015	–1	–
Total expense during 2014	–5	–1

1) All amounts excluding social security contribution.

Cash-settled share-based payment transactions

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

In addition Nordea 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 2015 is paid no earlier than autumn 2019. 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 2015 is decided during spring 2016, and a reservation of EUR 18m excl. social costs is made 2015. 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	2015	2014
Opening balance	7	3
Reclassification[1]	2	–
Deferred/earned during the year	16	5
TSR indexation during the year	1	1
Payments during the year[2]	–5	–1
Translation differences	1	–1
Closing balance	**22**	**7**

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

P8 Staff costs, cont.

Average number of employees

	Total		Men		Women	
	2015	2014	2015	2014	2015	2014
Full-time equivalents						
Sweden	6,450	6,485	3,034	2,983	3,416	3,502
Other countries	4,151	3,613	2,200	1,854	1,951	1,759
Total average	**10,601**	**10,098**	**5,234**	**4,837**	**5,367**	**5,261**

Gender distribution, executives

Per cent	31 Dec 2015	31 Dec 2014
Nordea Bank AB (publ)		
Board of Directors – Men	56	50
Board of Directors – Women	44	50
Other executives – Men	78	86
Other executives – Women	22	14

P9 Other expenses

EURm	2015	2014
Information technology	–467	–538
Marketing and representation	–31	–34
Postage, transportation, telephone and office expenses	–48	–55
Rents, premises and real estate	–136	–133
Other[1]	–169	–144
Total	**–851**	**–904**

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2015	2014
PricewaterhouseCoopers		
Auditing assignments	–2	–
Audit-related services	0	–
Tax advisory services	0	–
Other assignments	–1	–
Total	**–3**	**–**
KPMG		
Auditing assignments	–1	–2
Audit-related services	–1	0
Tax advisory services	–	0
Other assignments	0	–1
Total	**–2**	**–3**

P10 Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2015	2014
Depreciation/amortisation		
Properties and equipment (Note P23)		
Equipment	–26	–27
Intangible assets (Note P22)		
Goodwill	–56	–49
Computer software	–31	–31
Other intangible assets	–17	–11
Total	**–130**	**–118**
Impairment charges		
Intangible assets (Note P22)		
Computer software	–7	–142
Other intangible assets	–3	–1
Total	**–10**	**–143**
Total	**–140**	**–261**

P11 Net loan losses

EURm	2015	2014
Loan losses divided by class		
Recoveries on previous realised loan losses	0	–
Provisions	0	–
Reversals of previous provisions	1	0
Loans to credit institutions[1]	**1**	**0**
Realised loan losses	–72	–68
Allowances to cover realised loan losses	34	24
Recoveries on previous realised loan losses	8	23
Provisions	–175	–77
Reversals of previous provisions	84	64
Loans to the public[1]	**–121**	**–34**
Realised loan losses	–9	–37
Recoveries on previous realised loan losses	6	–
Provisions	–42	–77
Reversals of previous provisions	22	50
Off-balance sheet items[2]	**–23**	**–64**
Net loan losses	**–143**	**–98**

1) See Note P15 "Loans and impairment".
2) Included in Note P31 "Provisions" as "Transfer risk" and "Guarantees".

P12 Appropriations

EURm	2015	2014
Change in depreciation in excess of plan, equipment	2	–1
Total	**2**	**–1**

P13 Taxes

Income tax expense

EURm	2015	2014
Current tax	–303	–176
Deferred tax	18	–13
Total	**–285**	**–189**

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2015	2014
Profit before tax	2,205	2,614
Tax calculated at a tax rate of 22.0%	–485	–575
Tax-exempt income	381	431
Non-deductible expenses	–81	–16
Adjustments relating to prior years	–100	–29
Tax charge	**–285**	**–189**
Average effective tax rate	13%	7%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2015	2014	2015	2014
Deferred tax related to:				
Derivatives	4	10	–	–
Properties and equipment	–	–	11	9
Retirement benefit obligations	7	3	–	–
Liabilities/provisions	26	10	0	0
Netting between deferred tax assets and liabilities	–11	–9	–11	–9
Total	**26**	**14**	**0**	**0**

P14 Treasury bills

EURm	31 Dec 2015	31 Dec 2014
State and sovereigns	6,086	4,328
Municipalities and other public bodies[1]	819	750
Total	**6,905**	**5,078**
– of which Financial instruments pledged as collateral (Note P17)	–	43
Total	**6,905**	**5,035**

1) Of which EUR 32m (EUR 0m) held at amortised cost with a nominal amount of EUR 32m (EUR 0m).

P15 Loans and impairment

EURm	Credit institutions 31 Dec 2015	Credit institutions 31 Dec 2014	The public 31 Dec 2015	The public 31 Dec 2014	Total 31 Dec 2015	Total 31 Dec 2014
Loans, not impaired	90,011	86,706	45,591	39,501	135,602	126,207
Impaired loans	–	–	629	636	629	636
– Performing	–	–	309	312	309	312
– Non-performing	–	–	320	324	320	324
Loans before allowances	**90,011**	**86,706**	**46,220**	**40,137**	**136,231**	**126,843**
Allowances for individually assessed impaired loans	–	–	–314	–254	–314	–254
– Performing	–	–	–120	–127	–120	–127
– Non-performing	–	–	–194	–127	–194	–127
Allowances for collectively assessed impaired loans	–2	–2	–86	–74	–88	–76
Allowances	**–2**	**–2**	**–400**	**–328**	**–402**	**–330**
Loans, carrying amount	**90,009**	**86,704**	**45,820**	**39,809**	**135,829**	**126,513**

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 2015	**–**	**–2**	**–2**	**–254**	**–74**	**–328**	**–254**	**–76**	**–330**
Provisions	–	0	0	–143	–32	–175	–143	–32	–175
Reversals of previous provisions	–	1	1	60	24	84	60	25	85
Changes through the income statement	**–**	**1**	**1**	**–83**	**–8**	**–91**	**–83**	**–7**	**–90**
Allowances in sold and acquired loan portfolios	–	–	–	–6	–4	–10	–6	–4	–10
Allowances used to cover realised loan losses	–	–	–	34	–	34	34	–	34
Translation differences	–	–1	–1	–5	0	–5	–5	–1	–6
Closing balance at 31 Dec 2015	**–**	**–2**	**–2**	**–314**	**–86**	**–400**	**–314**	**–88**	**–402**
Opening balance at 1 Jan 2014	**0**	**–2**	**–2**	**–118**	**–54**	**–172**	**–118**	**–56**	**–174**
Provisions	–	0	0	–75	–2	–77	–75	–2	–77
Reversals of previous provisions	–	0	0	58	6	64	58	6	64
Changes through the income statement	**–**	**0**	**0**	**–17**	**4**	**–13**	**–17**	**4**	**–13**
Allowances in sold and acquired loan portfolios	–	–	–	–150	–26	–176	–150	–26	–176
Allowances used to cover realised loan losses	–	–	–	24	–	24	24	–	24
Translation differences	–	0	0	7	2	9	7	2	9
Closing balance at 31 Dec 2014	**–**	**–2**	**–2**	**–254**	**–74**	**–328**	**–254**	**–76**	**–330**

P15 Loans and impairment, cont.

Allowances and provisions[1]

	Credit institutions		The public		Total	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Allowances for items on the balance sheet	–2	–2	–400	–328	–402	–330
Provisions for off balance sheet items	–181	–162	–2	–1	–183	–163
Total allowances and provisions	**–183**	**–164**	**–402**	**–329**	**–585**	**–493**

1) Included in Note P31 "Provisions" as "Transfer risk" and "Guarantees".

Key ratios

	31 Dec 2015	31 Dec 2014
Impairment rate, gross, basis points	46	50
Impairment rate, net, basis points	23	30
Total allowance rate, basis points	29	26
Allowances in relation to impaired loans, %	50	40
Total allowances in relation to impaired loans, %	64	52
Non-performing loans, not impaired, EURm	41	68

P16 Interest-bearing securities

EURm	31 Dec 2015	31 Dec 2014
Issued by public bodies	45	43
Issued by other borrowers[1]	12,118	11,278
Total	**12,163**	**11,321**
Listed securities	12,163	11,166
Unlisted securities	–	155
Total	**12,163**	**11,321**

1) Of which EUR 30m (EUR 111m) held at amortised cost with a nominal amount of EUR 30m (EUR 112m).

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 2015	31 Dec 2014
Treasury bills	–	43
Total	**–**	**43**

For more information on transferred assets, see Note P44 "Transferred assets and obtained collaterals".

P18 Shares

EURm	31 Dec 2015	31 Dec 2014
Shares	2,363	6,060
Shares taken over for protection of claims	0	1
Total	**2,363**	**6,061**
Listed shares	2,331	6,029
Unlisted shares	32	32
Total	**2,363**	**6,061**

P19 Derivatives and hedge accounting

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	1,913	1,983	200,183
FRAs	9	10	57,952
Futures and forwards	0	0	2,696
Options	84	84	62,092
Other	3	2	11,307
Total	**2,009**	**2,079**	**334,230**
Equity derivatives			
Equity swaps	116	137	253
Futures and forwards	–	1	19
Options	57	9	334
Total	**173**	**147**	**606**
Foreign exchange derivatives			
Currency and interest rate swaps	630	531	16,869
Currency forwards	47	345	27,949
Total	**677**	**876**	**44,818**
Credit derivatives	5	1	299
Other derivatives	–	6	1,668
Total derivatives held for trading	**2,864**	**3,109**	**381,621**
Derivatives used for hedge accounting			
Interest rate derivatives	1,427	232	45,711
Foreign exchange derivatives	720	839	10,243
Total derivatives used for hedge accounting	**2,147**	**1,071**	**55,954**
– of which fair value hedges[1]	1,612	238	50,768
– of which cash flow hedges[1]	535	833	10,243
Total derivatives	**5,011**	**4,180**	**437,575**

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.

P19 Derivatives and hedge accounting, cont.

31 Dec 2014, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	2,315	2,423	138,982
FRAs	57	66	63,168
Futures and forwards	0	0	1,866
Options	–	5	11,097
Other	5	0	4,258
Total	**2,377**	**2,494**	**219,371**
Equity derivatives			
Equity swaps	57	215	272
Futures and forwards	0	5	97
Options	277	230	2,648
Total	**334**	**450**	**3,017**
Foreign exchange derivatives			
Currency and interest rate swaps	534	477	17,745
Currency forwards	424	22	17,581
Total	**958**	**499**	**35,326**
Credit derivatives	8	–	256
Other derivatives	5	–	1,772
Total derivatives held for trading	**3,682**	**3,443**	**259,742**
Derivatives used for hedge accounting			
Interest rate derivatives	1,764	404	42,020
Equity derivatives	0	5	55
Foreign exchange derivatives	535	801	9,872
Total derivatives used for hedge accounting	**2,299**	**1,210**	**51,947**
– of which fair value hedges[1]	1,747	360	46,635
– of which cash flow hedges[1]	552	850	32,130
Total derivatives	**5,981**	**4,653**	**311,689**

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.

P20 Investments in group undertakings

EURm	31 Dec 2015	31 Dec 2014
Acquisition value at beginning of year	17,611	18,347
Acquisitions/capital contributions during the year	2,754	56
Revaluations under hedge accounting	–298	–425
IFRS 2 expenses[1]	1	9
Sales during the year	–40	–376
Acquisition value at end of year	**20,028**	**17,611**
Accumulated impairment charges at beginning of year	–625	–624
Accumulated impairment charges on group undertakings sold during the year	–	14
Impairment charges during the year	–9	–15
Accumulated impairment charges at end of year	**–634**	**–625**
Total	**19,394**	**16,986**
– of which listed shares	–	–

1) Allocation of IFRS 2 expenses for LTIP 2012 related to the group undertakings.

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 2015	Number of shares	Carrying amount 2015, EURm	Carrying amount 2014, EURm	Voting power of holding %	Domicile	Registration number
Nordea Bank Finland Plc	1,030,800,000	7,962	5,962	100.0	Helsinki	1680235–8
Nordea Finance Finland Ltd				100.0	Helsinki	0112305–3
Nordea Bank Danmark A/S	50,000,000	4,020	4,024	100.0	Copenhagen	13522197
Nordea Finans Danmark A/S				100.0	Høje Taastrup	89805910
Nordea Kredit Realkreditaktieselskab				100.0	Copenhagen	15134275
Fionia Asset Company A/S				100.0	Copenhagen	31934745
Nordea Bank Norge ASA	551,358,576	2,811	2,428	100.0	Oslo	911044110
Nordea Eiendomskreditt AS				100.0	Oslo	971227222
Nordea Finans Norge AS				100.0	Oslo	924507500
Privatmegleren AS				100.0	Oslo	986386661
LLC Promyshlennaya Kompaniya Vestkon	4,601,942,680[1]	659	659	100.0	Moscow	1027700034185
JSC Nordea Bank				100.0	Moscow	1027739436955
Nordea Life Holding AB	1,000	719	719	100.0	Stockholm	556742–3305
Nordea Liv & Pension, Livforsikringsselskab A/S				100.0	Ballerup	24260577
Livforsikringsselskapet Nordea Liv Norge AS				100.0	Bergen	959922659
Nordea Livförsäkring Sverige AB (publ)				100.0	Stockholm	516401–8508
Nordea Life Assurance Finland Ltd				100.0	Helsinki	0927072–8

P20 Investments in group undertakings, cont.

31 Dec 2015	Number of shares	Carrying amount 2015, EURm	Carrying amount 2014, EURm	Voting power of holding %	Domicile	Registration number
Nordea Funds Ltd	3,350	385	174	100.0	Helsinki	1737785–9
Nordea Bank S.A.	999,999	455	455	100.0	Luxembourg	B–14157
Nordea Hypotek AB (publ)[2]	100,000	1,900	1,874	100.0	Stockholm	556091–5448
Nordea Nordic Baltic 1 AB[3]	15,000	–	242	100.0	Stockholm	556020–4694
Nordea Finans Sverige AB (publ)[2]	1,000,000	118	104	100.0	Stockholm	556021–1475
Nordea Investment Management AB	12,600	231	231	100.0	Stockholm	556060–2301
Nordea Ejendomsinvestering A/S	1,000	29	29	100.0	Glostrup	26640172
Nordea IT Polska S.p. z.o.o.	100	30	30	100.0	Warsaw	0000429783
PK Properties Int'l Corp	100,000	0	0	100.0	Atlanta, USA	601624718
Nordea Hästen Fastighetsförvaltning AB	1,000	0	0	100.0	Stockholm	556653–6800
Nordea Putten Fastighetsförvaltning AB	1,000	0	0	100.0	Stockholm	556653–5257
Nordea do Brasil Representações Ltda	1,162,149	0	0	100.0	Sao Paulo, Brazil	51.696.268/0001–40
Nordic Baltic Holding (NBH) AB	1,000	26	0	100.0	Stockholm	556592–7950
Nordea Fastigheter AB[3]	3,380,000	–	1	100.0	Stockholm	556021–4917
Promano Est OÜ	1	10	10	100.0	Tallinn, Estonia	11681888
Uus-Sadama 11 OÜ	1	0	0	100.0	Tallinn, Estonia	11954914
SIA Promano Lat	21,096	12	14	100.0	Riga, Latvia	40103235197
SIA Realm	7,034	6	7	100.0	Riga, Latvia	50103278681
SIA Lidosta RE	765	1	1	100.0	Riga, Latvia	40103424424
SIA Trioleta	2,786	4	4	99.9	Riga, Latvia	40103565264
Promano Lit UAB	34,528	11	11	100.0	Vilnius, Lithua-nia	302423219
UAB Recurso	15,000	5	5	100.0	Vilnius, Lithua-nia	302784511
UAB Inrec	6,900	–	2	100.0	Vilnius, Lithua-nia	302996806
Total		**19,394**	**16,986**			

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon. Combined ownership, Nordea Bank AB directly 7.2% and indirectly 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).
3) Transferred to Nordea Baltic Holding AB in September 2015 .

P21 Investments in associated undertakings

EURm	31 Dec 2015	31 Dec 2014
Acquisition value at beginning of year	7	7
Acquisition value at end of year	**7**	**7**
– of which listed shares	–	–

P22 Intangible assets

EURm	31 Dec 2015	31 Dec 2014
Goodwill allocated to cash generating units		
Retail Banking	284	305
Goodwill, total	**284**	**305**
Computer software	766	416
Other intangible assets	41	37
Other intangible assets, total	**807**	**453**
Intangible assets, total	**1,091**	**758**
Movements in goodwill		
Acquisition value at beginning of year	1,059	1,059
Acquisition during the year	35	–
Acquisition value at end of year	**1,094**	**1,059**
Accumulated amortisation at beginning of year	–754	–705
Amortisation according to plan for the year	–56	–49
Accumulated amortisation at end of year	**–810**	**–754**
Total	**284**	**305**
Movements in computer software		
Acquisition value at beginning of year	682	465
Acquisitions during the year	388	217
Disposals during the year	–209	–
Acquisition value at end of year	**861**	**682**
Accumulated amortisation at beginning of year	–120	–89
Amortisation according to plan for the year	–31	–31
Accumulated amortisation on disposals	63	–
Accumulated amortisation at end of year	**–88**	**–120**
Accumulated impairment charges at beginning of year	–146	–9
Accumulated impairment charges on disposals during the year	146	–
Impairment charges during the year	–7	–142
Reclassifications	–	5
Accumulated impairment charges at end of year	**–7**	**–146**
Total	**766**	**416**
Movements in other intangible assets		
Acquisition value at beginning of year	89	48
Acquisitions during the year	23	41
Disposals during the year	–6	–
Acquisition value at end of year	**106**	**89**
Accumulated amortisation at beginning of year	–51	–40
Amortisation according to plan for the year	–17	–11
Accumulated amortisation on disposals during the year	6	–
Accumulated amortisation at end of year	**–62**	**–51**
Accumulated impairment at beginning of year	–1	–
Accumulated impairment charges on disposals during the year	1	–1
Impairment charges during the year	–3	–1
Accumulated impairment charges at end of year	**–3**	**–1**
Total	**41**	**37**

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. See Note G19 "Intangible assets" and Note G1 "Accounting policies" section 4 for more information.

P23 Properties and equipment

EURm	31 Dec 2015	31 Dec 2014
Properties and equipment	138	119
– of which buildings for own use	0	0
Total	**138**	**119**
Movements in equipment		
Acquisition value at beginning of year	266	268
Acquisitions during the year	55	30
Sales/disposals during the year	–14	–32
Acquisition value at end of year	**307**	**266**
Accumulated depreciation at beginning of year	–147	–150
Accumulated depreciation on sales/disposals during the year	4	30
Depreciations according to plan for the year	–26	–27
Accumulated depreciation at end of year	**–169**	**–147**
Total	**138**	**119**

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 2015	31 Dec 2014
Leasing expenses during the year	**–141**	**–117**
– of which minimum lease payments	–137	–117
– of which contingent rents	–4	–
Leasing income during the year regarding sublease payments	**13**	**14**

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

EURm	31 Dec 2015
2016	88
2017	69
2018	59
2019	44
2020	36
Later years	244
Total	**540**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 237m. EUR 224m of the subleases are towards group undertakings.

P24 Other assets

EURm	31 Dec 2015	31 Dec 2014
Claims on securities settlement proceeds	403	276
Cash/margin receivables	1,010	–
Anticipated dividends from group undertakings	1,296	1,109
Group contributions	615	644
Other	1,063	1,698
Total	**4,387**	**3,727**

P25 Prepaid expenses and accrued income

EURm	31 Dec 2015	31 Dec 2014
Accrued interest income	109	115
Other accrued income	101	81
Prepaid expenses	570	688
Total	**780**	**884**

P26 Deposits by credit institutions

EURm	31 Dec 2015	31 Dec 2014
Central banks	2,550	2,418
Banks	15,672	24,258
Other credit institutions	847	776
Total	**19,069**	**27,452**

P27 Deposits and borrowings from the public

EURm	31 Dec 2015	31 Dec 2014
Deposits	60,423	48,176
Borrowings	620	1,191
Total	**61,043**	**49,367**

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included.

P28 Debt securities in issue

EURm	31 Dec 2015	31 Dec 2014
Certificates of deposit	7,460	55
Commercial papers	23,244	29,246
Bond loans	38,138	33,908
Other	66	71
Total	**68,908**	**63,280**

P29 Other liabilities

EURm	31 Dec 2015	31 Dec 2014
Liabilities on securities settlement proceeds	69	215
Sold, not held, securities	136	285
Cash/margin payables	1,982	–
Accounts payable	15	22
Other	1,329	2,373
Total	**3,531**	**2,895**

P30 Accrued expenses and prepaid income

EURm	31 Dec 2015	31 Dec 2014
Accrued interest	6	13
Other accrued expenses	526	443
Prepaid income	227	186
Total	**759**	**642**

P31 Provisions

EURm	31 Dec 2015	31 Dec 2014
Restructuring	116	42
Transfer risk	–	1
Guarantees	183	162
Other	2	1
Total	**301**	**206**

	Restructuring	Transfer risk	Guarantees	Other	Total
At beginning of year	42	1	162	1	206
New provisions made	94	0	42	1	137
Provisions utilised	–20	0	0	0	–20
Reversals	–1	–1	–21	0	–23
Translation differences	1	0	0	0	1
At end of year	**116**	**0**	**183**	**2**	**301**

Provision for restructuring costs amounts to EUR 116m and covers termination benefits (EUR 96m) and other provisions mainly related to redundant premises (EUR 20m). Loan loss provisions for guarantees amounts to EUR 183m, of which EUR 180m covers the guarantee in favour of Nordea Bank Finland Plc.

P32 Retirement benefit obligations

Pension provisions

The pension liabilities of Nordea Bank AB (publ) are mainly covered by allocations to its pension foundation.

The provisions in the balance sheet pertain to former employees of Postgirot Bank and pension obligations in foreign branches. EUR 129m (EUR 124 m) of the provisions are covered by "Tryggandelagen".

A small percentage of the pension obligations are covered by insurance policies.

The following figures are mainly based on calculations in accordance with Swedish rules ("Tryggandelagen").

The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

Specification of amounts recognised on the balance sheet

EURm	31 Dec 2015	31 Dec 2014
Present value of commitments relating to in whole or in part funded pension plans	–1,323	–1,155
Fair value at the end of the period relating to specifically separated assets	1,421	1,384
Surplus in the pension foundation	**98**	**229**
Present value of commitments relating to unfunded pension plans	–159	–171
Unrecognised surplus in the pension foundation	–98	–229
Reported liability net on the balance sheet	**–159**	**–171**

Movements in the liability recognised on balance sheet as pension

EURm	31 Dec 2015	31 Dec 2014
Balance at 1 Jan recognised as pension commitments	171	166
Pensions paid related to former employees of Postgirot Bank	–7	–7
Actuarial pension calculations through Profit and Loss	14	12
Actuarial pension calculations through Balance Sheet	–18	10
Effect of exchange rate changes	–1	–10
Balance at 31 Dec	**159**	**171**

Specification of cost and income in respect of pensions

EURm	2015	2014
Pensions paid related to former employees of Postgirot Bank	–7	–7
Pensions paid covered by the pension foundation	–63	–61
Actuarial pension calculations	–7	–5
Defined benefit plans	**–77**	**–73**
Defined contribution plans	–69	–61
Pension costs[1]	**–146**	**–134**
Return on specifically separated assets, %	2.5	12.4

1) See Note P8 "Staff costs".

Actual value of holdings in pension foundations

EURm	31 Dec 2015	31 Dec 2014
Shares	370	353
Interest-bearing securities	1,004	1,004
Other assets	47	27
Total	**1,421**	**1,384**

P32 Retirement benefit obligations, cont.

Main assumptions for defined benefit obligations

	2015	2014
Discount rate	1.6%	2.2%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes

Next year's expected payment regarding defined benefit plans amounts to EUR 70m.

P33 Subordinated liabilities

EURm	31 Dec 2015	31 Dec 2014
Dated subordinated debenture loans	5,949	4,435
Hybrid capital loans	3,002	3,293
Total	**8,951**	**7,728**

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 the 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 386 m (EUR 417 m).

At 31 December 2015 six loans – with terms specified below – exceeded 10% of the total outstanding volume dated subordinated loans.

EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan[1]	1,250	1,142	Fixed
Dated loan[2]	750	749	Fixed
Dated loan[3]	1,000	998	Fixed
Dated loan[4]	750	747	Fixed
Dated loan[5]	1,000	911	Fixed
Dated loan[6]	750	743	Fixed

1) Maturity date 13 May 2021.
2) Call date 15 February 2017, maturity date 15 February 2022.
3) Maturity date 2 March 2020.
4) Maturity date 29 March 2021.
5) Maturity date 21 September 2022.
6) Call date 10 November 2020, maturity date 10 November 2025.

P34 Untaxed reserves

EURm	31 Dec 2015	31 Dec 2014
Accumulated excess depreciation, equipment	2	4

P35 Assets pledged as security for own liabilities

EURm	31 Dec 2015	31 Dec 2014
Assets pledged for own liabilities		
Securities etc[1]	1,208	3,946
Total	**1,208**	**3,946**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	337	2,508
Deposits and borrowings from the public	1,014	268
Total	**1,351**	**2,776**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note P44 "Transferred assets and obtained collaterals" which are permitted to be sold or repledged.

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

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 7,686m (EUR 9,238m). 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 2015	31 Dec 2014
Guarantees		
– Loan guarantees	69,576	70,024
– Other guarantees	2,667	918
Other contingent liabilities	159	161
Total	**72,402**	**71,103**

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 2015 the guarantees cover exposures amounting to EUR 2bn. 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 issued a guarantee of maximum EUR 60 bn in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees the majority of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The guarantee covers EUR 7bn of corporate loans, guarantees, documentary credits and loan commitments. In addition, EUR 5bn of derivatives are covered by the guarantee as of 31 December 2015. The maximum amount of derivatives guaranteed is EUR 10bn. The guarantee increased the REA by EUR 10bn. The guarantee will generate commission income, while the losses recognized on the guaranteed exposures will be transferred to Nordea Bank AB (publ). The guarantee is priced at arm's length, including expected credit losses and the cost of capital required by the guarantee. All internal transactions in the guarantee are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age.

Legal proceedings

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

P38 Commitments

EURm	31 Dec 2015	31 Dec 2014
Credit commitments	10,988	9,710
Unutilised portion of approved overdraft facilities	16,658	14,114
Other commitments	281	–
Total	**27,927**	**23,824**

For information about derivatives see Note P19 "Derivatives and hedge accounting".

P39 Capital adequacy

Table A2 Transitional own funds

For information of the capital adequacy regulations see Note G37 "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	13,050	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–21	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	–664	0
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**17,495**	**–**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–19	–
8	Intangible assets (net of related tax liability) (negative amount)	–1,091	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	–
11	Fair value reserves related to gains or losses on cash flow hedges	16	–
12	Negative amounts resulting from the calculation of expected loss amounts	0	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–28	–
15	Defined-benefit pension fund assets (negative amount)	0	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	–
25	of which: deferred tax assets arising from temporary differences	0	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	–
	Of which: …filter for unrealised loss 1	0	19
	Of which: …filter for unrealised gain 1	0	137
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–1,121**	**–**
29	**Common Equity Tier 1 (CET1) capital**	**16,373**	**–**
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,241	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	729	0
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,970**	**–**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–30**	**–**
44	**Additional Tier 1 (AT1) capital**	**2,941**	**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**19,314**	**–**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	5,686	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	–
50	Credit risk adjustments	109	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,795**	**–**

P39 Capital adequacy, cont.

Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–58	–
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)	–1,501	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–1,560**	**–**
58	**Tier 2 (T2) capital**	**4,235**	**–**
59	**Total capital (TC = T1 + T2)**	**23,549**	**–**
60	**Total risk weighted assets**	**87,032**	**–**
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.8%	–
62	Tier 1 (as a percentage of risk exposure amount)	22.2%	–
63	Total capital (as a percentage of risk exposure amount)	27.1%	–
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)	2.9%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.4%	–
67	of which: systemic risk buffer requirement	0.0%	–
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.3%	–
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)	1	–
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)	746	–
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)	27	–
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)	35,613	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	214	–
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	0	–
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	–
82	Current cap on AT1 instruments subject to phase out arrangements	1,379	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	–
84	Current cap on T2 instruments subject to phase out arrangements	350	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	–

P39 Capital adequacy, cont.

Minimum capital requirement and REA

EURm	31 Dec 2015 Minimum capital requirement	31 Dec 2015 REA	31 Dec 2014 Minimum capital requirement	31 Dec 2014 REA
Credit risk	**6,346**	**79,328**	**5,759**	**71,986**
- of which counterparty credit risk	133	1,660	100	1,249
IRB	2,849	35,613	2,674	33,429
- corporate	2,367	29,584	2,130	26,622
- advanced	1,717	21,467	1,461	18,257
- foundation	649	8,117	669	8,365
- institutions	256	3,195	302	3,777
- retail	125	1,562	148	1,854
- secured by immovable property collateral	7	84	7	86
- other retail	118	1,479	141	1,768
- other	102	1,272	94	1,176
Standardised	3,497	43,715	3,085	38,557
- central governments or central banks	5	66	14	174
- regional governments or local authorities	2	19	1	8
- public sector entities	–	–	–	–
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	1,279	15,986	1,319	16,481
- corporate	42	529	57	718
- retail	26	323	28	345
- secured by mortgages on immovable properties	212	2,646	202	2,530
- in default	3	43	5	60
- associated with particularly high risk	–	–	–	–
- covered bonds	0	0	0	0
- institutions and corporates with a short-term	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	1,925	24,065	1,451	18,139
- other items	3	36	8	102
Credit Value Adjustment Risk	**12**	**156**	**14**	**172**
Market risk	**210**	**2,623**	**218**	**2,724**
- trading book, Internal Approach	23	288	42	524
- trading book, Standardised Approach[1]	–	–	2	26
- banking book, Standardised Approach	187	2,335	174	2,174
Operational risk	**378**	**4,730**	**322**	**4,028**
Standardised	378	4,730	322	4,028
Additional risk exposure amount due to Article 3 CRR	**16**	**195**	**–**	**–**
Sub total	**6,963**	**87,032**	**6,313**	**78,910**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	–	–	–	–
Total	**6,963**	**87,032**	**6,313**	**78,910**

1) Market risk – of which trading book, Standardised Approach, have been restated for 2014.

Leverage ratio

	31 Dec 2015	31 Dec 2014
Tier 1 capital, transitional definition, EURm[1]	19,314	20,047
Leverage ratio exposure, EURm	227,029	225,148
Leverage ratio, percentage	8.5	8.9

1) Including profit of the period.

More Capital Adequacy information can be found in the section "Risk, Liquidity and Capital Management".

P39 Capital adequacy, cont.

Capital requirements for market risk, 31 December 2015

	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]	16	1	–	–	–	–	16	1
Equity risk	122	10	–	–	–	–	122	10
Foreign exchange risk	23	2	–	–	2,335	187	2,357	189
Commodity risk	–	–	–	–	–	–	–	–
Settlement risk	–	–	–	–	–	–	–	–
Diversification effect	–9	–1	–	–	–	–	–9	–1
Stressed Value-at-Risk	136	11	–	–	–	–	136	11
Incremental Risk Measure	0	0	–	–	–	–	0	0
Comprehensive Risk Measure	–	–	–	–	–	–	–	–
Total	**288**	**23**	**–**	**–**	**2,335**	**187**	**2,623**	**210**

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.

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 main features template – CET 1

	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 – AT

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)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947
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 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 Swedish law	Governed by English law, except for the subordination provisions which are governed by 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
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	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
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
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 153m	EUR 76m	EUR 912m	EUR 455m	EUR 243m	EUR 129m	EUR 502m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 153m	JPY 10,000m / EUR 76m	USD 1,000m / EUR 919m	USD 500m / EUR 459m	SEK 2,250m / EUR 245m	NOK 1,250m / EUR 130m	USD 550m / EUR 505m
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
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
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
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
12	Perpetual or dated	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
14	Issuer call subject to prior supervisory approval	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
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

P39 Capital adequacy, cont.

Additional Tier 1 instrument

Coupons / dividends

17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	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
19	Existence of a dividend stopper	Yes	Yes	Yes	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
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
21	Existence of step up or other incentive to redeem	No	Yes	Yes	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
23	Convertible or 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
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
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
33	If write-down, permanent or 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
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
36	Non-compliant transitioned features	Yes	Yes	Yes	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

P39 Capital adequacy, cont.

Table A5 – Capital instruments' main features – T2

Tier 2 instrument

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)	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	XS0743689993	US65557FAD87/ US65557HAD44
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 the laws of the State of New York, 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 the laws of the State of New York, except for the subordination provisions which are governed by 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 845m (84.5 per cent of Nominal amount, <5 yrs to maturity)	EUR 747m	EUR 1,142m	EUR 749m	EUR 911m
9	Nominal amount of instrument	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,148m	EUR 750m	USD 1,000m / EUR 919m
9a	Issue price	99.810 per cent	99.699 per cent	99.508 per cent	99.803 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
10	Accounting classification	Liability – amortised cost	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	15-Feb-2012	21-Sep-2012
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	26-Mar-2020	29-Mar-2021	13-May-2021	15-Feb-2022	21-Sep-2022
14	Issuer call subject to prior supervisory approval	Yes	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	15-Feb-2017 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A

P39 Capital adequacy, cont.

Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
XS1292434146	XS1292433767	N/A	XS1317439559
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 Swedish law
Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2	Tier 2
Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
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
EUR 185m	EUR 250m	EUR 114m	EUR 743m
SEK 1,700m / EUR 185m	SEK 2,300m / EUR 250m	JPY 15,000m / EUR 114m	EUR 750m
100 per cent	100 per cent	100 per cent	99.434 per cent
100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
17-Sep-2015	17-Sep-2015	06-Oct-2015	10-Nov-2015
Dated	Dated	Dated	Dated
17-Sep-2025	17-Sep-2025	06-Oct-2025	10-Nov-2025
Yes	Yes	Yes	Yes
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
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

P39 Capital adequacy, cont.

Table A5 – Capital instruments' main features – T2, cont.

Tier 2 instrument						
Coupons / dividends						
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4.50%	4.00%	4.875%	Fixed 4.625 per cent per annum (equivalent to Euro Swap Rate +3.15 per cent per annum) to call date, thereafter reset fixed rate to Euro Swap Rate +3.15 per cent per annum	4.250%
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

P39 Capital adequacy, cont.

Floating	Fixed	Fixed	Fixed
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
No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible
No	No	No	No
Senior debt	Senior debt	Senior debt	Senior debt
No	No	No	No

P40 Classification of financial instruments

31 Dec 2015, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets, group/associated undertakings	Total
Assets								
Cash and balances with central banks	75	–	–	–	–	–	–	75
Treasury bills	32	–	3,999	–	–	2,874	–	6,905
Loans to credit institutions	90,005	–	4	0	–	–	–	90,009
Loans to the public	41,104	–	4,716	–	–	–	–	45,820
Interest-bearing securities	28	2	3,963	86	–	8,084	–	12,163
Financial instruments pledged as collateral	–	–	–	–	–	–	–	–
Shares	–	–	2,330	33	–	–	–	2,363
Derivatives	–	–	2,863	–	2,148	–	–	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1	–	–	–	–	–	–	1
Investments in group undertakings	–	–	–	–	–	–	19,394	19,394
Investments in associated undertakings	–	–	–	–	–	–	7	7
Intangible assets	–	–	–	–	–	–	1,091	1,091
Property and equipment						–	138	138
Deferred tax assets	–	–	–	–	–	–	26	26
Current tax assets	–	–	–	–	–	–	3	3
Other assets	629	–	–	1,010	–	–	2,748	4,387
Prepaid expenses and accrued income	679	–	–	–	–	–	101	780
Total	**132,553**	**2**	**17,875**	**1,129**	**2,148**	**10,958**	**23,508**	**188,173**

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	337	983	–	17,749	–	19,069
Deposits and borrowings from the public	1,014	683	–	59,346	–	61,043
Debt securities in issue	–	–	–	68,908	–	68,908
Derivatives	3,109	–	1,071	–	–	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,158	–	1,158
Current tax liabilities	–	–	–	–	34	34
Other liabilities	136	1,982	–	330	1,083	3,531
Accrued expenses and prepaid income	–	–	–	232	527	759
Deferred tax liabilities	–	–	–	–	–	–
Provisions	–	–	–	–	301	301
Retirement benefit liabilities	–	–	–	–	159	159
Subordinated liabilities	–	–	–	8,951	–	8,951
Total	**4,596**	**3,648**	**1,071**	**156,674**	**2,104**	**168,093**

P40 Classification of financial instruments, cont.

31 Dec 2014, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets, group/ associated under-takings	Total
Assets								
Cash and balances with central banks	931	–	–	–	–	–	–	931
Treasury bills	–	–	2,427	–	–	2,608	–	5,035
Loans to credit institutions	86,259	–	445	0	–	–	–	86,704
Loans to the public	34,804	–	5,005	–	–	–	–	39,809
Interest-bearing securities	10	112	3,687	–	–	7,512	–	11,321
Financial instruments pledged as collateral	–	–	43	–	–	–	–	43
Shares	–	–	6,028	33	–	–	–	6,061
Derivatives	–	–	3,682	–	2,299	–	–	5,981
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1	–	–	–	–	–	–	1
Investments in group undertakings	–	–	–	–	–	–	16,986	16,986
Investments in associated undertakings	–	–	–	–	–	–	7	7
Intangible assets	–	–	–	–	–	–	758	758
Property and equipment	–	–	–	–	–	–	119	119
Deferred tax assets	–	–	–	–	–	–	14	14
Current tax assets	–	–	–	–	–	–	50	50
Other assets	786	–	–	10	–	–	2,931	3,727
Prepaid expenses and accrued income	803	–	–	–	–	–	81	884
Total	**123,594**	**112**	**21,317**	**43**	**2,299**	**10,120**	**20,946**	**178,431**

31 Dec 2014, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	2,508	2,026	–	22,918	–	27,452
Deposits and borrowings from the public	268	466	–	48,633	–	49,367
Debt securities in issue	–	–	–	63,280	–	63,280
Derivatives	3,443	–	1,210	–	–	4,653
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,368	–	1,368
Current tax liabilities	–	–	–	–	4	4
Other liabilities	285	–	–	443	2,167	2,895
Accrued expenses and prepaid income	–	–	–	198	444	642
Deferred tax liabilities	–	–	–	–	0	0
Provisions	–	–	–	–	206	206
Retirement benefit liabilities	–	–	–	–	171	171
Subordinated liabilities	–	–	–	7,728	–	7,728
Total	**6,504**	**2,492**	**1,210**	**144,568**	**2,992**	**157,766**

P40 Classification of financial instruments, cont.

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

Changes in fair values of financial liabilities attributable to changes in credit risk

The 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

2015, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	3,648	3,648

2014, EURm	Carrying amount	Amount to be paid at maturity
Financial liabilities designated at fair value through profit or loss	2,492	2,492

P41 Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2015		31 Dec 2014	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	75	75	931	931
Treasury bills	6,905	6,905	5,035	5,035
Loans	135,830	136,258	126,514	126,518
Interest-bearing securities	12,163	12,163	11,321	11,322
Financial instruments pledged as collateral	–	–	43	43
Shares	2,363	2,363	6,061	6,061
Derivatives	5,011	5,011	5,981	5,981
Other assets	1,639	1,639	796	796
Prepaid expenses and accrued income	679	679	803	803
Total financial assets	**164,665**	**165,093**	**157,485**	**157,490**
Financial liabilities				
Deposits and debt instruments	159,129	159,080	149,195	149,792
Derivatives	4,180	4,180	4,653	4,653
Other liabilities	2,448	2,448	728	728
Accrued expenses and prepaid income	232	232	198	198
Total financial liabilities	**165,989**	**165,940**	**154,774**	**155,371**

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 G39 "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 G39.

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 2015, 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	2,613	4,260	–	6,873
Loans to credit institutions	–	4	–	4
Loans to the public	–	4,716	–	4,716
Interest-bearing securities[2]	6,944	5,034	155	12,133
Shares	2,334	–	29	2,363
Derivatives	4	4,983	24	5,011
Other assets	–	1,010	–	1,010
Total	**11,895**	**20,007**	**208**	**32,110**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	1,320	–	1,320
Deposits and borrowings from the public	–	1,697	–	1,697
Derivatives	7	4,150	23	4,180
Other liabilities	–	2,118	–	2,118
Total	**7**	**9,285**	**23**	**9,315**

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.

31 Dec 2014, 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	2,814	2,221	–	5,035
Loans to credit institutions	–	445	–	445
Loans to the public	–	5,005	–	5,005
Interest-bearing securities[2]	7,229	3,858	155	11,242
Shares	6,032	–	29	6,061
Derivatives	50	5,911	20	5,981
Other assets	–	10	–	10
Total	**16,125**	**17,450**	**204**	**33,779**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	4,534	–	4,534
Deposits and borrowings from the public	–	734	–	734
Derivatives	51	4,590	12	4,653
Other liabilities	185	100	–	285
Total	**236**	**9,958**	**12**	**10,206**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 43m relates to the balance sheet item Financial instruments pledged as collateral.

For determination of fair values for items measured at fair value on the balance sheet, see Note G39 “Assets and liabilities at fair value”.

Transfers between Level 1 and 2

No transfers between Level 1 and 2 have occurred during the year. During 2014 the parent company transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 570m from Level 2 to Level 1 of the fair value hierarchy. The reason for the transfers from Level 2 to Level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the markets. Transfers between levels are considered to have occurred at the end of the year.

P41 Assets and liabilities at fair value, cont.

Movements in Level 3

31 Dec 2015, EURm	1 Jan 2015	Purchases	Transfers into level 3	Transfers out of level 3	31 Dec 2015
Interest-bearing securities	155	–	–	–	155
Shares	29	–	–	–	29
Derivatives (net)	8	–1	–1	–5	1

During the year Nordea Bank AB transferred derivatives (net) of EUR –5m from Level 3 to Level 2 and EUR –1m from Level 2 to Level 3. The reason for the transfer from Level 3 to Level 2 was that observable market data became available. The reason for the transfer from Level 2 to Level 3 was that observable market data was no longer available. Transfers 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.

			Fair value gains/losses recognised in the income statement during the year			
31 Dec 2014, EURm	**1 Jan 2014**	**Reclassification**	**Realised**	**Unrealised**	**Sales**	**31 Dec 2014**
Interest-bearing securities	159	–	–	–	–4	155
Shares	25	–	4	–	–	29
Derivatives (net)	18	–3	–	–7	–	8

Unrealised gains and losses relates to those assets and liabilities held at the end of the year. No transfers have been made into or out of Level 3. Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3

Financial instruments

For information about the valuation processes, see Note G39 "Assets and liabilities at fair value".

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

31 Dec 2015, 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				
Unlisted shares	29	Net asset value	–	+/–0
Total	**29**			**+/–0**
Derivatives				
Interest rate derivatives	1	Option model	Corrections, Volatilities	+/–0
Total	**1**			**+/–0**

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.

P41 Assets and liabilities at fair value, cont.

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

31 Dec 2014, 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				
Unlisted shares	29	Net asset value	–	+/–2
Total	**29**			**+/–2**
Derivatives				
Interest rate derivatives	8	Option model	Corrections, Volatilities	+/–0
Total	**8**			**+/–0**

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 G39 "Financial assets and liabilities not held at fair value".

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

	31 Dec 2015		31 Dec 2014		
31 Dec 2015, 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	75	75	931	931	3
Treasury bills[1,2]	32	32	0	0	3
Loans	131,110	131,538	121,063	121,068	3
Interest-bearing securities[2]	30	30	122	123	1, 2, 3
Other assets	629	629	786	786	3
Prepaid expenses and accrued income	679	679	803	803	3
Total	**132,555**	**132,983**	**123,705**	**123,711**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	156,112	156,063	143,927	144,524	3
Other liabilities	330	330	443	443	3
Accrued expenses and prepaid income	232	232	198	198	3
Total	**156,674**	**156,625**	**144,568**	**145,165**	

1) The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.
2) The fair value of Treasury bills and Interest-bearing securities is EUR 62m (EUR 123m), of which EUR 2m (EUR 54m) is categorised in level 1 and EUR 0m (EUR 69m) in level 2 and EUR 60m (EUR 0m) 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 G39 "Financial assets and liabilities not held at fair value".

P42 Financial instruments set off on balance or subject to netting agreements

31 Dec 2015, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	4,696	–320	4,376	–2,111	–	–1,854	411
Securities borrowing agreements	4,718	–	4,718	–	–4,718	–	0
Total	**9,414**	**–320**	**9,094**	**–2,111**	**–4,718**	**–1,854**	**411**

31 Dec 2015, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	4,289	–320	3,969	–2,111	–	–130	1,728
Securities lending agreements	1,351	–	1,351	–	–1,351	–	0
Total	**5,640**	**–320**	**5,320**	**–2,111**	**–1,351**	**–130**	**1,728**

1) All amounts are measured at fair value.
2) Securities borrowing agreements are on the balance sheet classified as "Loans to credit institutions" or "Loans to the public". Securities lending agreements are on the balance sheet classified as "Deposits by credit institution" or as "Deposits and borrowings from the public".

31 Dec 2014, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	5,558	–70	5,488	–1,286	–	–2,157	2,045
Reverse repurchase agreements	218	–	218	–	–	–	218
Securities borrowing agreements	5,232	–	5,232	–	–5,232	–	0
Total	**11,008**	**–70**	**10,938**	**–1,286**	**–5,232**	**–2,157**	**2,263**

31 Dec 2014, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	4,189	–70	4,119	–1,286	–	–363	2,470
Repurchase agreements	43	–	43	–	–	–	43
Securities lending agreements	2,732	–	2,732	–	–2,732	–	0
Total	**6,964**	**–70**	**6,894**	**–1,286**	**–2,732**	**–363**	**2,513**

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 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 the master netting arrangements and similar agreements see section "Enforcable master netting arrangements and similar agreements" in Note G40 "Financial instruments set off on balance or subject to netting agreements".

P43 Assets and liabilities in foreign currencies

31 Dec 2015, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	58.6	55.3	6.4	2.2	37.0	28.7	188.2
Total liabilities	37.9	55.9	6.4	2.2	37.0	28.7	168.1

31 Dec 2014, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	57.2	57.5	2.4	4.5	35.8	21.0	178.4
Total liabilities	36.2	57.9	2.4	4.5	35.8	21.0	157.8

P44 Transferred assets and obtained collaterals

Transferred assets that are still recognised on the balance sheet and associated liabilities

All assets transferred and the liabilities associated with these transactions are specified in the following tables. The assets continue to be recognised on the balance sheet since Nordea is still exposed to changes in the fair value of the assets. Therefore, these assets and its associated liabilities are included in the tables below.

EURm	31 Dec 2015	31 Dec 2014
Repurchase agreements		
Treasury bills	–	43
Total	**–**	**43**

Liabilities associated with the assets

EURm	31 Dec 2015	31 Dec 2014
Repurchase agreements		
Deposits by credit institutions	–	43
Total	**–**	**43**

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 2015	31 Dec 2014
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	–	214
– of which repledged or sold	–	–
Securities borrowing agreements		
Received collaterals which can be repledged or sold	4,718	5,232
– of which repledged or sold	4,718	5,232
Total	**4,718**	**5,446**

P45 Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2015, EURm			31 Dec 2014, EURm		
		Expected to be recovered or settled:			Expected to be recovered or settled:		
	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		75	–	75	931	–	931
Treasury bills	P14	3,295	3,610	6,905	–	5,035	5,035
Loans to credit institutions	P15	60,125	29,884	90,009	62,067	24,637	86,704
Loans to the public	P15	37,993	7,827	45,820	34,829	4,980	39,809
Interest-bearing securities	P16	2,165	9,998	12,163	3,849	7,472	11,321
Financial instruments pledged as collateral	P17	–	–	–	43	–	43
Shares	P18	2,330	33	2,363	6,028	33	6,061
Derivatives	P19	994	4,017	5,011	1,520	4,461	5,981
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0	1	1	–	1	1
Investments in group undertakings	P20	30	19,364	19,394	30	16,956	16,986
Investments in associated undertakings	P21	–	7	7	–	7	7
Intangible assets	P22	–	1,091	1,091	–	758	758
Property and equipment	P23	–	138	138	0	119	119
Deferred tax assets	P13	20	6	26	11	3	14
Current tax assets		3	–	3	50	–	50
Other assets	P24	4,387	–	4,387	3,727	–	3,727
Prepaid expenses and accrued income	P25	412	368	780	496	388	884
Total assets		**111,829**	**76,344**	**188,173**	**113,581**	**64,850**	**178,431**
Deposits by credit institutions	P26	12,693	6,376	19,069	15,595	11,857	27,452
Deposits and borrowings from the public	P27	60,367	676	61,043	48,948	419	49,367
Debt securities in issue	P28	32,726	36,182	68,908	33,755	29,525	63,280
Derivatives	P19	1,151	3,029	4,180	1,023	3,630	4,653
Fair value changes of the hedged items in portfolio hedge of interest rate risk		296	862	1,158	178	1,190	1,368
Current tax liabilities		34	–	34	4	–	4
Other liabilities	P29	3,531	–	3,531	2,895	–	2,895
Accrued expenses and prepaid income	P30	759	–	759	642	–	642
Deferred tax liabilities	P13	0	0	0	0	–	0
Provisions	P31	299	2	301	43	163	206
Retirement benefit liabilities	P32	8	151	159	–	171	171
Subordinated liabilities	P33	642	8,309	8,951	–	7,728	7,728
Total liabilities		**112,506**	**55,587**	**168,093**	**103,083**	**54,683**	**157,766**

P45 Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2015, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	96	1,823	4,786	407	7,112
Loans to credit institutions	3,456	50,765	14,488	18,984	3,378	91,071
Loans to the public	1,138	13,205	6,059	19,836	9,202	49,440
Interest-bearing securities	–	2,338	1,666	9,084	834	13,922
Other	–	33,443	–	–	–	33,443
Total financial assets	**4,594**	**99,847**	**24,036**	**52,690**	**13,821**	**194,988**
Deposits by credit institutions	3,243	8,866	2,258	4,385	405	19,157
Deposits and borrowings from the public	52,019	7,137	1,633	270	1	61,060
– of which Deposits	52,019	6,123	1,633	270	1	60,046
– of which Borrowings	–	1,014	–	–	–	1,014
Debt securities in issue	–	25,506	11,752	32,648	12,419	82,325
– of which Debt securities in issue	–	25,332	11,580	27,180	7,278	71,370
– of which Other	–	174	172	5,468	5,141	10,955
Other	–	30,486	–	–	–	30,486
Total financial liabilities	**55,262**	**71,995**	**15,643**	**37,303**	**12,825**	**193,028**
Derivatives, cash inflow	–	68,574	8,698	14,606	5,603	97,481
Derivatives, cash outflow	–	68,234	8,096	12,160	4,690	93,180
Net exposure	**–**	**340**	**602**	**2,446**	**913**	**4,301**
Exposure	**–50,668**	**28,192**	**8,995**	**17,833**	**1,909**	**6,261**
Cumulative exposure	**–50,668**	**–22,476**	**–13,481**	**4,352**	**6,261**	**6,261**

31 Dec 2014, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	78	681	4,020	639	5,418
Loans to credit institutions	8,033	38,555	18,687	16,661	8,881	90,817
Loans to the public	727	13,870	6,802	15,941	6,437	43,777
Interest-bearing securities	–	1,095	1,926	8,333	797	12,151
Other	–	13,606	–	–	–	13,606
Total financial assets	**8,760**	**67,204**	**28,096**	**44,955**	**16,754**	**165,769**
Deposits by credit institutions	3,344	15,023	1,698	7,484	293	27,842
Deposits and borrowings from the public	38,699	7,658	2,410	432	–	49,199
– of which Deposits	38,699	7,658	2,410	432	–	49,199
Debt securities in issue	–	19,491	19,093	23,767	16,989	79,340
– of which Debt securities in issue	–	18,574	17,884	22,723	10,129	69,310
– of which Other	–	917	1,209	1,044	6,860	10,030
Other	–	6,939	–	–	–	6,939
Total financial liabilities	**42,043**	**49,111**	**23,201**	**31,683**	**17,282**	**163,320**
Derivatives, cash inflow	–	28,770	5,394	17,159	5,759	57,082
Derivatives, cash outflow	–	27,963	5,282	16,281	5,152	54,678
Net exposure	**–**	**807**	**112**	**878**	**607**	**2,404**
Exposure	**–33,283**	**18,900**	**5,007**	**14,150**	**79**	**4,853**
Cumulative exposure	**–33,283**	**–14,383**	**–9,376**	**4,774**	**4,853**	**–**

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 27,927m (EUR 23,824m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 72,402m (EUR 71,103m) 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".

P46 Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note G1 "Accounting policies", section 26 and Note G45 "Related-party transactions".

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Assets						
Loans and receivables	85,865	82,711	333	369	–	–
Interest-bearing securities	87	64	–	–	–	–
Derivatives	1,780	2,495	–	5	–	–
Investments in associated undertakings	–	–	–	7	–	–
Investments in group undertakings	19,394	16,986	–	–	–	–
Other assets	914	857	–	–	–	–
Prepaid expenses and accrued income	579	638	–	–	–	–
Total assets	**108,619**	**103,751**	**333**	**381**	**-**	**-**

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Liabilities						
Deposits	13,052	15,240	3	2	43	20
Debt securities in issue	111	260	–	–	–	–
Derivatives	2,798	3,246	5	–	–	–
Other liabilities	2	4	–	–	–	–
Accrued expenses and deferred income	286	240	–	–	–	–
Subordinated liabilities	12	20	–	–	–	–
Total liabilities	**16,261**	**19,010**	**8**	**2**	**43**	**20**
Off balance[1]	**70,814**	**72,836**	**1,668**	**1,809**	**-**	**-**

1) Including guarantees to Nordea Bank Finland Plc and Nordea Bank Polska S.A., see Note P37 "Contingent liabilities" as well as nominal values on derivatives in associated undertakings.

	Group undertakings		Associated undertakings		Other related parties	
EURm	2015	2014	2015	2014	2015	2014
Net interest income and expenses	–26	108	1	3	0	0
Net fee and commission income	399	406	0	0	–	–
Net result from items at fair value	–229	–309	–3	12	–	–
Other operating income	748	687	–	–	–	–
Total operating expenses	–565	–137	0	0	–	–
Profit before loan losses	**327**	**755**	**–2**	**15**	**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".

Signing of the Annual Report

The Board of Directors and the President and Group CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and that 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.

4 February 2016

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Kari Ahola
Board member [1]

Tom Knutzen
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member [1]

Lars G Nordström
Board member

Hans Christian Riise
Board member [1]

Sarah Russell
Board member

Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Casper von Koskull
President and Group CEO

Our audit report was submitted on 12 February 2016

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 meeting of the shareholders of Nordea Bank AB (publ)
Corporate identity number 516406-0120

Report on the annual accounts and the consolidated accounts

We have audited the annual accounts and the consolidated accounts of Nordea Bank AB (publ) for the year 2015. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 26–210.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and the consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and for the fair presentation of the consolidated accounts in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and the consolidated accounts are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Directors' report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nordea Bank AB (publ) for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Banking and Financing Business Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies, or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Director's report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 12 February 2016

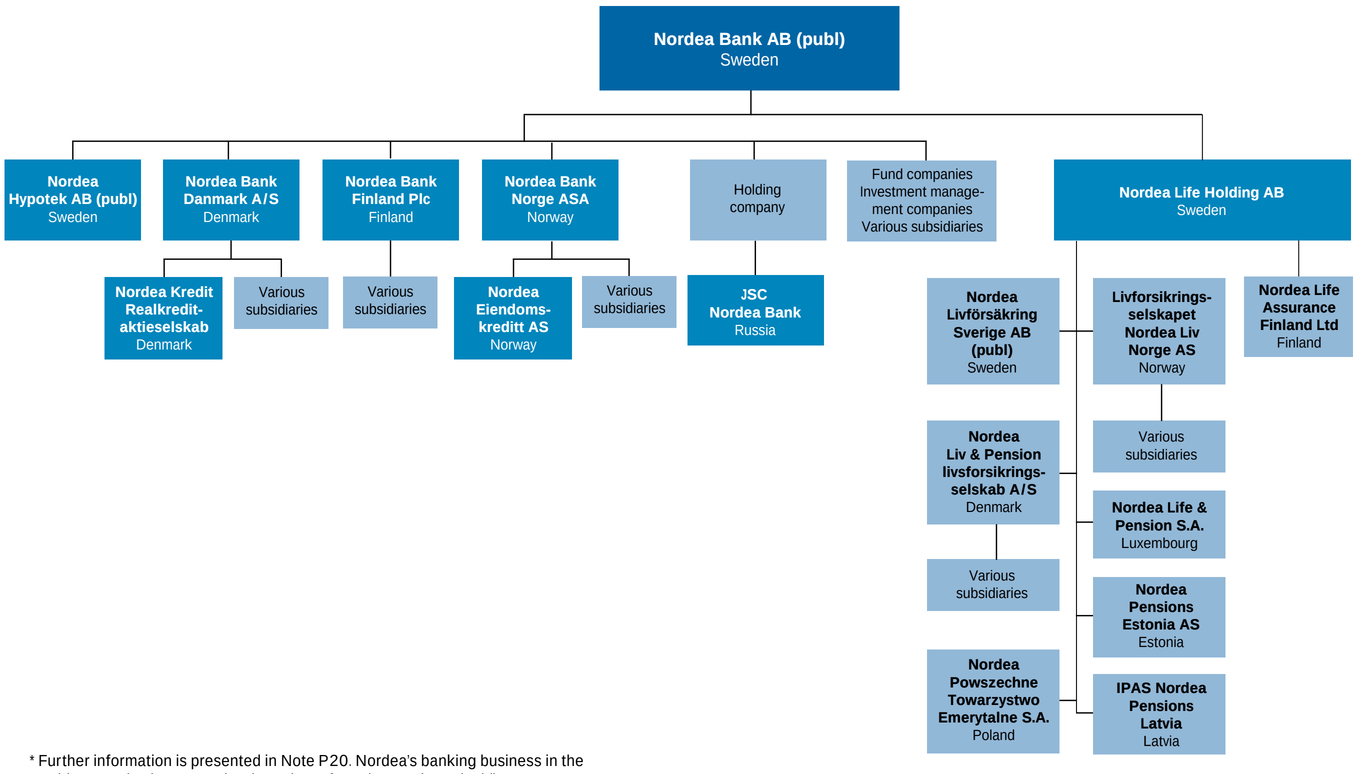
Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

Legal structure

Main legal structure*, as of 31 December 2015



* Further information is presented in Note P20. Nordea's banking business in the Baltic countries is operated as branches of Nordea Bank AB (publ).

ANNEX 3 - UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF NORDEA BANK AB FOR THE THREE MONTHS ENDED 31 MARCH 2017

Nordea

Copenhagen, Helsinki, Oslo, Stockholm, 27 April 2017

Interim Management Statement
First Quarter Results 2017

CEO Casper von Koskull's comments on the results:

"Since 2009 we have seen a low-intensive but stable growth environment with constantly lower rates. We are witnessing the global recovery gaining strength and becoming more synchronised. Nevertheless, significant geopolitical risks remain.

Income momentum has improved and total income is up by 6% compared to the first quarter of 2016, mainly driven by net fee and commission income. Assets under management reached a new all-time high level of EUR 330.1bn, mainly driven by strong performance. Costs are up 5% compared to the first quarter of 2016 mainly driven by Group projects, Compliance and Risk and we see good progress in our investment programmes. Credit quality is solid and loan losses remain largely unchanged at 14 bps. The capital position continues to strengthen and the Common Equity Tier 1 ratio increased to 18.8%, compared to 18.4% at the end of 2016.

Our transformation projects are running in line with expectations, and the Core Banking Programme is making steady progress towards implementation of the full savings and deposits portfolio in Finland during 2017."

(For further viewpoints, see CEO comments on page 2)

First quarter 2017 vs. First quarter 2016 (First quarter 2017 vs. Fourth quarter 2016[1,2])

- Total operating income[1] +7%, in local currencies +6% (-5%, in local currencies -6%)
- Total expenses[2] +6%, in local currencies +5% (-6%, in local currencies -6%)
- Operating profit[1,2] +10%, in local currencies +8% (-3%, in local currencies -4%)
- Common equity tier 1 capital ratio 18.8%, up from 16.7% (up 40 bps from 18.4%)
- Cost/income ratio[1,2] unchanged at 51% (unchanged from 51%)
- Loan loss ratio of 14 bps, up from 13 bps (down 2 bps from 16 bps)
- Return on equity[1,2] 10.3%, up from 10.1% (down 2.6%-points from 12.9%)
- Diluted EPS EUR 0.21 vs. EUR 0.19 (EUR 0.21 vs. EUR 0.25)

Summary key figures				Loc. curr.			Loc. curr.
EURm	**Q1 2017**	Q4 2016	Chg %	%	Q1 2016	Chg %	%
Net interest income	**1,197**	1,209	-1	-2	1,168	2	0
Total operating income[1]	**2,461**	2,588	-5	-6	2,295	7	6
Total operating income	**2,461**	2,610	-6	-6	2,295	7	6
Profit before loan losses[1,2]	**1,215**	1,269	-4	-5	1,117	9	7
Net loan losses	**-113**	-129	-12	-12	-111	2	2
Operating profit[1,2]	**1,102**	1,140	-3	-4	1,006	10	8
Operating profit	**1,102**	1,248	-12	-12	1,006	10	8
Diluted earnings per share, EUR	**0.21**	0.27			0.19		
Return on equity[1,2], %	**10.3**	12.9			10.1		
Return on equity, %	**10.3**	13.9			10.1		

Exchange rates used for Q1 2017 for income statement items are for DKK 7.4352, NOK 8.9883 and SEK 9.5053.

[1] Excl. non-recurring items (Q4 2016: additional gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax).

[2] Excl. non-recurring items (Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m before tax).

For further information:

Casper von Koskull, President and Group CEO, +46 10 157 10 20
Torsten Hagen Jørgensen, Deputy CEO and Group COO, +45 5547 2200
Rodney Alfvén, Head of Investor Relations, +46 72 235 05 15
Helga Baagøe, Acting Head of Group Communications, +46 72 141 18 07

Nordea is among the ten largest universal banks in Europe in terms of total market capitalisation and has around 11 million customers, 31,500 employees and approximately 600 branch office locations. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges. We have broad expertise across the wide range of products, services and solutions that we provide within banking, asset management and insurance. At Nordea we build trusted relationships through our strong engagement with both customers and society.

Nordea

CEO comment

The low-intensive growth continued in the beginning of 2017, although we are now seeing good potential for a synchronised recovery with improving growth prospects. Inflation is under control, and we are prepared for low rates for a long time. That means that the significant divergence in growth between the different Nordic countries will probably narrow and we expect more similar macro trends in our four home markets.

Total revenues increased 6% in local currencies compared to the first quarter of 2016.

Net interest income was unchanged in local currencies compared to the first quarter of 2016 despite headwinds from one less interest day and higher resolution fees.

Customer activity on financial markets held up well in the quarter. The net result from items at fair value increased 17% in local currencies to EUR 375m from EUR 332m in the first quarter of 2016.

Fee and commission income was up 12% in local currencies compared to the first quarter of 2016, mainly driven by savings-related business, where revenues were up 22% on the back of higher volumes. Inflow was down to 1.3bn compared to 4.1bn in the first quarter of 2016.

Costs increased by 5% in local currencies compared to the first quarter of 2016; however, excluding Group projects, Compliance and Risk, costs were up 2%. The cost-to-income ratio was 51%, unchanged compared to the same period of 2016. We see good progress in our investment programmes and are committed to bringing down costs to the 2016 level in 2018.

Credit quality remained solid and under strict control; the total loan loss level was at 14 bps, mainly related to oil and offshore portfolio. The impaired loan ratio was down by 3 bps compared to the first quarter in 2016. More than 75% of the losses in the first quarter came from our oil and offshore exposures. We expect losses in oil and offshore exposures to remain elevated in the coming quarters, and a largely unchanged credit quality at Group level.

Return on equity was 10.3% in the first quarter of 2017, down from 12.9% in the previous quarter. Capital generation remained strong and the CET1 ratio improved 40 bps to 18.8% compared to 18.4% in the previous quarter.

We are building an Open Banking platform to co-operate with partners and FinTechs to create better services for our customers. These services will, over time, utilise data and services that Nordea has across the universal banking product portfolio. We see Open Banking as a wider opportunity with currently more than 600 partners who have signed up and expressed their interest in it.

The Nordea Trade portal is an information resource with access to 20,000 market reports and news in 180 markets about trade shows, trade risks and practical tools needed to expand.

The idea is to serve as a supporting hand for companies in their process of exploring new opportunities abroad and expanding and sustaining international businesses. The Trade club is an exclusive membership club for banking customers and Nordea is the only bank offering such an opportunity in the Nordics. Since the launch in November 2016, the Trade portal has had 51,900 visits. The aggregated number from March was 29,200 visits.

In Sweden, Nordea customers can now pay with their Samsung phones via the Samsung Pay app in most stores. In Denmark we were the first to introduce a wallet that can be used locally and abroad on ordinary payment terminals in stores. With Nordea Wallet, we offer our customers to use contactless payments where stores provide this option. In Finland, Nordea was first out launching the new mobile service Siirto on 1 March, which allows customers to transfer money from one account to another.

Nordea has risen to rank among the top ten most favoured brands for fund selectors in Europe.

Our transformation projects are running in line with expectations. The Core Banking Programme is making steady progress towards implementation of the full savings and deposits portfolio in Finland during 2017.

We have recently launched a Nordea-wide competitiveness improvement effort that will support the overall strategic transformation of Nordea with a coherent, transparent and sustainable common approach to efficiency and productivity gains. To get where we need to be, we are working towards becoming an efficient end-to-end digital organisation, operating with common processes, products, systems and with a shared culture and passion for customers and our long-term relationships.

In recent years, the Government policy in Sweden has become increasingly unpredictable and deviates significantly from the rest of EU, where most of our competitors are domiciled. A few examples are the different resolution regimes and removal of tax-deductibility for sub debt.

In February, the Swedish government proposed to increase the level of the resolution fee and to make the fee permanent. The proposal will significantly increase the costs for Swedish domiciled banks and their customers, not only in Sweden but also in the other Nordic countries. We have been discussing the Swedish regulatory framework with the Swedish government for approximately a year and we maintain an open and honest dialogue.

Given that the regulatory situation in Sweden does not offer a level playing field or predictable environment, we will also look at opportunities to move to Denmark or Finland. The focus on maintaining our AA rated business model will not be impacted by a potential move. The Nordea employees will continue to deliver value for all our customers, as we will keep on working with the Nordic operating model in the same way as we do today.

Casper von Koskull
President and Group CEO

Nordea

Income statement[1,2]

EURm	Q1 2017	Q4 2016	Chg %	Local curr. %	Q1 2016	Chg %	Local curr. %
Net interest income	**1,197**	1,209	-1	-2	1,168	2	0
Net fee and commission income	**866**	867	0	-1	772	12	12
Net result from items at fair value	**375**	498	-25	-25	332	13	17
Profit from associated undertakings and joint ventures accounted for under the equity method	**4**	4	0	0	9	-56	-56
Other operating income	**19**	32	-41	-41	14	36	36
Total operating income[1]	**2,461**	**2,610**	**-6**	**-6**	**2,295**	**7**	**6**
Staff costs	**-799**	-687	16	15	-740	8	7
Other expenses	**-387**	-475	-19	-19	-386	0	0
Depreciation, amortisation and impairment charges of tangible and intangible assets	**-60**	-71	-15	-15	-52	15	15
Total operating expenses[2]	**-1,246**	**-1,233**	**1**	**0**	**-1,178**	**6**	**5**
Profit before loan losses	**1,215**	**1,377**	**-12**	**-12**	**1,117**	**9**	**7**
Net loan losses	**-113**	-129	-12	-12	-111	2	2
Operating profit[1,2]	**1,102**	**1,248**	**-12**	**-12**	**1,006**	**10**	**8**
Income tax expense	**-258**	-148	74	75	-224	15	15
Net profit for the period	**844**	**1,100**	**-23**	**-24**	**782**	**8**	**6**

Business volumes, key items[3]

EURbn	31 Mar 2017	31 Dec 2016	Chg %	Local curr. %	31 Mar 2016	Chg %	Local curr. %
Loans to the public	**320.1**	317.7	1	1	342.7	-7	-6
Loans to the public, excl. repos	**299.2**	298.5	0	0	308.8	-3	-3
Deposits and borrowings from the public	**190.9**	174.0	10	10	202.8	-6	-6
Deposits from the public, excl. repos	**178.1**	170.0	5	5	181.3	-2	-2
Total assets	**650.3**	615.7	6		675.6	-4	
Assets under management	**330.1**	322.7	2		290.9	13	
Equity	**31.1**	32.4	-4		29.1	7	

Ratios and key figures[4]

	Q1 2017	Q4 2016	Chg %	Q1 2016	Chg %
Diluted earnings per share, EUR	**0.21**	0.27	-24	0.19	7
EPS, rolling 12 months up to period end, EUR	**0.95**	0.93	1	0.83	14
Share price[3], EUR	**10.73**	10.60	1	8.46	27
Total shareholders' return, %	**6.7**	27.5		-10.4	
Equity per share[3], EUR	**7.65**	8.03	-5	7.22	6
Potential shares outstanding[3], million	**4,050**	4,050	0	4,050	0
Weighted average number of diluted shares, million	**4,039**	4,038	0	4,034	0
Return on equity, %	**10.3**	13.9	-26	10.1	2
Cost/income ratio, %	**51**	47	7	51	-1
Loan loss ratio, basis points[5]	**14**	16	-13	13	6
Common Equity Tier 1 capital ratio, excl. Basel I floor[3,6], %	**18.8**	18.4	2	16.7	13
Common Equity Tier 1 capital ratio, incl. Basel I floor[3,6], %	**11.9**	11.5	3	11.0	8
Tier 1 capital ratio, excl. Basel I floor[3,6], %	**21.0**	20.7	1	18.7	13
Total capital ratio, excl. Basel I floor[3,6], %	**24.3**	24.7	-2	21.8	11
Tier 1 capital[3,6], EURbn	**28.1**	27.6	2	26.7	5
Risk exposure amount excl. Basel I floor[6], EURbn	**134**	133	0	143	-7
Risk exposure amount incl. Basel I floor[6], EURbn	**214**	216	-1	220	-3
Number of employees (FTEs)[3]	**31,640**	31,596	0	30,399	4
Economic capital[3], EURbn	**28.9**	26.3	10	27.0	7

[1] Incl. non-recurring items (Q4 2016: additional gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax).
[2] Incl. non-recurring items (Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m before tax).
[3] End of period.
[4] For more detailed information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/.
[5] Including Loans to the public reported in Assets held for sale.
[6] Including the result for the period.

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Income statement - Excluding non-recurring items[1,2]

EURm	Q1 2017	Q4 2016	Chg %	Local curr. %	Q1 2016	Chg %	Local curr. %
Net interest income	**1,197**	1,209	-1	-2	1,168	2	0
Net fee and commission income	**866**	867	0	-1	772	12	12
Net result from items at fair value	**375**	498	-25	-25	332	13	17
Profit from associated undertakings and joint ventures accounted for under the equity method	**4**	0			9		
Other operating income	**19**	14			14		
Total operating income[1]	**2,461**	**2,588**	**-5**	**-6**	**2,295**	**7**	**6**
Staff costs	**-799**	-773	3	3	-740	8	7
Other expenses	**-387**	-475	-19	-19	-386	0	0
Depreciation, amortisation and impairment charges of tangible and intangible assets	**-60**	-71	-15	-15	-52	15	15
Total operating expenses[2]	**-1,246**	**-1,319**	**-6**	**-6**	**-1,178**	**6**	**5**
Profit before loan losses	**1,215**	**1,269**	**-4**	**-5**	**1,117**	**9**	**7**
Net loan losses	**-113**	-129	-12	-12	-111	2	2
Operating profit[1,2]	**1,102**	**1,140**	**-3**	**-4**	**1,006**	**10**	**8**
Income tax expense	**-258**	-116			-224		
Net profit for the period	**844**	**1,024**	**-18**	**-18**	**782**	**8**	**6**

Ratios and key figures[1,2,3]

	Q1 2017	Q4 2016	Chg %	Q1 2016	Chg %
Diluted earnings per share, EUR	**0.21**	0.25	-18	0.19	7
EPS, Rolling 12 months up to period end, EUR[4]	**0.89**	0.88	2	0.84	6
Return on equity, %	**10.3**	12.9	-20	10.1	2
Cost/income ratio, %	**51**	51	-1	51	-1
ROCAR, %	**12.3**	15.5	-21	12.1	2

[1] Excl. non-recurring items (Q4 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax).
[2] Excl. non-recurring items(Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m before tax).
[3] For more detailed information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/.
[4] Also effected by the non-recurring items in Q2 2016, gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax and in Q4 2015, the gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m before tax and the restructuring charge of EUR 263m before tax.

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Macroeconomy and financial markets

The first quarter of 2017 featured improving confidence survey data globally, indicating a pick-up in global growth prospects, although hard data only partially confirmed the trend. In the US, Donald Trump took office as president and almost immediately faced serious headwinds on his policy implementation, which left markets uncertain as to whether new legislation deemed positive for business and growth could be enacted. In Europe, the Dutch election saw a populist defeat and eliminated some of the political uncertainty looming over Europe during 2017. The UK triggered Article 50 in March as expected, thus starting its process of leaving the EU. Negotiations on the future relationship had not started by end of Q1. In February, EMU inflation reached its highest level since 2013. However, the ECB kept its policy unchanged at its March meeting, citing temporary inflation pressures. In the US, the economy continued to show healthy signs of expansion and labour market improvement and the Federal Reserve raised interest rates by 0.25% at its March meeting and signalled two or three more rate hikes during 2017. Global trade picked up during the quarter and commodity prices increased; this was a boost to emerging economies. The index tracking emerging market purchase managers reached its highest level since the autumn of 2014. The Chinese economy showed signs of improving as well, with underlying indicators of electricity usage and railway freight rising. European and US equity markets had a strong start to the year, ending the quarter higher by 5.8% and 4.6%, respectively. US 10-year yields decreased slightly by 6bps to 2.39% on the back of lower expectations for fiscal stimulus, whereas German 10-year yields increased by 14bps during the quarter to 0.33%. The EUR/USD exchange rate increased by 1.8% to 1.065.

Denmark
The Danish economy expanded by 2.3% (y/y) in the fourth quarter of 2016; leading indicators show that it is likely the economy continued to grow at close to an above trend-pace in Q1 2017. In 2016, household consumption rose by 1.9% while exports rose by 1.7%. Households have benefited from historically low interest rates, rising employment and positive real wage growth. Also, households' financial wealth and home equity levels increased. Prices of single-family and terraced houses rose by about 4% in 2016 while prices of owner-occupied apartments rose by more than twice that amount. Early indications of house prices for Q1 were that they continued to rise. Higher house prices and lower financing costs have boosted residential investment, both in terms of rising housing starts, and higher repair and maintenance activity. The Danish central bank kept the key interest rate unchanged in Q1 but it intervened in both February and March in the foreign exchange market to keep the currency within the peg range. Danish equities rose by 1.7% during the quarter while the 10-year swap rate increased by 8bps to 1.02%.

Finland
The Finnish economy continued its slow and uneven recovery in Q4. However, confidence improved sharply, suggesting stronger growth already in Q1. Domestic demand remained the growth engine led by investment and some support from consumption. Both the industrial and services sectors gained momentum. There were also some early signs of exports recovering. The Finnish public sector austerity has led to a declining deficit and a decline in real public expenditure, excluding social security funds. Inflation trended somewhat higher. Finnish equity markets gained 2% during the quarter and the Finnish 10-year government bond yield largely tracked the swings in German yields, ending the quarter around 10bps higher at close to 0.45%.

Norway
Growth in Norway showed a pick-up in momentum in Q4 2016, and survey data indicated a continuation of this trend in Q1 2017. Oil investments fell, but at a slower pace than previously. Meanwhile, low interest rates, NOK weakness and expansionary fiscal policy continued to positively affect the economy. Unemployment appears to have peaked in early 2016 and has shown signs of a slight decrease lately. Core inflation has dropped by about 2 percentage points over the past six months and came out at 1.6% in Q1. The effect of past NOK weakening on imported inflation is fading. Norges Bank kept its key rate unchanged at 0.5% at its March meeting, but signalled more concern over low inflation than expected. Norges Bank kept the bottom of the rate path unchanged at 0.4%, but it lowered the rate path quite significantly further out. The 2-year swap rate decreased by 10bps to 1.17 % in Q1, while the 10-year swap rate was unchanged at 1.92%. The Norwegian krone was 2% weaker in trade-weighted terms in Q1. Norwegian equities were down by 2%, as oil-related companies continued to struggle.

Sweden
Swedish GDP growth remained strong throughout 2016. In Q4, GDP rose by 2.3% over the year and by 1.0% over the quarter. The growth was rather broad-based with both domestic demand and exports rising. Moreover, key indicators suggest that growth momentum extended into the first quarter of this year. Employment remained on its steadily upward trend, while the unemployment rate fell only gradually due to the large inflow of labour. Consumer price inflation continued to hover around 1.5-2.0% (y/y), boosted by rising energy prices. Long-term inflation expectations remained anchored at the 2% inflation target. The Riksbank left the key policy rate unchanged at -0.50% in February. Also the bond purchase programme was left untouched. The trade-weighted Swedish krona weakened initially in Q1 but regained its losses and ended the quarter where it started. Swedish equities rose by 4%. 10-year government bond yields rose 6bps to 0.61%, driven by expectations of higher growth and inflation globally.

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Group results and performance

First quarter 2017

Net interest income

Net interest income in local currencies decreased 2% from the previous quarter partly explained by two less interest days and higher resolution fees. Both lending and deposit margins improved compared to the previous quarter.

Net interest income for Personal Banking was up 2% in local currencies from the previous quarter, driven by improved lending and deposit margins.

Net interest income for Commercial & Business Banking was up 1% in local currencies from the previous quarter.

Net interest income in Wholesale Banking was down 3% in local currencies from the previous quarter, mainly driven by lower lending volumes, lower yield fees and two less interest days.

Net interest income in Wealth Management was more or less unchanged in the quarter and amounted to EUR 29m compared to EUR 30m in the previous quarter.

Net interest income in Group Corporate Centre was stable at EUR 126m compared to EUR 132m in the previous quarter.

Lending volumes

Loans to the public in local currencies, excluding repos, were unchanged from the previous quarter. Average lending volumes in local currencies in business areas were mostly unchanged in Personal Banking, Commercial & Business Banking and Wealth Management, but somewhat down in Wholesale Banking.

Deposit volumes

Total deposits from the public in local currencies, excluding repos increased by 5% from the previous quarter. Average deposit volumes in business areas were slightly up.

Net interest income per business area

								Local currency	
EURm	Q117	Q416	Q316	Q216	Q116	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
Personal Banking	560	545	537	521	512	3%	9%	2%	9%
Commercial & Business Banking	279	276	272	282	278	1%	0%	1%	-1%
Wholesale Banking	200	203	204	209	214	-1%	-7%	-3%	-12%
Wealth Management	29	30	27	27	26	-3%	12%	-1%	11%
Group Corporate Centre	126	132	108	125	131	-5%	-4%	n.m	n.m
Other and eliminations	3	23	30	8	7	n.m	n.m	n.m	n.m
Total Group	**1,197**	**1,209**	**1,178**	**1,172**	**1,168**	**-1%**	**2%**	**-2%**	**0%**

Change in Net interest income

EURm	Q1/Q4	Jan-Mar 17/16
NII beginning of period	**1,209**	**1,168**
Margin driven NII	**26**	**60**
Lending margin	16	45
Deposit margin	10	15
Volume driven NII	**-6**	**-11**
Lending volume	-6	-11
Deposit volume	0	0
Day count	-28	-14
GCC	-6	-15
Other[1]	2	9
NII end of period	**1,197**	**1,197**
[1]of which FX	10	29

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Net fee and commission income

Net fee and commission income decreased 1% in local currencies from the previous quarter.

Savings and investment commissions
Net fee and commission income from savings and investments increased 1% in local currencies from the previous quarter to EUR 556m mainly due to higher assets under management. AuM increased to EUR 330.1bn at the end of the quarter compared to EUR 322.7bn in previous quarter. Net inflow increased to EUR 1.3bn compared to net outflow of EUR 0.2bn in the previous quarter.

Positive market return explains the remainder of the AuM increase.

In the first quarter, there were no performance-related fees compared to EUR 16m in the previous quarter.

Payments and cards and lending-related commissions
Lending-related net fee and commission income decreased 7% in local currencies to EUR 161m from the previous quarter. Payments and cards net fee and commission income was down 9% to EUR 126m from the previous quarter.

Net fee and commission income per business area

								Local currency	
EURm	Q117	Q416	Q316	Q216	Q116	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
Personal Banking	194	184	178	175	190	5%	2%	5%	2%
Commercial & Business Banking	106	117	99	102	99	-9%	7%	-9%	7%
Wholesale Banking	167	159	145	163	162	5%	3%	6%	3%
Wealth Management	412	422	384	378	336	-2%	23%	-3%	21%
Group Corporate Centre	-4	-5	-3	-2	-4	n.m	n.m	n.m	n.m
Other and eliminations	-9	-10	-8	-12	-11	n.m	n.m	n.m	n.m
Total Group	**866**	**867**	**795**	**804**	**772**	**0%**	**12%**	**-1%**	**12%**

Net fee and commission income per category

								Local currency	
EURm	Q117	Q416	Q316	Q216	Q116	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
Savings and investments, net	556	547	498	489	455	2%	22%	1%	22%
Payments and cards, net	126	138	129	130	127	-9%	-1%	-9%	-1%
Lending-related, net	161	172	170	175	177	-6%	-9%	-7%	-10%
Other commissions, net	23	10	-2	10	13	n.m	n.m	n.m	n.m
Total Group	**866**	**867**	**795**	**804**	**772**	**0%**	**12%**	**-1%**	**12%**

Assets under Management (AuM), volumes and net inflow

EURbn	Q117	Net inflow Q117	Q416	Q316	Q216	Q116
Nordic Retail funds	60.7	0.3	59.2	56.6	54.1	53.2
Private Banking	101.6	0.8	100.2	97.6	93.2	92.2
Institutional sales	93.8	-0.2	91.7	92.6	84.6	78.0
Life & Pensions	74.0	0.4	71.6	70.6	68.3	67.5
Total	**330.1**	**1.3**	**322.7**	**317.4**	**300.2**	**290.9**

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Net result from items at fair value

The net result from items at fair value decreased 25% from the previous quarter to EUR 375m but increased 13% from same quarter in 2016. Fair value adjustment had a marginally positive impact of EUR 3m down from EUR 127m in Q4 2016.

Capital Markets income for customers in Wholesale Banking, Personal Banking, Commercial and Business Banking and Private Banking
Customer-driven capital markets activities generated lower income in the customer business than in the previous quarter. The net fair value result for the business units decreased to EUR 198m, from EUR 222m in the previous quarter.

Life & Pensions
The net result from items at fair value for Life & Pensions decreased EUR 8m from the previous quarter to EUR 59m.

Wholesale Banking other
The net fair value result for Wholesale Banking other, i.e. income from managing the risks inherent in customer transactions, decreased to EUR 99m compared to EUR 183m in the previous quarter. The higher number in the previous quarter was positively affected by an effect of fair value adjustment of EUR 121m, driven by wider credit spreads and higher long-term interest rates.

Group Functions and Other and eliminations
The net fair value result in Group Corporate Centre was EUR 26m compared to EUR 29m in the fourth quarter.

Net result from items at fair value per area

EURm	Q117	Q416	Q316	Q216	Q116	Q1/Q4	Q1/Q1
Personal Banking	19	23	26	32	22	-17%	-14%
Commercial & Business Banking	61	69	67	74	69	-12%	-12%
Wholesale Banking excl. Other	92	111	79	90	77	-17%	19%
Wealth Mgmt excl. Life	26	19	17	25	23	37%	13%
Wholesale Banking Other	99	183	147	80	36	-46%	n.m
Life & Pensions	59	67	53	60	86	-12%	-31%
Group Corporate Centre	26	29	129	46	25	-10%	4%
Other and eliminations	-7	-3	-38	-2	-6	n.m	n.m
Total Group	**375**	**498**	**480**	**405**	**332**	**-25%**	**13%**

Equity method

Income from companies accounted for under the equity method was EUR 4m, unchanged from the previous quarter.

Other operating income

Other operating income was EUR 19m, down from the high level in the previous quarter (EUR 32m), which was positively impacted by a EUR 18m gain related to Visa Inc.'s acquisition of Visa Europe.

Total operating income

Total income decreased by 6% in local currencies from the previous quarter to EUR 2,461m (excluding the EUR 22m capital gain related to Visa Inc.'s acquisition of Visa Europe recognised in the previous quarter).

Total operating income per business area

								Local currency	
EURm	Q117	Q416	Q316	Q216	Q116	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
Personal Banking	775	753	744	730	723	3%	7%	2%	7%
Commercial & Business Banking	468	469	445	465	458	0%	2%	-1%	1%
Wholesale Banking	562	655	576	542	489	-14%	15%	-15%	12%
Wealth Management	529	544	485	495	476	-3%	11%	-3%	10%
Group Corporate Centre	149	154	234	171	153	-3%	-2%	n.m	n.m
Other and eliminations	-22	35	-18	153	-4	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**2,461**	**2,610**	**2,466**	**2,556**	**2,295**	**-6%**	**7%**	**-6%**	**6%**
Total, excl. non-recurring items[1]	**2,461**	**2,588**	**2,466**	**2,405**	**2,295**	**-5%**	**7%**	**-6%**	**6%**

[1] Non-recurring items (Q4 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax. Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax).

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Total expenses

Total expenses in the first quarter amounted to EUR 1,246m excluding non-recurring items, down 6% from the previous quarter but up 5% from the first quarter of 2016 in local currencies.

Staff costs were up 3% in local currencies from the previous quarter excluding changes in the pension agreement in Norway and up 7% in the same period in 2016 in local currencies.

Other expenses were down 19% in local currencies from the previous quarter, following lower spend in Group projects and seasonally lower IT, marketing and traveling costs.

Depreciations were down 15% from the previous quarter but up 15% from same quarter of 2016.

The number of employees (FTEs) at the end of the first quarter was 31,640 which is more or less unchanged from the previous quarter but up 4% from the same quarter of 2016. The increase from the first quarter of 2016 is mainly related to compliance and risk.

Expenses related to Group projects, Compliance and Risk that affected the P&L were EUR 128m, compared to EUR 147m in the previous quarter. In addition, EUR 34m was capitalised compared to EUR 109m in the previous quarter.

Provisions for performance-related salaries in the first quarter were EUR 81m, compared to EUR 95m in the previous quarter.

The cost/income ratio was unchanged in the first quarter, compared to both the previous quarter and the first quarter of 2016.

We see good progress in our investment programmes and are committed to bringing down costs to the 2016 in 2018.

Total operating expenses

								Local currency	
EURm	Q117	Q416	Q316	Q216	Q116	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
Staff cost	-799	-687	-743	-756	-740	16%	8%	15%	7%
Other expenses	-387	-475	-389	-396	-386	-19%	0%	-19%	0%
Depreciations	-60	-71	-51	-54	-52	-15%	15%	-15%	15%
Restructuring charge	0	0	0	0	-263	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**-1,246**	**-1,233**	**-1,183**	**-1,206**	**-1,178**	**1%**	**6%**	**0%**	**5%**
Total, excl. non-recurring items[1]	**-1,246**	**-1,319**	**-1,183**	**-1,206**	**-1,178**	**-6%**	**6%**	**-6%**	**5%**

[1] Non-recurring items (Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m).

Total operating expenses per business area

								Local currency	
EURm	Q117	Q416	Q316	Q216	Q116	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
Personal Banking	-452	-445	-446	-425	-466	2%	-3%	1%	-3%
Commercial & Business Banking	-268	-281	-271	-295	-251	-5%	7%	-5%	6%
Wholesale Banking	-236	-267	-234	-243	-223	-12%	6%	-13%	4%
Wealth Management	-225	-225	-213	-212	-208	0%	8%	-1%	8%
Group Corporate Centre	-33	-66	-24	-39	-22	-50%	49%	n.m	n.m
Other and eliminations	-32	51	5	8	-8	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**-1,246**	**-1,233**	**-1,183**	**-1,206**	**-1,178**	**1%**	**6%**	**0%**	**5%**
Total, excl. non-recurring items[1]	**-1,246**	**-1,319**	**-1,183**	**-1,206**	**-1,178**	**-6%**	**6%**	**-6%**	**5%**

[1] Non-recurring items (Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m).

Currency fluctuation effects

%-points	Q1/Q4	Q1/Q1	Jan-Mar 17/16
Income	1	1	1
Expenses	1	1	1
Operating profit	1	1	1
Loan and deposit volumes	0	0	0

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Net loan losses

Credit quality remained solid and under strict control. Net loan loss provisions decreased to EUR 113m and the loan loss ratio improved to 14 basis points (EUR 129m and 16 bps in the previous quarter) driven by net reversals of collective provisions.

In general, there were increased individual provisions related to oil services and offshore in Shipping, Oil and Offshore as well as Russia compared to Q4. The loan loss ratio for individual losses is 16 bps and for collective losses -2 bps (in Q4, the ratio for individual losses was 15 bps and for collective losses it was 1 bp).

We expect losses in oil and offshore exposures to remain elevated in the coming quarters, and a largely unchanged credit quality at Group level.

Loan loss ratios and impaired loans

Basis points of loans	Q117	Q416	Q316	Q216	Q116
Loan loss ratios annualised, Group	14	16	16	15	13
of which individual	16	15	7	13	14
of which collective	-2	1	9	2	-1
Personal Banking total[1]	2	-1	4	9	4
Banking Denmark[1]	3	-10	6	10	-6
Banking Finland[1]	1	3	3	6	5
Banking Norway[1]	1	0	1	3	2
Banking Sweden[1]	2	3	0	3	3
Banking Baltic countries[1]	-5	10	5	54	35
Commercial & Business Banking	9	17	24	18	20
Commercial Banking	23	19	22	6	15
Business Banking	-12	15	26	29	24
Corporate & Institutional Banking (CIB)[1]	18	40	9	17	37
Shipping, Offshore & Oil Services[1]	200	163	200	80	50
Banking Russia[1]	162	90	30	120	29
Impaired loans ratio gross, Group (bps)[3]	162	163	163	172	165
- performing	62%	58%	61%	60%	58%
- non-performing	38%	42%	39%	40%	42%
Total allowance ratio, Group (bps)	71	71	71	73	72
Provisioning ratio, Group[2]	44%	44%	44%	42%	43%

[1] Negative amount are net reversals.
[2] Total allowances in relation to gross impaired loans.
[3] In Q4 and Q3 2016 170bps, including Baltics operations reported as assets held for sale. The transaction is expected to close during Q4 2017.

Credit portfolio

Total lending to the public, excluding reversed repurchase agreements, amounted to EUR 299bn when excluding the operations in the Baltics, which is unchanged from the previous quarter in local currencies.

The impaired loans ratio was more or less unchanged at 162 bps of total loans (163 bps in the previous quarter). Total impaired loans gross increased slightly by 1% compared to the previous quarter to EUR 5,618m, mainly due to the oil and offshore portfolio. The provisioning ratio is unchanged from the previous quarter at 44%.

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Profit

Operating profit
Operating profit excluding non-recurring items decreased to EUR 1,102m, down 4% in local currencies compared to the previous quarter, but up 8% compared to the same quarter of 2016.

Taxes
Income tax expense was EUR 258m compared to EUR 148m in the previous quarter. The effective tax rate was 23.5%, compared to 11.9% in the previous quarter and 22.3% in the first quarter last year.

Net profit
Net profit decreased 18% in local currencies from the previous quarter to EUR 844m. Return on equity was 10.3%, down from 12.9% in the previous quarter.

Diluted earnings per share were EUR 0.21 (EUR 0.27 in the previous quarter).

Operating profit per business area

								Local currency	
EURm	Q117	Q416	Q316	Q216	Q116	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
Personal Banking	316	310	283	270	243	2%	30%	1%	29%
Commercial & Business Banking	183	154	125	134	166	19%	10%	19%	10%
Wholesale Banking	236	292	271	243	210	-19%	12%	-19%	9%
Wealth Management	304	319	272	283	268	-5%	13%	-4%	13%
Group Corporate Centre	116	86	210	132	130	35%	-11%	n.m	n.m
Other and eliminations	-53	87	-13	161	-11	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**1,102**	**1,248**	**1,148**	**1,223**	**1,006**	**-12%**	**10%**	**-12%**	**8%**
Total, excl. non-recurring items[1]	**1,102**	**1,140**	**1,148**	**1,072**	**1,006**	**-3%**	**10%**	**-4%**	**8%**

[1] Non-recurring items (Q4 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax and gain in staff costs related to change in pension agreement in Norway of EUR 86m. Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax).

First quarter 2017 compared to first quarter 2016

Total income was up 6% in local currencies (up 7% in EUR) from the prior year and operating profit was up 8% in local currencies (up 10% in EUR) from the prior year excluding non-recurring items.

Income
Net interest income was unchanged in local currencies (up 2% in EUR) from 2016. Average lending volumes in business areas in local currencies were unchanged from the first quarter of 2016 while deposits volumes were up 1%.

Net fee and commission income increased 12% in local currencies (increased 12% in EUR) from the previous year.

Net result from items at fair value increased 17% in local currencies (13% in EUR) from 2016.

Expenses
Total expenses were up 5% in local currencies (6% in EUR) from the previous year excluding non-recurring items and amounted to EUR 1,246m. Staff costs were up 7% in local currencies excluding non-recurring items.

Net loan losses
Net loan loss provisions increased to EUR 113m, corresponding to a loan loss ratio of 14 bps (13 bps for first quarter 2016).

Net profit
Net profit increased 6% in local currencies (8% in EUR) to EUR 844m.

Currency fluctuation impact
Currency fluctuations had an increasing effect of 1% on income and expenses as well as on loan and deposit volumes compared to a year ago.

Nordea

Other information

Capital position and risk exposure amount, REA

Nordea Group's Basel III Common equity tier 1 (CET1) capital ratio increased to 18.8% at the end of the first quarter 2017 compared to 18.4% at the end of the fourth quarter 2016. REA increased EUR 0.4bn. The main drivers were increased REA calculated under the standardised approach and changes to credit quality in the corporate and institution portfolios. This was somewhat offset by decreased market risk.

The tier 1 capital ratio increased to 21.0% compared to 20.7% in the previous quarter and the total capital ratio decreased from 24.7% to 24.3%.

The CET1 capital was EUR 25.1bn, the Tier 1 capital was EUR 28.1bn and the Own Funds were EUR 32.5bn. CET1 Capital increased EUR 0.5bn mainly driven by continued strong profit generation and a dividend from Nordea Life and Pension of EUR 350m. The decrease of the Own funds was mainly due to a call of a Tier 2 loan. The capital requirement based on the Basel 1 transitional rules was EUR 17.1bn and the adjusted Own Funds were EUR 32.7bn.

The CRR leverage ratio decreased to 4.7% including profit, a decrease from 5.0% compared to fourth quarter.

Capital ratios

%	Q117	Q416	Q316	Q216	Q116
CRR/CRDIV					
CET 1 cap. ratio	18.8	18.4	17.9	16.8	16.7
Tier 1 capital ratio	21.0	20.7	20.1	18.9	18.7
Total capital ratio	24.3	24.7	24.1	22.1	21.8

Economic Capital (EC) was at the end of the first quarter EUR 28.9bn, which is an increase by EUR 2.6bn compared to fourth quarter. Main driver for the increase steams from credit risk by EUR 2.3bn, foremost due to the annual update of the Pillar II framework. These increases were slightly offset by a decrease in market risk stemming from the FX risk in the banking book. Lastly intangible assets were affected by increased investment in IT, software and development.

The Group´s Internal Capital Requirement (ICR) was at the end of the first quarter EUR 14.0bn, a decrease of EUR 0.5bn compared to the previous quarter. The ICR should be compared to the Own Funds, which was EUR 32.5bn at the end of the fourth quarter. The ICR is calculated based on a Pillar I plus Pillar II approach. For more detailed information about the ICR methodology see the Capital and Risk Management Report.

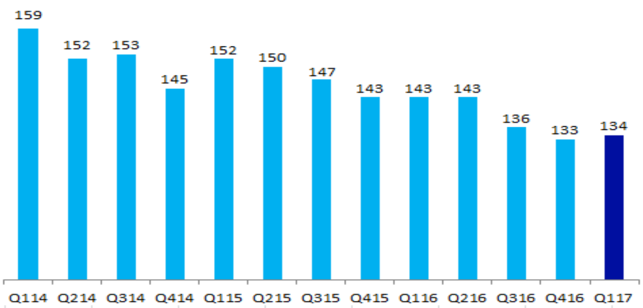
Regulatory developments

On 23 February the Swedish National Debt Office published the final framework for MREL (minimum requirement for own funds and eligible liabilities). The final framework, which is an updated version of the draft proposal from April last year, contains the final calibration for MREL requirements as well as subordination requirement for eligible instruments.

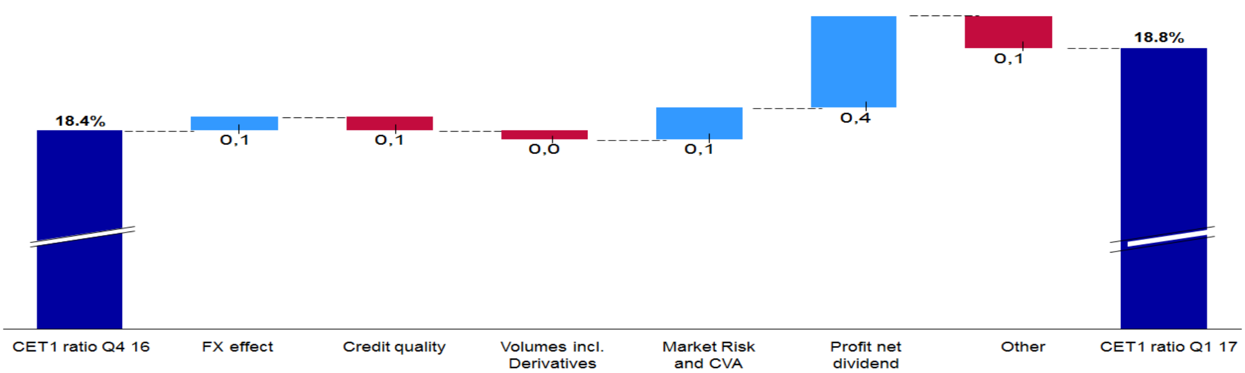
On March 7, Nordea received approval from the Swedish FSA to calculate its Sovereign exposures under Foundation IRB approach. In Q1 Nordea has included the REA increase, equivalent of a total Sovereign Risk Weight of 2.2%, as additional risk exposure amount. Full technical implementation is expected during Q2.

As previously announced by Swedish Financial Supervisory Authority the countercyclical capital buffer rate in Sweden was increased to 2% as of 19 March.

Risk exposure amount, REA (EURbn), quarterly development



Common equity tier 1 (CET1) capital ratio, changes in the quarter



Nordea

Balance sheet

Total assets in the balance sheet increased EUR 34bn in the quarter and the asset values of derivatives were EUR 14bn lower than in the previous period.

Loans to the public increased slightly to EUR 320bn in the quarter compared to EUR 318bn in the previous quarter.

Other assets increased by EUR 31bn in the quarter.

Balance sheet data

EURbn	Q117	Q416	Q316	Q216	Q116
Loans to credit institutions	19	9	13	10	12
Loans to the public	320	318	326	345	343
Derivatives	56	70	81	87	87
Interest-bearing securities	93	88	83	85	87
Other assets	162	131	155	144	146
Total assets	**650**	**616**	**657**	**671**	**676**
Deposits from credit inst.	70	38	58	64	59
Deposits from the public	191	174	187	196	203
Debt securities in issue	188	192	191	188	193
Derivatives	56	69	77	83	87
Other liabilities	114	111	112	111	105
Total equity	31	32	31	30	29
Total liabilities and equity	**650**	**616**	**657**	**671**	**676**

Nordea's funding and liquidity operations

Nordea issued approx. EUR 4.2bn in long-term funding in the first quarter excluding Danish covered bonds and subordinated notes, of which approx. EUR 3.2bn represented the issuance of Finnish, Swedish and Norwegian covered bonds in domestic and international markets. A EUR 1.5bn 5-year covered bond was issued from Nordea Mortgage Bank.

Nordea's long-term funding portion of total funding was, at the end of the first quarter, approx. 81%.

Short-term liquidity risk is measured using several metrics and the Liquidity Coverage Ratio (LCR) is one such metric. LCR for the Nordea Group was, according to the Swedish FSA's LCR definition, 142% at the end of the first quarter. The LCR in EUR was 185% and in USD 150% at the end of the first quarter. LCR for the Nordea Group according to CRR LCR definitions was 163% at the end of the first quarter. The liquidity buffer is composed of highly liquid central bank eligible securities with characteristics similar to Basel III/CRD IV liquid assets and amounted to EUR 65bn at the end of the first quarter (EUR 69bn at the end of the fourth quarter).

Funding and liquidity data

	Q117	Q416	Q316	Q216	Q116
Long-term funding portion	81%	82%	82%	82%	83%
LCR total	142%	159%	148%	155%	155%
LCR EUR	185%	334%	257%	270%	174%
LCR USD	150%	221%	253%	189%	230%

Market risk

Total market risk, measured as Value at Risk, in the trading book was EUR 9m (EUR 16m in Q4 2016), a reduction mainly driven by reduced equity exposure over the period.

Trading book

EURm	Q117	Q416	Q316	Q216	Q116
Total risk, VaR	9	16	16	32	36
Interest rate risk, VaR	9	12	15	29	34
Equity risk, VaR	3	5	4	4	2
Foreign exchange risk, VaR	5	4	4	6	10
Credit spread risk, VaR	6	6	7	10	3
Diversification effect	62%	42%	46%	36%	28%

Total market risk, measured as Value at Risk, in the banking book was largely unchanged at EUR 63m (EUR 59m in Q4 2016).

Banking book

EURm	Q117	Q416	Q316	Q216	Q116
Total risk, VaR	63	59	54	80	90
Interest rate risk, VaR	63	58	53	75	90
Equity risk, VaR	2	1	2	6	7
Foreign exchange risk, VaR	2	5	4	20	3
Credit spread risk, VaR	1	2	2	4	6
Diversification effect	7%	10%	12%	25%	15%

Nordea share and ratings

Nordea's share price as per end of Q1 2017

	Nasdaq STO (SEK)	Nasdaq COP (DKK)	Nasdaq HEL (EUR)
12/30/2016	101.30	78.65	10.60
3/31/2017	102.30	79.90	10.72
Change %	1%	2%	1%

Nordea ratings as per end of Q1 2017

Moody's		Standard&Poor's		Fitch	
Short	Long	Short	Long	Short	Long
P-1	Aa3	A-1+	AA-*	F1+	AA-

* Negative outlook as of the 20th November 2012

Nordea

Legal Structure Programme update

The new legal structure was implemented by means of cross-border mergers between Nordea Bank AB (publ) and its subsidiary banks in Denmark, Finland and Norway and went into force on 2 January 2017.

The mergers went smoothly and the new structure has now been in place for a quarter. Thus the decision to formally close the programme was taken 31 March 2017.

Baltics

In August 2016, Nordea and DNB announced that they will combine their operations in the Baltics. At the beginning of March this year, it was announced that Luminor will be the name of the joint Baltic bank. The merger is conditional on regulatory approvals and is expected to close during the fourth quarter of 2017.

Follow-up on the sale of Nordea Bank Russian Retail loan portfolio

Nordea has, as already communicated as an event after the balance sheet date in the Fourth Quarter and Full Year Results 2016, sold the existing portfolio of mortgage and consumer loans in Russia. The carrying amount of the portfolio was EUR 228m and the cost related to the divestment recognised on "Net result from items at fair value" in the first quarter 2017 was EUR 16m. The buyer was SovCombank.

Follow up on the customer co-ownership of Nordea Liv & Pension in Denmark

Foreningen NLP representing the customers of Nordea Liv & Pension has, as already communicated in Fourth Quarter and Full Year Results 2016, purchased 25% of the holding in Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark from Nordea Life Holding AB. The transaction was approved by the Danish FSA and closed on 10 January 2017. The purchase price was EUR 291m and the tax exempt gain recognised directly in equity was EUR 122m.

Nordea

Quarterly development, Group

EURm	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net interest income	1,197	1,209	1,178	1,172	1,168
Net fee and commission income	866	867	795	804	772
Net result from items at fair value	375	498	480	405	332
Profit from associated undertakings and joint ventures accounted for under the equity method	4	4	-2	101	9
Other operating income	19	32	15	74	14
Total operating income	**2,461**	**2,610**	**2,466**	**2,556**	**2,295**
General administrative expenses:					
Staff costs	-799	-687	-743	-756	-740
Other expenses	-387	-475	-389	-396	-386
Depreciation, amortisation and impairment charges of tangible and intangible assets	-60	-71	-51	-54	-52
Total operating expenses	**-1,246**	**-1,233**	**-1,183**	**-1,206**	**-1,178**
Profit before loan losses	**1,215**	**1,377**	**1,283**	**1,350**	**1,117**
Net loan losses	-113	-129	-135	-127	-111
Operating profit	**1,102**	**1,248**	**1,148**	**1,223**	**1,006**
Income tax expense	-258	-148	-260	-227	-224
Net profit for the period	**844**	**1,100**	**888**	**996**	**782**
Diluted earnings per share (DEPS), EUR	0.21	0.27	0.22	0.25	0.19
DEPS, rolling 12 months up to period end, EUR	0.95	0.93	0.87	0.84	0.83

Nordea

Income statement

EURm	Q1 2017	Q1 2016	Jan-Dec 2016
Operating Income			
Interest income	*1,912*	*1,975*	*7,747*
Interest expense	*-715*	*-807*	*-3,020*
Net interest income	1,197	1,168	4,727
Fee and commission income	*1,082*	*994*	*4,098*
Fee and commission expense	*-216*	*-222*	*-860*
Net fee and commission income	866	772	3,238
Net result from items at fair value	375	332	1,715
Profit from associated undertakings and joint ventures accounted for under the equity method	4	9	112
Other operating income	19	14	135
Total operating income	**2,461**	**2,295**	**9,927**
Operating expenses			
General administrative expenses:			
Staff costs	-799	-740	-2,926
Other expenses	-387	-386	-1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	-60	-52	-228
Total operating expenses	**-1,246**	**-1,178**	**-4,800**
Profit before loan losses	**1,215**	**1,117**	**5,127**
Net loan losses	-113	-111	-502
Operating profit	**1,102**	**1,006**	**4,625**
Income tax expense	-258	-224	-859
Net profit for the period	**844**	**782**	**3,766**
Attributable to:			
Shareholders of Nordea Bank AB (publ)	839	782	3,766
Non-controlling interests	5	-	-
Basic earnings per share, EUR	0.21	0.19	0.93
Diluted earnings per share, EUR	0.21	0.19	0.93

Statement of comprehensive income

EURm	Q1 2017	Q1 2016	Jan-Dec 2016
Net profit for the period	**844**	**782**	**3,766**
Items that may be reclassified subsequently to the income statement			
Currency translation differences during the period	67	155	438
Tax on currency translation differences during the period	74	-	-
Hedging of net investments in foreign operations:			
Valuation gains/losses during the period	18	-85	-219
Tax on valuation gains/losses during the period	-4	19	48
Available for sale investments:[1]			
Valuation gains/losses during the period, net of recycling	28	27	117
Tax on valuation gains/losses during the period	-7	-6	-27
Cash flow hedges:			
Valuation gains/losses during the period, net of recycling	-82	16	-44
Tax on valuation gains/losses during the period	19	-3	10
Items that may not be reclassified subsequently to the income statement			
Defined benefit plans:			
Remeasurement of defined benefit plans	18	-308	-205
Tax on remeasurement of defined benefit plans	-4	70	47
Other comprehensive income, net of tax	**127**	**-115**	**165**
Total comprehensive income	**971**	**667**	**3,931**
Attributable to:			
Shareholders of Nordea Bank AB (publ)	966	667	3,931
Non-controlling interests	5	-	-

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

Nordea

Balance sheet

EURm	31 Mar 2017	31 Dec 2016	31 Mar 2016
Assets			
Cash and balances with central banks	61,527	32,099	48,734
Loans to central banks	4,541	11,235	11,030
Loans to credit institutions	18,764	9,026	11,986
Loans to the public	320,052	317,689	342,731
Interest-bearing securities	93,211	87,701	87,154
Financial instruments pledged as collateral	5,263	5,108	9,554
Shares	27,942	21,524	22,983
Assets in pooled schemes and unit-linked investment contracts	24,382	23,102	20,667
Derivatives	56,204	69,959	87,394
Fair value changes of the hedged items in portfolio hedge of interest rate risk	154	178	171
Investments in associated undertakings and joint ventures	580	588	642
Intangible assets	3,935	3,792	3,299
Property and equipment	559	566	573
Investment properties	3,234	3,119	3,062
Deferred tax assets	168	60	135
Current tax assets	457	288	201
Retirement benefit assets	324	306	346
Other assets	18,692	18,973	23,352
Prepaid expenses and accrued income	1,561	1,449	1,541
Assets held for sale	8,722	8,897	-
Total assets	**650,272**	**615,659**	**675,555**
Liabilities			
Deposits by credit institutions	70,295	38,136	58,523
Deposits and borrowings from the public	190,855	174,028	202,819
Deposits in pooled schemes and unit-linked investment contracts	24,922	23,580	21,340
Liabilities to policyholders	41,831	41,210	39,255
Debt securities in issue	188,441	191,750	192,764
Derivatives	56,109	68,636	87,403
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,195	2,466	3,496
Current tax liabilities	649	487	273
Other liabilities	25,741	24,413	27,694
Accrued expenses and prepaid income	2,151	1,758	2,097
Deferred tax liabilities	772	830	952
Provisions	281	306	419
Retirement benefit obligations	274	302	447
Subordinated liabilities	9,603	10,459	8,945
Liabilities held for sale	5,076	4,888	-
Total liabilities	**619,195**	**583,249**	**646,427**
Equity			
Non-controlling interests	177	1	1
Share capital	4,050	4,050	4,050
Share premium reserve	1,080	1,080	1,080
Other reserves	-896	-1,023	-1,303
Retained earnings	26,666	28,302	25,300
Total equity	**31,077**	**32,410**	**29,128**
Total liabilities and equity	**650,272**	**615,659**	**675,555**
Assets pledged as security for own liabilities	193,653	189,441	189,255
Other assets pledged	4,835	8,330	9,527
Contingent liabilities	21,618	23,089	21,907
Credit commitments[1]	77,898	77,881	76,236
Other commitments	2,104	1,553	3,577

[1] Including unutilised portion of approved overdraft facilities of EUR 30,588m (31 Dec 2016: EUR 30,703m, 31 Mar 2016: EUR 32,987m).

Nordea

Statement of changes in equity

	Attributable to shareholders of Nordea Bank AB (publ)									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedge	Available for sale investment	Defined benefit plans	Retained earnings	Total	Non-controlling interests	**Total equity**
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 period	-	-	-	-	-	-	839	839	5	**844**
Other comprehensive income, net of tax	-	-	155	-63	21	14	-	127	-	**127**
Total comprehensive income	-	-	*155*	*-63*	*21*	*14*	*839*	*966*	*5*	***971***
Dividend for 2016	-	-	-	-	-	-	-2,625	-2,625	-	**-2,625**
Disposal of own shares[3]	-	-	-	-	-	-	28	28	-	**28**
Other changes[4]	-	-	-	-	-	-	122	122	171	**293**
Balance at 31 Mar 2017	**4,050**	**1,080**	**-1,195**	**-26**	**101**	**224**	**26,666**	**30,900**	**177**	**31,077**

	Attributable to shareholders of Nordea Bank AB (publ)									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedge	Available for sale investment	Defined benefit plans	Retained earnings	Total	Non-controlling interests	**Total equity**
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 period	-	-	-	-	-	-	3,766	3,766	-	**3,766**
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**
Disposal 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**

	Attributable to shareholders of Nordea Bank AB (publ)									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedge	Available for sale investment	Defined benefit plans	Retained earnings	Total	Non-controlling interests	**Total equity**
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 period	-	-	-	-	-	-	782	782	-	**782**
Other comprehensive income, net of tax	-	-	89	13	21	-238	-	-115	-	**-115**
Total comprehensive income	-	-	*89*	*13*	*21*	*-238*	*782*	*667*	-	***667***
Share-based payments[2]	-	-	-	-	-	-	-1	-1	-	**-1**
Dividend for 2015	-	-	-	-	-	-	-2,584	-2,584	-	**-2,584**
Disposal of own shares[3]	-	-	-	-	-	-	14	14	-	**14**
Balance at 31 Mar 2016	**4,050**	**1,080**	**-1,528**	**84**	**11**	**130**	**25,300**	**29,127**	**1**	**29,128**

[1] Total shares registered were 4,050 million (31 Dec 2016: 4,050 million, 31 Mar 2016: 4,050 million).

[2] The total holding of own shares related to Long Term Incentive Programme (LTIP) is 10.9 million (31 Dec 2016: 10.9 million, 31 Mar 2016: 11.7 million).

[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 at 31 Mar 2017 was 11.0 million (31 Dec 2016: 13.3 million, 31 Mar 2016: 17.1 million).

[4] Refers to the sale of 25% of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.

Nordea

Cash flow statement, condensed

EURm	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Operating activities			
Operating profit	1,102	1,006	4,625
Adjustments for items not included in cash flow	1,391	232	3,892
Income taxes paid	-331	-311	-952
Cash flow from operating activities before changes in operating assets and liabilities	2,162	927	7,565
Changes in operating assets and liabilities	27,468	16,486	-4,285
Cash flow from operating activities	29,630	17,413	3,280
Investing activities			
Properties and equipment	-19	-29	-104
Intangible assets	-172	-103	-656
Net investments in debt securities, held to maturity	-169	-177	-360
Other financial fixed assets	35	0	186
Cash flow from investing activities	-325	-309	-934
Financing activities			
Issued/amortised subordinated liabilities	-750	-	1,000
Divestment/repurchase of own shares incl change in trading portfolio	28	14	31
Dividend paid	-2,625	-2,584	-2,584
Cash flow from financing activities	-3,347	-2,570	-1,553
Cash flow for the period	**25,958**	**14,534**	**793**

Cash and cash equivalents EURm	01 Mar 2017	01 Mar 2016	01 Dec 2016
Cash and cash equivalents at beginning of the period	**41,860**	**40,200**	**40,200**
Translation difference	-405	-1,290	867
Cash and cash equivalents at end of the period	**67,413**	**53,444**	**41,860**
Change	**25,958**	**14,534**	**793**
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	61,527	48,734	32,099
Loans to central banks	3,937	2,690	8,538
Loans to credit institutions	1,815	2,020	1,093
Assets held for sale	134	-	130
Total cash and cash equivalents	**67,413**	**53,444**	**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.

Nordea

Note 1 Accounting policies

The information presented in this Interim Management Statement follows the guidelines for Interim Management Statements issued by Nasdaq OMX. This Interim Management Statement is not presented in accordance with IAS 34 “Interim Financial Reporting”.

The accounting policies and methods of computation are largely the same as for the Annual Report 2016. For more information see Note G1 in the Annual Report 2016. For changes implemented during 2017, see “Changed accounting policies and presentation” below.

Changed accounting policies and presentation

Amendments have been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) which have been implemented 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.

Exchange rates

EUR 1 = SEK	Jan-Mar 2017	Jan-Dec 2016	Jan-Mar 2016
Income statement (average)	9.5053	9.4675	9.3241
Balance sheet (at end of period)	9.5322	9.5525	9.2253
EUR 1 = DKK			
Income statement (average)	7.4352	7.4453	7.4605
Balance sheet (at end of period)	7.4379	7.4344	7.4512
EUR 1 = NOK			
Income statement (average)	8.9883	9.2943	9.5273
Balance sheet (at end of period)	9.1683	9.0863	9.4145
EUR 1 = RUB			
Income statement (average)	62.5730	74.1913	82.2815
Balance sheet (at end of period)	60.3130	64.3000	76.3051

Note 2 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including those of the Nordic countries, the European Union and the United States. Governmental authorities that administer and enforce those regimes regularly conduct investigations with regards to Nordea’s regulatory compliance, including compliance with anti-money laundering (AML) and economic sanction requirements.

The SFSA has closed the investigation related to the ‘Panama’ papers without any sanctions.

As announced in the previous quarter, the Nordea Group is responding to inquiries from U.S. governmental authorities regarding historical compliance with certain U.S. financial sanctions during 2008 - 2013. The outcome of some investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. The strengthening of the compliance governance framework has continued, and the Consequence Management Committee and the Product Oversight Committee have been established in Q1.

Nordea

Nordea Bank AB (publ)

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".

Income statement

EURm	Q1 2017	Q1 2016	Jan-Dec 2016
Operating Income			
Interest income	*1,044*	*360*	*1,403*
Interest expense	*-506*	*-247*	*-939*
Net interest income	538	113	464
Fee and commission income	*629*	*255*	*978*
Fee and commission expense	*-98*	*-34*	*-138*
Net fee and commission income	531	221	840
Net result from items at fair value	327	46	216
Dividends	466	550	3,210
Other operating income	99	169	712
Total operating income	**1,961**	**1,099**	**5,442**
Operating expenses			
General administrative expenses:			
Staff costs	-684	-430	-1,113
Other expenses	-353	-229	-1,008
Depreciation, amortisation and impariment charges of tangible and intangible assets	-64	-37	-172
Total operating expenses	**-1,101**	**-696**	**-2,293**
Profit before loan losses	**860**	**403**	**3,149**
Net loan losses	-104	-28	-193
Impairment of securities held as financial non-current assets	-	0	-6
Operating profit	**756**	**375**	**2,950**
Appropriations	-	-	1
Income tax expense	-79	54	-51
Net profit for period	**677**	**429**	**2,900**

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Balance sheet

EURm	31 Mar 2017	31 Dec 2016	31 Mar 2016
Assets			
Cash and balances with central banks	61,118	101	80
Treasury bills	21,753	6,583	6,125
Loans to credit institutions	63,845	88,375	86,291
Loans to the public	171,877	43,726	46,147
Interest-bearing securities	51,652	10,359	11,283
Financial instruments pledged as collateral	10,288	-	105
Shares	10,369	130	3,360
Derivatives	57,259	4,668	5,324
Fair value changes of the hedged items in portfolio hedge of interest rate risk	73	0	1
Investments in group undertakings	13,007	20,101	19,478
Investments in associated undertakings and joint ventures	80	12	7
Participating interest in other companies	10	1	1
Intangible assets	1,822	1,539	1,145
Property and equipment	329	132	135
Deferred tax assets	125	22	85
Current tax assets	403	204	45
Retirement benefit assets	141	-	-
Other assets	18,815	4,560	1,711
Prepaid expenses and accrued income	1,204	749	793
Total assets	**484,170**	**181,262**	**182,116**
Liabilities			
Deposits by credit institutions	80,913	20,374	20,963
Deposits and borrowings from the public	198,649	58,183	59,955
Debt securities in issue	79,884	63,162	63,454
Derivatives	59,563	3,612	4,659
Fair value changes of the hedged items in portfolio hedge of interest rate risk	915	1,008	1,602
Current tax liabilities	417	0	8
Other liabilities	24,660	3,279	3,344
Accrued expenses and prepaid income	1,749	670	1,029
Deferred tax liabilities	161	-	-
Provisions	371	307	295
Retirement benefit obligations	282	169	180
Subordinated liabilities	9,476	10,086	8,701
Total liabilities	**457,040**	**160,850**	**164,190**
Untaxed reserves	**2**	**2**	**2**
Equity			
Share capital	4,050	4,050	4,050
Development cost reserve	721	569	77
Share premium reserve	1,080	1,080	1,080
Other reserves	104	-2	-16
Retained earnings	21,173	14,713	12,733
Total equity	**27,128**	**20,410**	**17,924**
Total liabilities and equity	**484,170**	**181,262**	**182,116**
Assets pledged as security for own liabilities	37,738	1,080	2,983
Other assets pledged	4,835	11,750	7,693
Contingent liabilities	58,647	71,965	72,515
Commitments[1]	80,425	26,993	28,334

[1] Including unutilised portion of approved overdraft facilities of EUR 35,558m (31 Dec 2016: EUR 15,890m, 31 Mar 2016: EUR 17,059m).

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Business definitions

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

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).

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.

Total allowance rate
Total allowances divided by total loans before allowances.

Allowances in relation to impaired loans
Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

Total allowances in relation to impaired loans (provisioning ratio)
Total allowances divided by total impaired loans before allowances.

Non-servicing, not impaired
Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

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 excl non-controlling interests and non-recurring items, 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 business definitions, see the Annual Report.

Nordea

For further information:

- A press conference with management will be held on 27 April at 8.30 CET, at Mäster Samuelsgatan17, Stockholm.
- After the presentation there will be a webcasted telephone conference which will start at approximately 09.00 CET. Torsten Hagen Jørgensen, Group COO and Rodney Alfvén, Head of Investor Relations, will participate. Please dial +44(0)20 3427 1907 or +46(0)8 5352 6408, confirmation code 3280376, no later than 08.20 CET. After the conference an indexed on-demand replay will be available on www.nordea.com. A replay will be available until 5 May by dialing +44 (0)20 3427 0598 or +46 (0)8 5051 3897, access code 3280376.
- An analyst and investor presentation will be held in London on 28 April at 08.00 local time at The Langham, 1c Portland Place, Regent Street, London W1B 1JA
- This Interim Management Statement, an investor presentation and a fact book are available on www.nordea.com.

Contacts:

Casper von Koskull, President and Group CEO	+46 10 157 10 20
Torsten Hagen Jørgensen, Deputy CEO and Group COO	+45 55 47 22 00
Rodney Alfvén, Head of Investor Relations	+46 72 235 05 15
Helga Baagøe, Acting Head of Group Communications	+46 72 141 18 07

Financial calendar

20 July 2017 – Second Quarter Report 2017 (silent period starts 7 July 2017)

26 October 2017 – Third Quarter Report 2017 (silent period starts 7 October 2017)

Stockholm 27 April 2017

Casper von Koskull
President and Group CEO

This Interim Management Statement has been prepared in accordance with the Nasdaq guidelines for preparing interim management statements.

This Interim Management Statement has not been subject to review by the Auditors.

This Interim Management Statement 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 English version shall prevail.

The information in this report is such, which Nordea Bank AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 06.30 CET on 27 April 2017.

This Interim Management Statement 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 Interim Management Statement 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.

The information provided in this press release is such, which Nordea is required to disclose pursuant to the Swedish Financial Instruments Trading Act (1991:980) and/or the Swedish Securities Markets Act (2007:528).

Nordea Bank AB (publ)
Smålandsgatan 17
SE-105 71 Stockholm
www.nordea.com/ir
Tel. +46 8 614 7800
Corporate registration No. 516406-0120

REGISTERED AND PRINCIPAL OFFICE OF THE ISSUER

Nordea Bank AB (publ)
Smålandsgatan 17
SE-105 71 Stockholm

INDEPENDENT PUBLIC ACCOUNTANT

ÖHRLINGS PRICEWATERHOUSECOOPERS AB
Torsgatan 21
SE-113 97 Stockholm

ARRANGER

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

PRINCIPAL DEALERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

BNP Paribas
10 Harewood Avenue
London NW1 6AA

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

HSBC Bank plc
8 Canada Square
London E14 5HQ

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA

Natixis
30 Avenue Pierre Mendès-France
75013 Paris
France

Nordea Bank AB (publ)
Smålandsgatan 17
SE-105 71 Stockholm

RBC Europe Limited
Riverbank House
2 Swan Lane
London EC4R 3BF

Société Générale
29 boulevard Haussmann
75009 Paris

The Royal Bank of Scotland plc
(trading as NatWest Markets)
250 Bishopsgate
London EC2M 4AA

UBS Limited
5 Broadgate
London EC2M 2QS

UniCredit Bank AG
Arabellastr. 12
81925 Munich

SWISS DEALER

UBS AG
Bahnhofstrasse 45
CH-8001 Zurich
Switzerland

FISCAL AGENT AND PAYING AGENT

Citibank, N.A. London Branch
13th Floor
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

REGISTRAR

Citibank, N.A.
388 Greenwich Street
14th Floor
New York
NY 10013, USA

SWISS PAYING AGENT

Citibank, N.A., Sioux Falls, Zurich Branch
Bleicherweg 10
P.O. Box 8010
Zurich
Switzerland

VP ISSUING AGENT

Nordea Bank AB (publ)
Smålandsgatan 17
SE-105 71 Stockholm

VPS PAYING AGENT

Nordea Bank AB (publ)
Smålandsgatan 17
SE-105 71 Stockholm

SWEDISH ISSUING AGENT

Nordea Bank AB (publ)
Smålandsgatan 17
SE-105 71 Stockholm

SWEDISH REGISTRAR

Euroclear Sweden AB
Swedish Central Securities Depository
Euroclear Sweden
Box 191, 101 23 Stockholm

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland

LUXEMBOURG LISTING AGENT

Clifford Chance, Luxembourg
10, G.D. Charlotte
B.P. 1147
L-1011 Luxembourg

LEGAL ADVISERS

To the Issuer

as to Swedish law

Maria Kronström
Internal Legal Counsel
Nordea Bank AB (publ)
Smålandsgatan 17
SE-105 71 Stockholm

as to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

as to Swiss law

Homburger AG
Prime Tower
Hardstrasse 201
CH-8005 Zurich
Switzerland

To the Dealers

as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AD

as to Swedish tax law

Mannheimer Swartling Advokatbyrå AB
Box 1711
SE-111 87 Stockholm