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 covered bonds 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 (as defined in Regulation S under the Securities Act ("**Regulation S**")). The securities described in the Base Prospectus will only be offered in offshore transactions to non-U.S. persons in reliance upon Regulation S.

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

BASE PROSPECTUS

Nordea

NORDEA MORTGAGE BANK PLC

(*Incorporated with limited liability in Finland*)

€25,000,000,000
Covered Bond Programme

Nordea Mortgage Bank Plc (*Nordea Kiinnitysluottopankki Oyj*) ("**Nordea Mortgage Bank**" or the "**Issuer**") has established a €25,000,000,000 Covered Bond Programme (the "**Programme**"). Any Covered Bonds (as defined below) issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein.

The Issuer may from time to time issue covered bonds (the "**Covered Bonds**") under the Finnish Covered Bond Act (*Laki kiinnitysluottopankkitoiminnasta* 688/2010), as amended (the "**CBA**") denominated in any currency as may be agreed with the relevant Dealer(s) (as defined below). Covered Bonds issued pursuant to the Programme may include Covered Bonds issued in bearer form ("**Bearer Covered Bonds**") or in registered form ("**Registered Covered Bonds**"). Covered Bonds issued pursuant to the Programme may include dematerialised Covered Bonds designated as "**Finnish Covered Bonds**" in the relevant Final Terms or Pricing Supplement (as defined below). The maximum amount of all Covered Bonds from time to time outstanding will not exceed €25,000,000,000 (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.

The Covered Bonds issued under the Programme (other than Exempt Covered Bonds (as defined herein)) will have a denomination of at least €100,000 or its equivalent in any other currency.

The Covered Bonds will be issued on a continuing basis to one or more of the principal 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 Covered Bonds 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 Covered Bonds are discussed under "*Risk Factors*" below.

Arranger
Deutsche Bank

Dealers

Barclays	**BNP PARIBAS**	**BofA Securities**	**Citigroup**
Credit Suisse	**Commerzbank**	**Deutsche Bank**	**DZ BANK AG**
Goldman Sachs International	**HSBC**	**Landesbank Baden-Württemberg**	**Natixis**
NatWest Markets	**Nordea**	**NORD/LB**	**Société Générale Corporate & Investment Banking**

UBS Investment Bank **UniCredit Bank**

The date of this Base Prospectus is 2 April 2020

This Base Prospectus has been approved as a base prospectus by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Central Bank only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer or the quality of the Covered Bonds that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Covered Bonds. Such approval relates only to Covered Bonds issued under the Programme within 12 months after the date hereof which are admitted to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (2014/65/EU), as amended or replaced from time to time ("**MiFID II**") and/or which are to be offered to the public in any Member State of the European Economic Area (the "**EEA**") or the United Kingdom ("**UK**") in circumstances that require the publication of a prospectus.

The requirement to publish a prospectus under the Prospectus Regulation only applies to Covered Bonds which are to be admitted to trading on a regulated market for the purposes of MiFID II in the EEA or the UK and/or offered to the public in the EEA or the UK other than in circumstances where an exemption is available under Articles 1(4) and/or 3(2) of the Prospectus Regulation. References in this Base Prospectus to "**Exempt Covered Bonds**" are to Covered Bonds for which no prospectus is required to be published under the Prospectus Regulation. The Central Bank has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Covered Bonds.

Application will be made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for Covered Bonds issued under the Programme (other than Exempt Covered Bonds (as defined herein)) to be admitted to the official list (the "**Official List**") and to trading on its regulated market. An application will also be made to the United Kingdom Financial Conduct Authority (the "**FCA**") and London Stock Exchange plc (the "**London Stock Exchange**") for Covered Bonds issued under the Programme (other than Exempt Covered Bonds) to be admitted to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange during the period of 12 months after the date hereof.

The regulated markets of Euronext Dublin and the London Stock Exchange are regulated markets for the purposes of MiFID II. Such approvals relate only to the Covered Bonds which are to be admitted to trading on a regulated market for the purposes of MiFID II.

The Programme also permits Covered Bonds 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.

Notice of the aggregate principal amount of interest (if any) payable in respect of, and the issue price of, each Tranche (as defined below) of Covered Bonds will be set forth in a final terms (the "**Final Terms**") or, in the case of Exempt Covered Bonds only, a pricing supplement (the "**Pricing Supplement**") and in addition, in the case of Exempt Covered Bonds only, any other terms and conditions not contained herein which are applicable to each Tranche (as defined below) of Covered Bonds will be set forth in the relevant Pricing Supplement.

This Base Prospectus is valid for 12 months from the date of this Base Prospectus. The obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Base Prospectus is no longer valid.

IMPORTANT NOTICES

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 Covered Bonds, should be read and construed together with the relevant Final Terms or Pricing Supplement.

Copies of each Final Terms or each Pricing Supplement will be available from the specified offices of each of the Paying Agents and (in the case of Covered Bonds which may be in registered form) from the Registrar (see "*Terms and Conditions of the Covered Bonds*" herein).

The Issuer may agree with any Dealer(s) that Covered Bonds may be issued in a form not contemplated by the "*Terms and Conditions of the Covered Bonds*" herein, in which case a drawdown prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds. In the case of Exempt Covered Bonds, the relevant provisions relating to such Covered Bonds 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 or Pricing Supplement) contains all information which is (in the context of the Programme and the issue, offering and sale of the Covered Bonds) 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 Covered Bonds) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms or Pricing Supplement for each Tranche of Covered Bonds and declares that, to the best of its knowledge, the information contained in this Base Prospectus is in accordance with the facts and this Base Prospectus makes no omission likely to affect its import.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer 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 Covered Bonds. 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 Covered Bonds. The statements made in this paragraph are without prejudice to the responsibility of Nordea Mortgage Bank in its capacity as Issuer under the Programme.

Neither the delivery of this Base Prospectus nor any Final Terms nor any Pricing Supplement nor the offering, sale or delivery of any Covered Bond 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 or Pricing Supplement and the offering, sale and delivery of the Covered Bonds 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 Covered Bonds and on distribution of this Base Prospectus or any Final Terms or Pricing Supplement and other offering material relating to the Covered Bonds see "*Subscription and Sale*".

THE COVERED BONDS 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 COVERED BONDS 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 COVERED BONDS IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE COVERED BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")). SEE "*SUBSCRIPTION AND SALE*".

MIFID II PRODUCT GOVERNANCE/TARGET MARKET – The Final Terms (or Pricing Supplement, as the case may be) in respect of any Covered Bonds will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593, as amended or replaced from time to time (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

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

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

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

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

(d) understand thoroughly the terms of the relevant Covered Bonds and the behaviour of any relevant financial markets; and

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

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

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

Neither this Base Prospectus nor any Final Terms nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Covered Bonds 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 or Pricing Supplement should subscribe for or purchase any Covered Bonds. Each recipient of this Base Prospectus or any Final Terms or Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

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

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE - The relevant Final Terms (or Pricing Supplement, as the case may be) in respect of any Covered Bonds may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Covered Bonds pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the "**SFA**"). The Issuer will make a determination in relation to each issue about the classification of the Covered Bonds being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms (or Pricing Supplement, as the case may be) will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

In connection with the issue of any Tranche of Covered Bonds under the Programme, the Dealer or Dealers (if any) acting as the Stabilising Manager(s) (or any persons acting on behalf of any Stabilising Manager(s)) may over allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds 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 Covered Bonds 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 Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

RATING

The Covered Bonds to be issued under the Programme are expected to be assigned one of the following ratings:

Rating Agency	Rating
Moody's Investors Service Limited	Aaa
S&P Global Ratings Europe Limited	AAA

Moody's Investors Service Limited ("**Moody's**") is established in the UK and S&P Global Ratings Europe Limited ("**S&P**") is established in the EEA. Each of Moody's and S&P are registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**") and are, as of the date of this Base Prospectus, included in the list of credit rating agencies published by ESMA on its website (http://www.esma.europa.eu/page/list-registered-and-certified-CRAs) in accordance with the CRA Regulation.

In accordance with Moody's ratings definitions available as at the date of this Base Prospectus on https://www.moodys.com/ratings-process/Ratings-Definitions/002002, obligations rated 'Aaa' are judged to be of the highest quality, subject to the lowest level of credit risk. In accordance with S&P's ratings definitions available as at the date of this Base Prospectus on https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352, obligations rated 'AAA' are judged to be of the highest quality and indicate that the relevant issuer's capacity to meet its financial commitments on the obligation is very strong.

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

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 Covered Bonds, which would typically delay the publication of that rating by such rating agency for a period of 12 months. If any non-hired rating agency assigns an unsolicited rating to any Covered Bonds, 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 Covered Bonds.

ESMA is obliged to maintain on its website, 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 EEA or the UK 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 EEA or the UK but is endorsed by a credit rating agency established in the EEA or the UK 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 EEA or the UK, 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.

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

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

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.

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 Series of Covered Bonds, 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 Series of Covered Bonds may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to any Covered Bonds, there can be no assurances 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 Covered Bonds.

DEFINITIONS

In this Base Prospectus, references to the "**EU**" are to the European Union and references to "**Member State**" are to a Member State of the EEA. References to "**Conditions**" are to the terms and conditions of the Covered Bonds set forth herein. References to "**U.S. dollars**" or "**USD**" are to United States dollars, references to "**Euro**", "**euro**", "**EUR**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the Euro, as amended, references to "**sterling**" 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 the "**Merger**" mean the merger of Nordea Bank AB (publ), the parent company of the Nordea Group before the Re-domiciliation (as defined below), into Nordea Bank Abp through a cross-border reverse merger by way of absorption on the Completion Date (as defined below). References to "**Nordea**" or "**Nordea Bank**" refer to Nordea Bank Abp except where it is clear from the context that the term refers to Nordea Bank AB (publ), the parent company of the Nordea Group before the Re-domiciliation. References to the "**Nordea Group**" or the "**Group**" are to the group of companies for which Nordea is the parent company, except where it is clear from the context that the term refers to any particular subsidiary or a group of subsidiaries. References to the "**Completion Date**" mean the date of completion of the Merger, being 1 October 2018. References to the "**Re-domiciliation**" mean the re-domiciliation of the parent company of the Nordea Group from Sweden to Finland that was carried out through the Merger.

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

The language of this 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.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

CONTENTS

Page

OVERVIEW OF THE BASE PROSPECTUS

This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Covered Bonds should be based on a consideration of this Base Prospectus as a whole and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the relevant Final Terms or Pricing Supplement. Each decision to invest in any Covered Bonds should be based on an assessment of the entire Base Prospectus.

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

Issuer	Nordea Mortgage Bank Plc
Description	Covered Bond Programme
Arranger	Deutsche Bank Aktiengesellschaft
Dealers	Barclays Bank Ireland PLC, Barclays Bank PLC, BNP Paribas, BofA Securities Europe SA, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Goldman Sachs International, HSBC France, Landesbank Baden-Württemberg, Merrill Lynch International, Natixis, NatWest Markets Plc, Norddeutsche Landesbank - Girozentrale -, Nordea Bank Abp, Société Générale, UBS Europe SE, UniCredit Bank AG and any other Dealer appointed by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Covered Bonds.
Fiscal Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Europe AG
Finnish Issuing Agent for Finnish Covered Bonds	Nordea Bank Abp ("**Nordea Bank**")
Irish Listing Agent	Arthur Cox Listing Services Limited
Amount	Up to €25,000,000,000 (or its equivalent in other currencies at the time of agreement to issue) outstanding at any one time.
Currencies	U.S. dollars, euro, sterling, Swedish Krona, Norwegian Kroner, Danish Krone and Yen and/or such other currency or currencies as may be agreed with the relevant Dealer(s), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Distribution	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or a non-syndicated basis.
Status	Covered Bonds may be issued on an unsubordinated basis and in accordance with the CBA. The Covered Bonds will be covered in accordance with the CBA and will therefore benefit from statutory security over a certain portion of the assets of the Issuer conferred by the CBA (the "**Cover Pool**"). To the extent that claims of Holders in relation to Covered Bonds are not met out of the Cover Pool, the residual claims of such Holders will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

Maturities	Any maturity subject to a minimum maturity of 30 days subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Where Covered Bonds have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Covered Bonds is carried on from an establishment maintained by the Issuer in the United Kingdom, such Covered Bonds must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") by the Issuer.
Issue Price	The Covered Bonds will be issued on a fully paid basis and may be issued at any price, as specified in the relevant Final Terms or Pricing Supplement.
Issuance in Series	Covered Bonds are issued in series (each a "**Series**") and Covered Bonds of each Series will all be subject to identical terms (except issue price, issue date and interest commencement date, which may or may not be identical). Further Covered Bonds may be issued as part of an existing Series (each a "**Tranche**"), Covered Bonds in respect of which will be identical in all respects.
Form	Covered Bonds may be issued in bearer form or in registered form as specified in the relevant Final Terms or Pricing Supplement. Covered Bonds in bearer form will not be exchangeable for Covered Bonds in registered form and Covered Bonds in registered form will not be exchangeable for Covered Bonds in bearer form. "**Covered Bonds**" may also be specified in the relevant Final Terms or Pricing Supplement as "**Finnish Covered Bonds**". Finnish Covered Bonds 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 Finnish Covered Bonds kept by Euroclear Finland on behalf of the Issuer. Title to Finnish Covered Bonds 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 Finnish Covered Bonds. Definitive Covered Bonds will not be issued in respect of any Finnish Covered Bonds.
Denominations	Covered Bonds will be issued in such denominations as may be specified in the relevant Final Terms or Pricing Supplement, subject to (i) a minimum denomination of €100,000 (or its equivalent in any other currency) for each Covered Bond admitted to trading on a regulated market within the EEA or UK; and (ii) compliance with all applicable legal and/or regulatory and/or central bank requirements.

Interest	Covered Bonds may be interest-bearing or non-interest-bearing. Covered Bonds may be issued as fixed rate, floating rate or zero coupon, as provided in the relevant Final Terms or Pricing Supplement.
Redemption	Covered Bonds may be redeemable at par or, in the case of Exempt Covered Bonds only, at such other redemption amount as may be specified in the relevant Pricing Supplement. Early redemption of Covered Bonds will be permitted for taxation reasons as mentioned in Condition 5(b) (*Early Redemption for Taxation Reasons*) of the Covered Bonds but will otherwise be permitted only to the extent specified in the relevant Final Terms or Pricing Supplement. Covered Bonds denominated in sterling may not be redeemed prior to one year and one day from the date of issue.
Extended Maturity Date	The relevant Final Terms or Pricing Supplement may provide that an Extended Maturity Date applies to the relevant Series of Covered Bonds. If an Extended Maturity Date is specified in the relevant Final Terms or Pricing Supplement as applying to a Series of Covered Bonds and the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the maturity of the outstanding Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of the Conditions will be automatically extended up to, but no later than, the Extended Maturity Date, subject as otherwise specified in the relevant Final Terms or Pricing Supplement. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on any Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise specified in the relevant Final Terms or Pricing Supplement. If the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds from (and including) the Maturity Date to (but excluding) the earlier of the Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed and the Extended Maturity Date and will be payable in respect of the interest period ending immediately prior to the relevant Interest Payment Date in arrear or as otherwise provided for in the relevant Final Terms or Pricing Supplement on each Interest Payment Date after the Maturity Date at the rate specified in the relevant Final Terms or Pricing Supplement. In the case of a Series of Covered Bonds with an Extended Maturity Date, those Covered Bonds may be issued as fixed rate, floating rate, or zero coupon in respect of the period from (and including) the Issue Date to (but excluding) the Maturity Date and issued as fixed rate or floating rate in respect of the period from (and including) the Maturity Date to (but excluding) the Extended Maturity Date, as set out in the relevant Final Terms or Pricing Supplement. In the case of Covered Bonds which are non-interest-bearing up to the Maturity Date and for which an Extended Maturity Date applies, the initial outstanding principal amount on the Maturity Date for the above purposes will be the total amount otherwise payable by the

Issuer but unpaid on the relevant Covered Bonds on the Maturity Date.

Taxation

All payments in respect of the Covered Bonds will be made without withholding or deduction for or on account of Finnish withholding taxes unless required by law. If such withholdings are required by Finnish law, the Issuer will in certain circumstances pay certain additional amounts as described in, and subject to exceptions set out in, Condition 6 (*Taxation*) of the Covered Bonds.

Substitution

A substitution of the Issuer may take place in respect of the Covered Bonds: pursuant to the CBA, a bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding collateral to another mortgage credit bank, deposit bank or credit entity holding a licence to issue covered bonds or to a foreign mortgage credit bank subject to supervision corresponding to that of the CBA, unless the terms of the covered bond provide otherwise. See "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" on pages 100 to 105.

Events of Default and Cross Default

The Covered Bonds will not provide for events of default or a cross-default provision entitling Holders to demand immediate redemption.

Negative Pledge

None.

Listing and Admission to Trading

Each Series may be admitted to listing on (i) the Official List of Euronext Dublin and to trading on its regulated market or (ii) the Official List of the FCA and to trading on the London Stock Exchange's regulated market.

Each Series of Exempt Covered Bonds may be admitted to listing on a market that is not a regulated market for the purposes of MiFID II as agreed between the Issuer and the relevant Dealer and as specified in the relevant Pricing Supplement.

Unlisted Covered Bonds may also be issued pursuant to a Pricing Supplement.

Governing Law

English law, except that (i) Condition 3 (*Status*) of the Covered Bonds will be governed by Finnish law and (ii) the registration of Finnish Covered Bonds in Euroclear Finland will be governed by Finnish law.

Selling Restrictions

This Base Prospectus contains a summary of certain selling restrictions in the United States, the EEA, the UK, Denmark, Finland, France, Ireland, Italy, Japan, Lithuania, Luxembourg, The Netherlands, Norway, Portugal, Singapore, Spain and Sweden.

Each Dealer and each purchaser of Covered Bonds must observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Covered Bonds or distribute this Base Prospectus or any offering material in relation to the Covered Bonds.

Ratings

The Covered Bonds to be issued under the Programme are expected to be assigned a rating of "Aaa" by Moody's or "AAA" by S&P.

Tranches of Covered Bonds issued under the Programme will be rated or unrated. Where a Tranche of Covered Bonds is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Covered Bonds already issued.

Where a Tranche of Covered Bonds is rated, the applicable rating(s) will be specified in the relevant Final Terms or Pricing Supplement, along with the details of the credit rating agency issuing such rating.

Terms and Conditions	The Conditions applicable to each Tranche of Covered Bonds 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 or Pricing Supplement. The Conditions applicable to each Tranche of Covered Bonds will be those set out in this Base Prospectus, as completed by the relevant Final Terms or as set out in the relevant Pricing Supplement.
Enforcement of Covered Bonds in Global Form	In the case of Covered Bonds in global form or in uncertificated and dematerialised book-entry form, investors' rights will be supported by a Deed of Covenant dated 2 April 2020 (as amended and/or restated and/or replaced from time to time) and by their arrangements with Euroclear and/or Clearstream, Luxembourg (together, the "**ICSDs**") or any other applicable clearing system.
Clearing Systems	Euroclear, Clearstream, Luxembourg and Euroclear Finland and/or such other clearing system(s) as may be agreed from time to time.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds. 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 Covered Bonds.
Use of Proceeds	The net proceeds of the issue of each Series of Covered Bonds will be used for the general corporate purposes of the Issuer. If, in respect of any particular issue, there is another or a particular identified use of proceeds, this will be stated in the relevant Final Terms or Pricing Supplement.

RISK FACTORS

An investment in the Covered Bonds 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 Covered Bonds. The risks described below could have a material adverse effect on the business, results of operations, financial condition or future prospects of Nordea Mortgage Bank or the value of the Covered Bonds. Unless otherwise specified, the risk factors under the heading "Risks Relating to the Nordea Group" below that apply in the context of Nordea Bank Abp and the Nordea Group are also applicable to the Issuer.

Additional risks and uncertainties, including those of which Nordea Mortgage Bank's management is not currently aware or deems immaterial, may also potentially have an adverse effect on the Nordea Mortgage Bank'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 Covered Bonds" 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 Covered Bonds issued under the Programme, but the inability of the Issuer to pay interest or principal on or in connection with any Covered Bonds may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive.

RISKS RELATING TO THE NORDEA GROUP AND ITS BUSINESS

Risks Relating to Macroeconomic Conditions

Impact of COVID-19 on financial and economic conditions

The outbreak of COVID-19 (also commonly referred to as the “coronavirus”) has spread rapidly globally in recent months, and disrupted various markets and resulted in severe uncertainty about the development of the economies affected by the outbreak both in Europe and elsewhere. The majority of the Nordea Group’s operations are concentrated in the Nordic countries that have been, and are expected to continue to be, exposed to the coronavirus outbreak in a similar manner as a number of other European countries. The Nordea Group is affected by the coronavirus outbreak through its direct and indirect impact on the customers, counterparties, employees and other stakeholders of the Nordea Group, both in the Nordic countries and elsewhere, as a result of, among others, public health measures, such as business closings and restrictions on travel and gatherings. The exact ramifications of the coronavirus outbreak are highly uncertain and, as of the date of this Base Prospectus, it is difficult to predict the spread or duration of the pandemic or its full effect on global and local economies. There can also be no assurances that the adverse impact of the coronavirus outbreak will not lead to a tightening of liquidity conditions or funding uncertainty. Any of the foregoing, and any future adverse conditions related to the coronavirus outbreak not yet known, could have a material adverse effect on the Nordea Group’s business, financial condition and results of operations and adversely affect the Nordea Group’s ability to access capital and liquidity on financial terms acceptable to the Nordea Group.

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

The Nordea Group's performance is significantly influenced by the general economic conditions in the Nordic markets (Denmark, Finland, Norway and Sweden). Development of the economic conditions in other markets where the Nordea Group currently operates, including Russia and, through Nordea's minority ownership in Luminor, a Baltic bank active in Estonia, Latvia and Lithuania, the Baltic countries, can also affect the Nordea Group's performance. In recent years, the economic conditions in the Nordic region have, in general, developed more favourably relative to the rest of Europe, benefiting from generally sound public finances. However, there have been differences between countries within the region. In 2017, the Nordic economies saw synchronised growth for the first time in many years. In Sweden, the economic picture remained strong with growth above 2.5 per cent, while the Danish economy grew by 2 per cent, despite negative growth during the third quarter due to temporary factors. The growth in Norway also picked up, supported by the recovery in oil prices and low unemployment. In Finland, the economy expanded by more than 3 per cent driven both by strong domestic demand and higher exports. In 2018, the growth continued in the Nordic economies and unemployment levels continued to decrease in each Nordic country. In

Denmark, the economy grew by 0.9 per cent, supported by high employment levels, while the growth rate was adversely affected due to an unusually warm and dry summer leading to a poor harvest. In Finland, the economy continued to grow with a rate of 2.3 per cent driven both by domestic demand and increased exports. In Norway, the economy grew by 2.9 per cent and in Sweden the economy continued to grow with a rate of 2.3 per cent. In 2019, the slowing down of the global economy affected the Nordic countries, albeit to varying degrees. Finland and Sweden were impacted to a greater degree, particularly in their business cycle development, while Norway and Denmark fared better due to their somewhat different corporate sector structures. The Norwegian economy had the highest growth rate in the Nordic region in 2019 with 2.5 per cent, followed by the economy in Denmark that grew with a rate of 2.1 per cent, Finland with a rate of 1.5 per cent and Sweden with a rate of 1.1 per cent. There can, however, be no assurances that the still relatively strong economic conditions will continue. In recent years, the Russian economy has been negatively impacted by the crisis in the region of Crimea and eastern Ukraine. Adverse economic developments have affected and may continue to affect the Nordea Group's business in a number of ways, including, among others, the income, wealth, liquidity, business and/or financial condition of the Nordea Group's customers, which, in turn, could further reduce the Nordea Group's credit quality and demand for the Nordea Group's financial products and services. As a result, any or all of the conditions described above could continue to have a material adverse effect on the Nordea Group's business, financial condition and results of operations, and measures implemented by the Nordea Group might not be satisfactory to reduce any credit, market and liquidity risks.

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

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

In recent years, the global financial markets have experienced significant disruptions and volatility as a result of, among other things, concerns regarding the overall stability of the euro area, fears related to a slowdown of the Chinese economy and uncertainty relating to the timing of monetary policy changes in the United States. In Europe, the continued modest GDP growth and low inflation have raised concerns, as evidenced by the quantitative easing programme introduced by the ECB in January 2015 which was extended to the end of 2018, and subsequently resumed in September 2019 and expanded in March 2020, and the uncertainty over the continued weak economic development of certain countries in the euro area, in particular Greece and Italy, and their remaining a member in the euro area has continued. The market conditions have also been, and are likely to continue to be, affected by the slower economic growth and increased debt levels in China, the timing of monetary policy changes in the United States and the volatile global oil prices. Geopolitical events, such as continued tensions in the Middle East and the Korean Peninsula, the UK's withdrawal from the EU (see also "—*Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—The United Kingdom's withdrawal from the EU may adversely affect the Nordea Group's operations*" below), changes in certain policy goals of the U.S. government and in trade policies globally, including the introduction of related protectionist initiatives such as new or higher tariffs, pandemics and widespread public health crises have also caused, and are likely to continue to cause, uncertainty in the markets and concern about the development of the global economy.

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 International Financial Reporting Standards ("**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 and the resulting challenging operating environment negatively affected the shipping and offshore sector in 2017. The ability of the Nordea Group's borrowers may also be affected by foreign exchange risk to the extent their loans are denominated in a currency other than the currency they earn their main income in. For more information see also "*—Risks Relating to Macroeconomic Conditions—Negative economic developments and conditions in the markets in which the Nordea Group operates can adversely affect the Nordea Group's business and results of operations*" above and "*—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—Changes in the Nordea Group's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations*" and "*—Other Risks Relating to the Nordea Group's Business—The operations of the Nordea Group outside the Nordic markets, in particular Russia, are subject to risks that do not apply, or apply to a lesser degree, to its businesses in the Nordic markets*" below. Further, actual loan losses vary over the business cycle. A significant increase in the size of the Nordea Group's allowance for loan losses and loan losses not covered by allowances would have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

The Nordea Group is exposed to counterparty credit risk.

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

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

Risks Relating to Market Exposure

The Nordea Group is exposed to market price risk.

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

The Nordea Group is exposed to structural market risk.

Structural Interest Rate Risk

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

Structural Foreign Exchange Risk

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

Risks Relating to Liquidity and Capital Requirements

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

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

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

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

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

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

There can be no assurances that Nordea or its mortgage subsidiaries will be able to maintain their current ratings, or that the Nordea Group will retain current ratings on its debt instruments. A reduction in the current long-term ratings of Nordea or one of its mortgage subsidiaries may increase their 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, as a result, have a material adverse effect on its business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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, could adversely affect the Nordea Group's ability to attract new employees and retain and motivate existing employees. Any loss of the services of key employees, particularly to competitors, or the inability to attract and retain highly skilled personnel in the future could have an adverse effect on the Nordea Group's business.

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

The Nordea Group has a strategy to be a leading Nordic relationship bank and to leverage the "One Nordea" platform across its four Nordic core markets. To execute on this strategy and to further improve profitability, Nordea launched a new business plan in October 2019. For more information, see "*The Nordea Group—Strategy*". There can be no assurances that the Nordea Group will be able to successfully implement its strategy within the expected timeframe or at all, and the expected benefits of the Nordea Group's strategy may not materialise, including if the markets in which the Nordea Group operates do not develop as expected. Furthermore, the Nordea Group's strategy may have negative consequences in respect of attracting and retaining employees (see "*—The Nordea Group could fail to attract or retain senior management or other key employees*" above) or other areas. Any of the above could have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

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

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

Companies active in the financial services industry, including the Nordea Group, operate under an extensive regulatory regime. The Nordea Group is subject to laws and regulations, administrative actions and policies as well as related oversight from the local regulators in each of the jurisdictions in which it has operations. These jurisdictions include Finland, where the Nordea Group's parent company Nordea Bank Abp is based, Denmark, Norway, Sweden, Russia, China, Estonia, Germany, Luxembourg, Poland, Singapore, the United Kingdom and the United States. In addition, the Nordea Group is also under the direct supervision, and subject to the regulations, of the ECB as a result of the size of its assets (see also "*—The Capital Requirements Directive imposes restrictions on discretionary payments if certain capital requirements or loss absorbing capacity requirements are not met*" below). These laws and regulations, requirements, administrative actions and policies are subject to change and may from time to time require significant costs to comply with.

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

As a result of the recent global financial and economic crises, a number of regulatory initiatives have been proposed and taken to amend or implement rules and regulations, which have had, or could likely have, an impact on the business of the Nordea Group. Such initiatives include, but are not limited to, requirements for liquidity, capital adequacy and handling of counterparty risks, regulatory tools provided to authorities to allow them to intervene in scenarios of distress and the introduction of a common system of financial transactions tax in the euro area. One such new requirement is the obligation under the Bank Recovery and Resolution Directive 2014/59/EU ("**BRRD**") for banks, such as Nordea, to contribute to resolution funds, the purpose of which are to finance the resolution of failing banks without having to resort to taxpayer money. Nordea contributes to the EU-wide Single Resolution Fund ("**SRF**"). See also "*The Nordea Group—Legal Structure—Nordea Group*".

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

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

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

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

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

Nordea operates under the BRRD that was implemented in Finland on 1 January 2015 through the Finnish Act on Resolution of Credit Institutions and Investment Firms (Fi: *laki luottolaitosten ja sijoituspalveluyritysten kriisinratkaisusta (1194/2014)*) and the Finnish Act on Financial Stability Authority (Fi: *laki rahoitusvakausviranomaisesta (1195/2014)*).

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

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

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

The Capital Requirements Directive imposes restrictions on discretionary payments if certain capital requirements or loss absorbing capacity requirements are not met.

The capital and regulatory framework to which the Nordea Group is, and will be, subject imposes certain requirements for the Nordea Group to hold sufficient levels of capital, including common equity tier 1 (CET1) capital and additional loss-absorbing capacity (including MREL eligible liabilities). 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 payments" in certain circumstances. If the Nordea Group's ability to make "discretionary payments" becomes subject to such restrictions, this could have an adverse impact on its ability to raise, and the cost of, any form of capital or funding.

The restrictions on "discretionary payments" will be scaled according to the extent of the breach of the combined buffer requirement (which is positioned above the relevant MREL requirement) and calculated as a percentage of the profits of the institution since the most recent decision on distribution of profits or discretionary payment. Such calculation will result in a "maximum distributable amount" ("**MDA**") for the relevant period. As an example, the scaling is such that if the level of a bank's total common equity tier 1 (CET1) capital falls within the bottom quartile of the combined buffer requirement, no "discretionary distributions" will be permitted to be paid. As a consequence, in the event of a breach of the combined buffer requirement it may be necessary for Nordea to reduce "discretionary payments", including dividend payments on its shares and payments on its additional tier 1 instruments.

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

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

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

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

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

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

Companies active in the financial services industry, such as the Nordea Group, operate under a comprehensive regulatory regime and are subject to extensive regulatory supervision, with recently heightened scrutiny by supervisory authorities of the regulatory compliance by such companies. This regulatory environment makes the Nordea Group susceptible to regulatory and litigation risks.

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 have not occurred in the past or will not occur in the future or that such breaches would not result in significant liability, penalties or other negative financial consequences.

The Nordea Group is involved in a variety of claims, disputes, legal proceedings and investigations in jurisdictions where it is active. For example, in June 2015 the Danish financial supervisory authority (the "**DFSA**") investigated the compliance of Nordea Bank Danmark A/S with applicable anti-money laundering regulations. The investigation resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the Danish police for further handling and possible sanctions. The Nordea Group expects to be fined in Denmark for past weaknesses in anti-money laundering processes and, consequently, recorded a provision of EUR 95 million for ongoing anti-money laundering related matters in 2019. The Nordea Group is also subject to administrative claims and tax proceedings from time to time. These types of claims, disputes, legal proceedings or investigations, the outcomes of which can be difficult to predict, expose the Nordea Group to monetary damages, direct or indirect costs (including legal costs), direct or indirect financial losses, civil and criminal penalties, loss of licences or authorisations, or loss of reputation, criticism or penalties by supervisory authorities as well as the potential for regulatory restrictions on its businesses, all of which could have a material adverse effect on the Nordea Group's business, financial condition and results of operations. Adverse regulatory actions against the Nordea Group or adverse judgments in litigation to which the Nordea Group is party could result in restrictions or limitations on the Nordea Group's operations or result in a material adverse effect on the Nordea Group's business, financial condition and results of operations.

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

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

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

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

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

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

Brexit may also have an impact on English law-governed MREL or regulatory capital issuances, as there is currently uncertainty as to whether EU resolution authorities would be satisfied that any write-down or bail-in by such resolution authorities of these instruments would be recognised by the English courts for the purposes of Article 55 of the BRRD (regarding contractual recognition of bail-in) and/or SRB or national policy. For instance, it is possible that the EU authorities would rely on a UK recognition regime for EU resolution actions, but this remains unclear. Therefore, it is not yet possible to predict any consequent impact on any outstanding English law-governed MREL or regulatory capital issuance by Nordea.

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

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

Risks relating to Finland and the Finnish mortgage market

The demand for residential mortgage loans in Finland is dependent on market interest rates, residential property prices, employment trends, the state of the economy, taxation and other factors that have an influence on the customers' financing requirements. As a result, the Issuer's results of operation are significantly influenced by the general economic condition in the Finnish mortgage markets. As substantially all of the Issuer's mortgage loans (as defined under "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*") currently relate to properties located in Finland, the Issuer's performance is influenced by the level and the cyclical nature of business activity in Finland. This is in turn affected by both domestic and international economic and political events. A weakening of the economy in Finland may have an adverse effect on the Issuer's future results and its ability to perform its obligations under the Covered Bonds.

Low interest rates and increased disposable income in Finland have led to continued stable growth in demand for loans, especially in the residential mortgage market. A combination of increasing household indebtedness and stable or declining house prices in Finland could increase the financial vulnerability of some Finnish mortgage borrowers, especially young and/or low-income borrowers. Most Finnish customers have housing loans with floating interest and increases in interest rates could therefore adversely affect the liquidity situation of some borrowers. An increase in household indebtedness or unemployment, a decline in house prices or an increase in interest rates could have an adverse effect on mortgage borrowers' ability to meet their mortgage obligations and could adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

Credit risks.

As a mortgage credit institution, the Issuer's business risk principally pertains to credit risk. Credit risk means that a customer cannot fulfil its payment obligations or that the value of granted security is lower than the outstanding debt. Given that a substantial part of the Issuer's lending is granted in exchange for security in real estate, the credit risk is also dependent on fluctuations in value in the real estate and housing markets. The business of the Issuer shows relatively low credit risks and the historic credit losses of the Issuer have been low. The size of historic credit losses though is not an indicator of the size of future credit losses and there is a risk that future credit losses will be higher.

Market risks.

The Issuer lends in Euro but may borrow in multiple currencies. Almost all foreign exchange risk derived from that relationship is intended to be eliminated by using hedging instruments. The business also contains interest rate risk, primarily due to differences between the terms of the interest periods for funding and for lending. The interest rate risk is mitigated by using hedging instruments and by the Issuer aiming to match interest payments and maturity dates in its funding and lending operations. The Issuer is dependent on a liquid hedging market to mitigate its foreign exchange and interest rate risks and there are no assurances that the Issuer will be successful in hedging all of its foreign exchange and interest rate risks.

Liquidity risks.

The maturity profile in the Issuer's lending business is to a large extent longer term than the maturity profile within the Issuer's funding operations. The Issuer is therefore to a large extent dependent on being able to refinance matured obligations within the funding operations by obtaining new funding in the bond market. The Issuer also funds itself through revenues from its credit portfolio and finally through financing from

Nordea Bank Abp. If the financial markets develop negatively (see "*—Risks Relating to Macroeconomic Conditions*"), there may be a material negative impact on the Issuer's ability to obtain funding and liquidity on financially reasonable conditions. The above-mentioned factors may also have a material negative impact on the Issuer's business, financial position and profitability.

Reliance on derivative arrangements.

The Issuer may enter into derivative agreements to hedge interest rate risk, currency exchange risk or liquidity risk. If the Issuer fails to make timely payments of amounts due or certain other events occur in relation to the Issuer under a derivative contract and any applicable grace period expires, then the Issuer will default under that derivative contract. If the Issuer defaults under a derivative contract due to non-payment or otherwise, the relevant derivative counterparty will not be obliged to make further payments under that derivative contract (unless the Issuer has satisfied in full all its payment or delivery obligations under the relevant derivative contract) and may terminate that derivative contract. If a derivative counterparty is not obliged to make payments, if it exercises any right of termination it may have under the relevant derivative contract or if it defaults in its obligations to make payments under a derivative contract, the Issuer will be exposed to changes in currency exchange rates and in the associated interest rates on the currencies, interest rates or liquidity concerns (as applicable). Unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments due on the Covered Bonds.

In addition, Nordea Bank Abp will be a swap counterparty under currency swaps and basis swaps entered into by the Issuer on an arm's-length basis. It may be difficult to enter into similar replacement swaps at similar pricing in the event that such derivative contracts terminate. An inability to replace a swap counterparty under a currency or basis swap following a default or termination by the swap counterparty may adversely affect the Issuer's ability to perform its obligations under the Covered Bonds.

Termination payments for swaps.

If any of the interest rate, currency or other swaps are terminated, the Issuer may, as a result, be obliged to make a termination payment to the relevant swap provider. The amount of the termination payment will be based on the cost of entering into a replacement swap. There can be no assurance that the Issuer will have sufficient funds available to make a termination payment under the relevant swap.

Operational risks.

The business of the Issuer is subject to operational risks, as are all banking and finance businesses. Operational risks include, among others, risks relating to deficient products and services, insufficient internal control, vague divisions of responsibilities, defective technical systems, various types of criminal attacks and insufficient preparations to mitigate disruptions. If the Issuer fails to manage its operational risks, it cannot be ruled out that the profitability and financial position of the Issuer would be negatively affected.

Competition.

The Issuer faces fierce competition within its business area, primarily from other Finnish and Nordic covered bond issuers and banks. Even though the Issuer currently considers itself to be in a fairly strong position to face the competition, there is a risk that the Issuer's competitiveness decreases in the future which could negatively impact the Issuer's financial performance.

The Issuer is dependent on Nordea Bank Abp to run its operations.

The Issuer's business is integrated with Nordea Bank Abp's business operations and Nordea Bank Abp's branch network throughout Finland. According to intra-group agreements between the Issuer and Nordea Bank Abp, the Issuer has appointed Nordea Bank Abp to operate almost all business operations including, among other things, the lending business and the Issuer's funding. If Nordea Bank Abp ceased to provide these services or in any other way fails in its obligations towards the Issuer, there could be a negative impact on the Issuer's business, financial position and profitability as well as a consequential inability of the Issuer to fulfil its obligations towards the investors in the Covered Bonds.

Mortgages in the Cover Pool are originated by Nordea Bank Abp. The mortgages that meet the Eligibility Criteria set out in a transfer agreement entered into between the Issuer and Nordea Bank Abp (the "**Transfer Agreement**") may be transferred to the Issuer. The transferred mortgages may then be registered as assets in the Cover Pool. Nordea Bank Abp notifies the borrowers of the transfer to the Issuer, and will continue servicing the mortgages pursuant to a servicing agreement entered into between Nordea Bank Abp and the Issuer. The borrower will keep the same account numbers and payment arrangements with Nordea Bank Abp.

The Issuer is reliant on Nordea Bank Abp, as manager of the mortgages (the "**Manager**"), to service all mortgages it owns. Although the servicing arrangements will contain a right on the part of the Issuer to terminate upon material breach by the Manager, default on the part of Nordea Bank Abp or other members of the Nordea Group servicing the mortgages could create operational and administrative difficulties for the Issuer and could adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

The current procedure for originating mortgages may be amended in the future and mortgages may be given directly from the Issuer to the borrowers. This will, however, not reduce the risks relating to the relationship with Nordea Bank Abp. Payments from the borrowers may under such a procedure still be made to Nordea Bank Abp. Furthermore, the Issuer's accounts will be with Nordea Bank Abp. If the Issuer gives loans directly to the borrowers, Nordea Bank Abp will handle the credit process and service the loans.

The Issuer has not undertaken, nor will it undertake, any investigations, searches or other actions in respect of the original underwriting and loan-level documentation of the mortgage loans and other assets originated by Nordea Bank Abp contained or to be contained in the Issuer's Cover Pool, but instead fully relies on the warranties of Nordea Bank Abp under the Transfer Agreement and previous agreements in relation to the transfer of such loans. If any mortgages originated by Nordea Bank Abp do not comply with the Eligibility Criteria set out in the Transfer Agreement, then the market value of these loans may be diminished and the Issuer may have remedies against Nordea Bank Abp under the Transfer Agreement.

Nordea Bank Abp and Nordea Mortgage Bank are jointly liable for certain obligations following the demerger of Nordea Bank Finland Plc.

The Issuer was incorporated to assume the Finnish mortgage credit business operations of Nordea Bank Finland Plc following the partial demerger of Nordea Bank Finland Plc completed on 1 October 2016 (the "**Demerger**"). In accordance with the Finnish Companies Act (*Osakeyhtiölaki* 624/2006), as amended, the companies taking part in the Demerger are jointly liable for the liabilities of the demerging company that have arisen prior to the registration of the completion of the Demerger. However, the liabilities of the demerging company that, according to the Demerger plan, transfer to another participating company shall be borne by a participating company only to the maximum amount equaling the value of the net assets retained by or transferred to it in the Demerger. The statutory joint liability is secondary in that a creditor may demand settlement of a claim based thereon only after it has been determined that no payment can be obtained from the debtor or from attaching security. In the Demerger, the assets and liabilities relating to the Finnish mortgage credit business operations of Nordea Bank Finland Plc were transferred to the Issuer, while all the other assets and liabilities remained with Nordea Bank Finland Plc, now Nordea Bank Abp. Thus, the Issuer may have a statutory secondary liability for liabilities remaining with Nordea Bank Abp in accordance with the Demerger plan in the case of Nordea Bank Abp's insolvency, including liabilities that have emerged during the period between signing of the Demerger plan and the completion of the Demerger. Should such secondary liability arise, it could have a material adverse effect on the Issuer's business, financial condition and results of operations. The statutory liability will not, however, affect the statutory benefit of priority to the Cover Pool of Holders (along with counterparties to relating derivative transactions and providers of bankruptcy liquidity loans (each, as defined under "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" below)).

RISKS RELATING TO THE NOTES

Risks Relating to the Cover Pool

In the context of Covered Bonds, it should be noted that the CBA imposes several obligations on the Issuer that are intended to mitigate some of the risks described below. See "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" on pages 100 to 105.

Concentration of Location of Properties.

Mortgage loans contained in the Cover Pool will primarily be secured on property located or incorporated in Finland. The value of the Cover Pool may decline sharply and rapidly in the event of a general downturn in the value of property in Finland. Any such downturn may hence have an adverse effect on the Issuer's ability to make payment under the Covered Bonds.

Collection of mortgage loans and default by borrowers.

The mortgage loans which secure the Covered Bonds will comprise loans secured on property. A borrower may default on its obligation under such mortgage loan. Defaults may occur for a variety of reasons. Defaults under mortgage loans are subject to credit, liquidity and interest rate risks and rental yield reduction (in the case of investment properties). Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climates, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors relating to borrowers' individual, personal or financial circumstances may affect the ability of the borrowers to repay the mortgage loans. Loss of earnings, illness, divorce, weakening of financial conditions or the results of business operations and other similar factors may lead to an increase in delinquencies by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the mortgage loans. In addition, the ability of a borrower to sell a property given as security for a mortgage loan at a price sufficient to repay the amounts outstanding under that mortgage loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

Claims in respect of the Cover Pool.

The Holders (along with counterparties to relating derivative transactions and providers of bankruptcy liquidity loans (each, as defined under "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" below)) have the benefit of priority to the Cover Pool, upon liquidation or bankruptcy of Nordea Mortgage Bank. The assets in the Cover Pool are owned by Nordea Mortgage Bank but will in Nordea Mortgage Bank's liquidation or bankruptcy not be available to any other creditor until the Holders and related derivative counterparties have been repaid in full. Under Section 25 of the CBA, this priority is limited to 70 per cent. in respect of housing loans and 60 per cent. in respect of commercial property loans of the current value of the property which stands as collateral for such mortgage loans (each, as defined under "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" below). The bankruptcy administrator shall (with certain exceptions for non-performing loans) assign the share of payments out of any such loan exceeding the preferential right to the general bankruptcy estate. To the extent that claims in relation to the Covered Bonds are not met out of the assets in the Cover Pool, the residual claims will rank *pari passu* with the other unsecured and unsubordinated obligations of Nordea Mortgage Bank. Given the *pari passu* ranking of the Covered Bonds, related derivative transactions and bankruptcy liquidity loans under the CBA, in the event of the Issuer's liquidation or bankruptcy, the amount available to be paid to holders of Covered Bonds out of the Cover Pool on a prioritised basis may be affected by the amounts payable at the relevant time to counterparties of related derivative transactions and the providers of bankruptcy liquidity loans. See also "*Liquidity post Nordea Mortgage Bank bankruptcy*" below and "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending*" on pages 100 to 105.

Failure of the Cover Pool to meet the matching requirements.

Nordea Mortgage Bank will be required under the CBA to comply with certain matching requirements as long as there is any Covered Bond outstanding. Under the CBA, if the Cover Pool does not fulfil the requirements provided for in the CBA, the FIN-FSA may set a time limit within which the issuer shall place more collateral in compliance with the CBA. If these requirements are not met with, the issuer's license for mortgage credit bank operations may be withdrawn. If the Issuer is placed in liquidation or declared bankrupt, and the requirements for the total amount of collateral of the Covered Bonds in sections 16 and 17 of the CBA cannot be fulfilled, a supervisor appointed by the FIN-FSA may demand that the Issuer's bankruptcy administrator declare the Covered Bonds due and payable and sell the assets being used as collateral for the Covered Bonds. This could result in the holders of Covered Bonds receiving payment according to a schedule that is different than that contemplated by the terms of the Covered Bonds (with accelerations as well as delays) or that the holders of Covered Bonds are not paid in full, in part, due to the statutory limit to the priority of holders of Covered Bonds. See also "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending—Quality of the cover pool assets—Requirements for matching cover*" on page 102 and "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending—Management of cover pool assets during the liquidation or bankruptcy of the issuer*" on page 105.

Transfer of Covered Bonds and Cover Pool in bankruptcy.

In bankruptcy, a bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding collateral to a mortgage credit bank, deposit bank or credit entity that has acquired a licence to issue covered bonds or to a foreign mortgage credit bank which is subject to supervision corresponding to that of the CBA, unless the terms of the covered bond provide otherwise. See also "*Summary of Finnish Legislation Regarding Covered Bonds and Relevant to Mortgage Lending—Management of cover pool assets during the liquidation or bankruptcy of the issuer*" on page 105.

Liquidity post Nordea Mortgage Bank bankruptcy.

It is believed that neither an insolvent issuer nor its bankruptcy estate would have the ability to issue Covered Bonds. Under the CBA, the bankruptcy administrator (upon the demand or the consent of a supervisor appointed by the FIN-FSA) may, however, raise liquidity through the sale of mortgage loans and other assets in the Cover Pool to fulfil the obligations relating to the Covered Bonds. Further, the bankruptcy administrator (upon the demand or the consent of the supervisor appointed by the FIN-FSA) may take out liquidity loans and enter into other agreements for the purpose of securing liquidity. Counterparties in such transactions will rank *pari passu* with holders of Covered Bonds and existing derivative counterparties with respect to assets in the Cover Pool. However, there can be no assurance as to the actual ability of the bankruptcy estate to raise post-bankruptcy liquidity, which may result in a failure by the Issuer to make full and timely payments to holders of Covered Bonds and existing derivative counterparties.

No market for collateral in Finland after an insolvency of the Issuer.

There is no assurance as to whether there will be a trading market for the collateral in the Cover Pool in Finland or an eligible transferee to take over the obligations relating to the Covered Bonds and the corresponding collateral after a public administration of the Issuer.

No due diligence in relation to the Cover Pool.

No investigations, searches or other actions in respect of any assets contained or to be contained in the pool of assets covering the Covered Bonds has or will be performed by the Arranger or the Dealers. Nordea Mortgage Bank is obliged to ensure that the Cover Pool fulfils the requirements of the CBA.

Limited description of the assets in the Cover Pool.

Save for any Cover Pool data Nordea Mortgage Bank makes available on its website, investors will not receive information in relation to the mortgage loans and other assets included in the Cover Pool. It is expected that the constitution of the Cover Pool will change from time to time through the repayment of the mortgage loans by borrowers or new mortgage loans or other assets being added to the Cover Pool. However, the FIN-FSA will monitor Nordea Mortgage Bank's compliance with the matching requirements, eligibility criteria and certain other material provisions of the CBA. As the Cover Pool is dynamic, there are no assurances that the credit quality of the assets in the Cover Pool will remain the same as at the date of this Base Prospectus or on or after the issue date of any Covered Bonds.

Risks Relating to the Covered Bonds

No Events of Default.

The terms and conditions of the Covered Bonds do not include any events of default relating to the Issuer, and therefore the terms and conditions of the Covered Bonds do not entitle holders of Covered Bonds to accelerate the Covered Bonds.

Conflicting interests of other creditors.

The claims of the Holders of Covered Bonds and derivative counterparties included in the Cover Pool rank *pari passu* with the claims of all other creditors of the Issuer (other than those preferred by law), but have a preferential right against the Cover Pool save for costs incurred in connection with the operation, management, collection and realisation of the Cover Pool which shall be covered before the claims of the Holders of Covered Bonds and claims relating to the fees and the expenses of a bankruptcy estate. In addition, the Holders of Covered Bonds' preferential rights against the Cover Pool rank *pari passu* with the rights of other covered bondholders of the Issuer and any related derivative counterparties; for example, covered bondholders holding registered covered bonds formerly issued by Nordea Bank Finland Plc (now Nordea Bank Abp), or issued under any other covered bond programme which the Issuer may establish in the future.

To the extent that Holders of Covered Bonds are not fully paid from the proceeds of the liquidation of the assets comprising the Cover Pool, they will be able to apply for the balance of their claims as unsecured creditors of the Issuer and will be entitled to receive payment from the proceeds of the liquidation of the other assets of the Issuer not comprising the Cover Pool. The Holders of Covered Bonds would then rank *pari passu* with any other mortgage covered bondholders, derivative counterparties and the other unsecured, unsubordinated creditors of the Issuer and, as a result, may not receive all amounts owed to them by the Issuer.

The Covered Bonds may be redeemed prior to maturity.

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Covered Bonds 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 Finland or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Covered Bonds in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Covered Bonds the relevant Final Terms or Pricing Supplement specifies that the Covered Bonds are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Covered Bonds at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Covered Bonds.

An optional redemption feature is likely to limit the market value of Covered Bonds. During any period when the Issuer may elect to redeem Covered Bonds, the market value of such Covered Bonds generally will not rise substantially above and may in fact decrease below the price at which they can be redeemed. This also may be true prior to any redemption period.

Other than as provided in the Conditions of the Covered Bonds, Covered Bonds may also be redeemed early in accordance with the CBA as described elsewhere in this Base Prospectus.

Covered Bonds with Extended Maturity Date.

The relevant Final Terms may provide that an Extended Maturity Date applies to the relevant Series of Covered Bonds.

If an Extended Maturity Date is specified as applicable in the Final Terms and the Issuer fails to redeem all of those Covered Bonds on the Maturity Date or within three Business Days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and payable will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided for in the relevant Final Terms. In that event, the Issuer may redeem all or any of part of the principal amount outstanding on the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided in the relevant Final Terms.

In the event of such an extension of the maturity of the Covered Bonds, interest rates, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the relevant Final Terms.

The extension of the maturity of the principal amount outstanding in the Covered Bonds from the Maturity Date to the Extended Maturity Date shall not constitute an event of default for any purpose or give any Holders of Covered Bonds any right to receive payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in the Conditions and, in the case of Exempt Covered Bonds only, as amended by the relevant Pricing Supplement.

Therefore, investors investing in Covered Bonds with an Extended Maturity Date should be aware of the possibility that their Covered Bonds will not be paid on the Maturity Date and that the interest basis, interest rates and interest periods for the period from the Maturity Date to the Extended Maturity Date may be different to those applicable for the period from the Issue Date to the Maturity Date, as specified in the relevant Final Terms.

The Covered Bonds may not be freely transferred.

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

There may be no active trading market for the Covered Bonds.

The Covered Bonds issued under the Programme will be new securities which may not be widely distributed and for which there may be no active trading market (unless, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Series of Covered Bonds which is already issued). If the Covered Bonds 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 applications have been made for the Covered Bonds issued under the Programme to be admitted (i) to listing on the Official List of the Euronext Dublin and to trading on its regulated market and (ii) to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange, there can be no assurances that such applications will be accepted, that any particular Tranche of Covered Bonds will be so admitted or that an active trading market will develop. Accordingly, there can be no assurances as to the development or liquidity of any trading market for any particular Tranche of Covered Bonds.

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

Holders of Covered Bonds are subject to market volatility.

Holders of Covered Bonds should be aware that, in view of the prevailing and widely reported global credit market conditions (which, to a certain extent, continue as of the date of this Base Prospectus), the secondary market for the Covered Bonds 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.

Covered Bonds 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 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 Covered Bonds are subject to risks related to exchange rates and exchange controls.

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

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.

Holders of the Covered Bonds are subject to credit risk on the Issuer.

Investors in Covered Bonds issued by the Issuer take a credit risk on Nordea Mortgage Bank. The Covered Bonds are not guaranteed by Nordea Bank Abp, any other company within the Nordea Group or any other person.

The Terms and Conditions of the Covered Bonds may be changed.

The terms and conditions applicable to each Tranche will be as agreed between the Issuer and the relevant Dealer(s) 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 or (in the case of Exempt Covered Bonds only) being completed, amended and/or replaced by the relevant Pricing Supplement.

The Fiscal Agency Agreement contains provisions, which are binding on the Issuer and the Holders of the Covered Bonds, for convening meetings of the Holders of Covered Bonds of any Series to consider matters affecting their interests, including the modification or waiver of the terms and conditions applicable to any Series of Covered Bonds.

The Issuer also has the right to correct manifest errors in the terms and conditions of the Covered Bonds without the consent of the Holders of the Covered Bonds.

These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting or Holders who voted in a manner contrary to the majority.

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

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions (including Finland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and would not apply even after that date to Covered Bonds treated as debt for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register which generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional notes (as described under "*Terms and Conditions of the Covered Bonds—13. Further Issues*") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Covered Bonds. In the event that any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

Maturity risks.

The risk of investing in the Covered Bonds will increase with the maturity of the Covered Bonds. It is more difficult to assess the credit risk when the maturity is long. Even the market risk will increase with long maturity, as the fluctuations in price will be greater for Covered Bonds with a long maturity than for Covered Bonds with a short maturity.

Legal and Regulatory Risks relating to the Covered Bonds

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

Changes in laws, regulations or administrative practice, or the interpretation thereof, after the date of this Base Prospectus may affect the Covered Bonds in general, the rights of Holders as well as the market value of the Covered Bonds. The Covered Bonds and all non-contractual obligations arising out of or in connection with the Covered Bonds are governed by English law, except that: (i) Condition 3 (*Status*) of the Covered Bonds will be governed by Finnish law; and (ii) the registration of Finnish Covered Bonds in Euroclear Finland will be governed by Finnish 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 Finnish laws, regulations or administrative practice after the date of issue of the relevant Covered Bonds or the interpretation thereof. Such changes in law may impact statutory, tax and regulatory regimes during the life of the Covered Bonds, which may have an adverse effect on the Covered Bonds. Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Covered Bonds and, therefore, affect the trading price of the Covered Bonds given the extent and impact on the Covered Bonds that one or more regulatory or legislative changes, including those described above, could have on the Covered Bonds.

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.

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

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

In its White Paper from July 2018, the UK Government stated that it will seek to participate in the Lugano Convention on leaving the EU, which would mean English judgments would continue to be recognised and enforced in Finland (and other contracting states). In the same White Paper, the UK Government also stated that it will seek a new bilateral agreement with the EU27 concerning cooperation in the area of civil justice including arrangements for the continued mutual recognition and enforcement of judgments. There can, however, be no assurances as to whether any such agreement will be entered into or as to the terms of any final agreement and, as a result, it is possible that a judgment entered against the Issuer in a U.K court may not be recognised or enforceable in Finland as a matter of law without a re-trial on its merits (but will be of persuasive authority as a matter of evidence before the courts of law, arbitral tribunals or executive or other public authorities in Finland).

Risks relating to the form and mechanics of the Covered Bonds

Potential conflicts of interest between Holders and the Determination Agent.

Potential conflicts of interest may arise between the Determination Agent (as defined herein), if any, and the Holders (including where a Dealer or a Nordea Group entity acts as Determination Agent). 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 Nordea Group or of third parties, and may include investments and securities that are linked to LIBOR or other benchmarks. The Dealers do not have any duties or obligations to Holders to conduct their other activities, or to make any similar or related determinations, for the benefit of Holders. Certain discretionary determinations and judgments that such Determination Agent may make pursuant to the terms and conditions of the Covered Bonds may influence the amount receivable by the Holders during the terms of the Covered Bonds and upon redemption of the Covered Bonds.

Minimum Specified Denomination and higher integral multiples.

In relation to any issue of Covered Bonds which have a denomination consisting of a minimum Specified Denomination (as defined in the Final Terms or Pricing Supplement) plus a higher integral multiple of another smaller amount, it is possible that the Covered Bonds 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 Holder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to the minimum Specified Denomination.

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

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

Because the Global Covered Bonds 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.

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

While the Covered Bonds are represented by one or more Global Covered Bonds, the Issuer will discharge its payment obligations under the Covered Bonds 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 Covered Bond must rely on the procedures of the relevant clearing system(s) to receive payments under the relevant Covered Bonds. The

Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Covered Bonds.

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

Investors in Finnish Covered Bonds will have to rely on Euroclear Finland's procedures (as the case may be) for transfer, payment and communication with the Issuer.

Investors in Finnish Covered Bonds 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.

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

Risks relating to interest features of the Covered Bonds

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

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

The Benchmarks Regulation EU 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU (which includes, for these purposes, the United Kingdom). Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

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

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to such benchmark; (ii) trigger changes in the rules or methodologies used in the benchmarks or (iii) lead to the disappearance of the benchmark.

As an example of such benchmark reforms, on 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and, on 12 July 2018, announced that the LIBOR benchmark may cease to be a regulated benchmark under the Benchmarks Regulation. Such announcements indicate that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk-free rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average

("**SONIA**") over the next four years across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk-free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on euro risk-free rates recommended the new euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

If the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event (as defined in the Conditions of the Covered Bonds) has occurred, then the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the purposes of determining a Successor Rate or an Alternative Benchmark Rate (as further described in Condition 4(h) (*Benchmark Replacement*)) and, if applicable, an Adjustment Spread (as defined in the Conditions). If the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser and the Issuer cannot agree upon, or cannot select, the Successor Rate or Alternative Benchmark Rate, the Issuer may determine the replacement rate, **provided that** if the Issuer is unable or unwilling to determine the Successor Rate or Alternative Benchmark Rate, the further fallbacks described in the terms and conditions of the Covered Bonds shall apply.

The use of a Successor Rate or an Alternative Benchmark Rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Covered Bonds if the relevant benchmark remained available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or if the Issuer fails to agree a Successor Rate or an Alternative Benchmark Rate or Adjustment Spread, if applicable with the Independent Adviser, the Issuer may have to exercise its discretion to determine (or to elect not to determine) an Alternative Benchmark Rate or Adjustment Spread, if applicable in a situation in which it is presented with a conflict of interest.

Any of the above changes or any other consequential changes to benchmarks as a result of EU, UK or other international, national or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes could have a material adverse effect on the trading market for, value of and return on any Covered Bonds linked to such benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to the Covered Bonds linked to or referencing a benchmark.

The market continues to develop in relation to SONIA and SOFR as reference rates for floating rate Covered Bonds.

Investors should be aware that the market continues to develop in relation to SONIA and the Secured Overnight Financing Rate ("**SOFR**") as reference rates in the capital markets and their adoption as an alternative to Sterling or U.S. dollar LIBOR, respectively. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA and SOFR, including term SONIA and SOFR reference rates (which seek to measure the market's forward expectation of an average SONIA and SOFR rate over a designated term).

The use of SONIA and SOFR as a reference rate for Eurobonds continues to develop both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing SONIA and SOFR. In particular, investors should be aware that several different SOFR methodologies have been used in SONIA and SOFR linked Covered Bonds issued to date and no assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Covered Bonds, will gain widespread market acceptance.

The market or a significant part thereof may adopt an application of SONIA or SOFR that differs significantly from that set out in the terms and conditions applicable to the Covered Bonds. Furthermore, the Issuer may in future issue Covered Bonds referencing SONIA or SOFR that differ materially in terms of interest determination when compared with the Covered Bonds. In addition, the manner of adoption or application of SONIA or SOFR reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA or SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Covered Bonds referencing SONIA or SOFR.

SONIA and SOFR differ from LIBOR in a number of material respects and have a limited history.

SONIA and SOFR differ from LIBOR in a number of material respects, including that SONIA and SOFR are backwards-looking, compounded, risk-free overnight rates, whereas LIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that LIBOR and SONIA or SOFR may behave materially differently as interest reference rates for the Covered Bonds. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to LIBOR which is an unsecured rate. For example, since publication of SOFR began in April 2018 daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Publication of SONIA and SOFR began in April 2018 and the rates therefore have a limited history. The future performance of SONIA and SOFR may therefore be difficult to predict based on the limited historical performance. The level of SONIA and SOFR during the term of the Covered Bonds may bear little or no relation to the historical level of SONIA or SOFR. Prior observed patterns, if any, in the behaviour of market variables and their relation to SONIA and SOFR such as correlations, may change in the future.

Furthermore, the interest on Covered Bonds which reference SONIA or Weighted Average SOFR is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference SONIA or Weighted Average SOFR to estimate reliably the amount of interest which will be payable on such Covered Bonds, and some investors may be unable or unwilling to trade such Covered Bonds without changes to their IT systems, both of which factors could adversely impact the liquidity of such Covered Bonds. Further, in contrast to LIBOR-based Covered Bonds, if Covered Bonds referencing SONIA or Weighted Average SOFR are redeemed early on a date which is not an Interest Payment Date, the final interest rate payable in respect of such Covered Bonds shall be determined by reference to a shortened period ending immediately prior to the date on which the Covered Bonds become due and payable.

The administrator of SONIA or SOFR may make changes that could change the value of SONIA or SOFR or discontinue SONIA or SOFR.

The Bank of England or The New York Federal Reserve (or a successor), as administrator of SONIA or SOFR may make methodological or other changes that could change the value of SONIA or SOFR, including changes related to the method by which SONIA or SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SONIA or SOFR, or timing related to the publication of SONIA or SOFR. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA or SOFR (in which case a fallback method of determining the interest rate on the Covered Bonds will apply). The administrator has no obligation to consider the interests of Covered Bondholders when calculating, adjusting, converting, revising or discontinuing SONIA or SOFR.

Fixed rate Covered Bonds are subject to interest rate risks.

Investment in fixed rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Covered Bonds.

Interest on floating rate Covered Bonds may fall below the margin.

A Holder of floating rate Covered Bonds is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of floating rate Covered Bonds in advance. In the event that the reference rate used to calculate the applicable interest rate turns negative, the interest rate will be below the margin, if any, and may be zero and accordingly, the Holders of floating rate Covered Bonds may not be entitled to interest payments for certain, or all, interest periods. Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future development of such floating rate during the term of any Covered Bonds.

Risks relating to fixed/floating rate Covered Bonds.

Fixed/floating rate Covered Bonds 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. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed/floating rate Covered Bonds may be less favourable than then prevailing spreads on comparable floating rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on other Covered Bonds.

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 50 to 72 of the base prospectus dated 1 November 2016 relating to the Programme and available at https://www.nordea.com/Images/33-149759/2016-11-01_Base-Prospectus-for-Nordea-Mortgage-Bank-Covered-Bond-Programme-1-November-2016_EN.pdf, under the heading "*Terms and Conditions of the Covered Bonds*";

2) the terms and conditions set out on pages 54 to 79 of the base prospectus dated 23 November 2017 relating to the Programme and available https://www.nordea.com/Images/33-235200/Base%20Prospectus%20for%20Nordea%20Mortgage%20Bank%20Covered%20Bond%20Programme%2023%20November%202017.pdf, under the heading "*Terms and Conditions of the Covered Bonds*"; and

3) the terms and conditions set out on pages 70 to 101 of the base prospectus dated 13 February 2019 relating to the Programme and available https://www.nordea.com/Images/33-303240/Base%20Prospectus%20for%20Nordea%20Mortgage%20Bank%20Covered%20Bond%20Programme%2013%20February%202019.pdf, under the heading "*Terms and Conditions of the Covered Bonds*".

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 at https://www.nordea.com. Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors in the Covered Bonds or is covered elsewhere in this Base Prospectus and, for the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on websites referred to in this Base Prospectus do not form part of this Base Prospectus. Such documents will also be available from the principal office of the Fiscal Agent.

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

FORM OF THE COVERED BONDS

Covered Bonds may be issued (i) in the case of Covered Bonds other than Finnish Covered Bonds, in bearer form or in registered form or (ii) in the case of Finnish Covered Bonds, in uncertificated and dematerialised book-entry form cleared through Euroclear Finland, as the case may be, as specified in the relevant Final Terms or Pricing Supplement. Covered Bonds in bearer form will not be exchangeable for Covered Bonds in registered form and Covered Bonds in registered form will not be exchangeable for Covered Bonds in bearer form.

Form of Bearer Covered Bonds

Covered Bonds of each Tranche of each Series to be issued in bearer form ("**Bearer Covered Bonds**" comprising a "**Bearer Series**") will initially be represented by a temporary global covered bond in bearer form (each a "**Temporary Global Covered Bond**"), without interest coupons ("**Coupons**") or talons for further Coupons ("**Talons**"). Covered Bonds may be issued in Classic Global Covered Bond ("**CGCB**") or New Global Covered Bond ("**New Global Covered Bond**" or "**NGCB**") form, as specified in the relevant Final Terms or Pricing Supplement. Each Temporary Global Covered Bond which is not intended to be issued in a New Global Covered Bond form, as specified in the relevant Final Terms or Pricing Supplement, will be deposited with a common depositary on behalf of Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") on the relevant Issue Date. Each Temporary Global Covered Bond which is intended to be issued in New Global Covered Bond form, as specified in the relevant Final Terms or Pricing Supplement, will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg on the relevant Issue Date.

The NGCB form has been introduced to allow for the possibility of Covered Bonds 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 Covered Bond will be exchangeable for interests in a permanent global covered bond in bearer form (each, a "**Permanent Global Covered Bond**"), 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 Covered Bonds of a Tranche of a Bearer Series (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Each Permanent Global Covered Bond which is not intended to be issued in NGCB form, as specified in the relevant Final Terms or Pricing Supplement, 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 Covered Bond which is intended to be issued in NGCB form, as specified in the relevant Final Terms or Pricing Supplement, will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg on the relevant Exchange Date.

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

In the case of Bearer Covered Bonds (or any Tranche thereof) having a maturity of more than 1 year from the Issue Date, the Permanent Global Covered Bond, the definitive Bearer Covered Bonds 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 Covered Bond, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or exercise or redemption of such Bearer Covered Bond, 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.

If any interest payment on the Covered Bonds of a particular Series falls due whilst any of the Covered Bonds of that Series are represented by a Temporary Global Covered Bond, the related interest payment will be made on such Temporary Global Covered Bond 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 Covered Bond. Payments of amounts due in respect of a Permanent Global Covered Bond will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system(s) without any requirement for certification.

The relevant Final Terms or Pricing Supplement will specify that a Permanent Global Covered Bond will be exchangeable, in whole but not in part, for definitive Bearer Covered Bonds ("**Definitive Bearer Covered Bonds**") upon: (i) the expiry of such period of notice as may be specified in the relevant Final Terms or Pricing Supplement; (ii) at any time, if so specified in the relevant Final Terms or Pricing Supplement; or (iii) if the relevant Final Terms or Pricing Supplement specifies "in the limited circumstances specified in the Permanent Global Covered Bond", then only upon the occurrence of an Exchange Event. Covered Bonds for which the relevant Final Terms or Pricing Supplement permit trading in the Clearing Systems in Tradable Amounts which are not a Specified Denomination will only be exchangeable for Definitive Bearer Covered Bonds upon an Exchange Event. For these purposes, "**Exchange Event**" means 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. The Issuer will promptly give notice to Holders in accordance with Condition 12 (*Notices*) of the "*Terms and Conditions of the Covered Bonds*" 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 Covered Bond) may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Fiscal Agent. Definitive Bearer Covered Bonds will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Form of Registered Covered Bonds

Each Tranche of Registered Covered Bonds will be in registered form represented by either individual Registered Covered Bond certificates in registered form ("**Individual Covered Bond Certificates**") or a global covered bond in registered form (a "**Global Registered Covered Bond**"), as specified in the relevant Final Terms or Pricing Supplement. Each Registered Covered Bond represented by a Global Registered Covered Bond will either be: (a) in the case of a Global Registered Covered Bond which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Covered Bond will be deposited on or about the issue date with the common depositary; or (b) in the case of a Global Registered Covered Bond to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Registered Covered Bond will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

The NSS form has been introduced to allow for the possibility of Covered Bonds being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of 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.

If the relevant Final Terms or Pricing Supplement specifies the form of Covered Bonds as being "Individual Covered Bond Certificates", then the Covered Bonds will at all times be in the form of Individual Covered Bond Certificates issued to each Holder in respect of their respective holdings.

If the relevant Final Terms or Pricing Supplement specifies the form of Covered Bonds as being "Global Registered Covered Bonds exchangeable for Individual Covered Bond Certificates", then the Covered Bonds will initially be in the form of a Global Registered Covered Bond which will be exchangeable in whole, but not in part, for Individual Covered Bond Certificates upon: (i) the expiry of such period of notice as may be specified in the relevant Final Terms or Pricing Supplement; (ii) at any time, if so specified in the relevant Final Terms or Pricing Supplement; or (iii) if the relevant Final Terms or Pricing Supplement specifies "in the limited circumstances specified in the Global Registered Covered Bond", then only upon the occurrence of an Exchange Event.

The Issuer will promptly give notice to Holders in accordance with Condition 12 (*Notices*) of the "*Terms and Conditions of the Covered Bonds*" 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 Global Registered Covered Bond) may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than five Business Days after the date on which such information as is required to complete and deliver Individual Covered Bond Certificates is delivered to the Registrar.

Form of Finnish Covered Bonds

Each Tranche of Finnish Covered Bonds will be issued in uncertificated and dematerialised book-entry form in accordance with the Regulation (EU) No. 909/2014 of the European Parliament and of the Council on improving securities settlement in the European Union and on central securities depositories and the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 348/2017), as amended. No global or definitive Covered Bonds will be issued in respect thereof. The holder of a Finnish Covered Bond will be the person evidenced as such by the register for such Covered Bond maintained by Euroclear Finland on behalf of the Issuer. Where a nominee in accordance with such legislation is so evidenced it shall be treated by the Issuer as the holder of the relevant Finnish Covered Bond.

Title to Finnish Covered Bonds will pass by transfer between accountholders of Euroclear Finland, perfected in accordance with the legislation, rules and regulations applicable to and/or issued by Euroclear Finland that are in force and effect from time to time. Issues of Finnish Covered Bonds will be issued with the benefit of the Fiscal Agency Agreement. On the issue of Finnish Covered Bonds, the Issuer will send a copy of the relevant Final Terms or Pricing Supplement to the Paying Agent, with copies sent to the Fiscal Agent and the Finnish Issuing Agent.

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

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

SUMMARY OF PROVISIONS RELATING TO THE COVERED BONDS WHILE IN GLOBAL FORM

Each Temporary Global Covered Bond, Permanent Global Covered Bond and Global Registered Covered Bond, (each a "**Global Covered Bond**"), contains provisions which apply to the Covered Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Covered Bonds set out herein. Set out in this section is a summary of certain of those provisions.

Payments in respect of Bearer Covered Bonds

Payments of principal, interest and any additional amounts pursuant to Condition 7 (*Payments*) of the Covered Bonds, if any, in respect of the Bearer Covered Bonds when represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond which is not intended to be issued in NGCB form, will be made against presentation and surrender or, as the case may be, presentation of the relevant Temporary Global Covered Bond or Permanent Global Covered Bond to or to the order of any of the Paying Agents. In respect of Covered Bonds in CGCB form, a record of each payment so made will be endorsed on the relevant schedule to the Temporary Global Covered Bond or Permanent Global Covered Bond by or on behalf of the Fiscal Agent, which endorsement will be *prima facie* evidence that such payment has been made. In respect of Covered Bonds in NGCB form, the Fiscal Agent will arrange for a record of each payment so made to be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments in respect of Registered Covered Bonds

Payments of principal, interest and any additional amounts pursuant to Condition 7 (*Payments*) of the Covered Bonds, if any, in respect of the Registered Covered Bonds when represented by a Global Registered Covered Bond will be made against presentation and surrender of the relevant Global Registered Covered Bond at the specified office of the Registrar.

Notices

So long as the Covered Bonds of any Series are represented by a Global Covered Bond, notices to holders of Covered Bonds 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 Covered Bonds 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 Covered Bond, Permanent Global Covered Bond or Global Registered Covered Bond, 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 Covered Bonds.

Cancellation

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

Issuer's Option

No drawing of Covered Bonds will be required under Condition 5(c) (*Optional Early Redemption (Call)*) in the event that the Issuer exercises any option relating to those Covered Bonds while all such Covered Bonds which are outstanding are represented by a Temporary Global Covered Bond, Permanent Global Covered Bond or Global Registered Covered Bond, 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 Covered Bonds are to be subject to such option.

Holder's Option

For so long as the Covered Bonds of any Series are represented by either a Temporary Global Covered Bond, a Permanent Global Covered Bond or Global Registered Covered Bond, as the case may be, the owner of a beneficial interest therein may exercise its option to redeem Covered Bonds under Condition 5(e) (*Optional Early Redemption (Put)*) of the terms and conditions of the Covered Bonds (where such put option is specified in the relevant Final Terms or Pricing Supplement as being applicable) 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 Covered Bond, Permanent Global Covered Bond or Global Registered Covered Bond, as the case may be, which represents the Covered Bonds then being redeemed.

Conditions apply

Until the whole of a Temporary Global Covered Bond, Permanent Global Covered Bond or Global Registered Covered Bond, 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 Covered Bond shall be subject to the terms and conditions of the Covered Bonds 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 Covered Bonds and Coupons represented by the relevant part of the relevant Global Covered Bond.

Record Date

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

Business Day

Notwithstanding the definition of "Business Day" in Condition 7(4)(c)(i) of the terms and conditions of the Covered Bonds, while all the Covered Bonds are represented by a Permanent Global Covered Bond (or by a Permanent Global Covered Bond and/or a Temporary Global Covered Bond) or a Global Registered Covered Bond and the Permanent Global Covered Bond is (or the Permanent Global Covered Bond and/or the Temporary Global Covered Bond are), or the Global Registered Covered Bond 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.

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 or Euroclear Finland (the "**Clearing Systems**") from time to time. Investors wishing to use the facilities of any Clearing System must check the rules, regulations and procedures of the relevant Clearing System which are in effect at the relevant time.*

General

The Covered Bonds will be cleared through Euroclear and/or Clearstream, Luxembourg or Euroclear Finland.

Euroclear

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

The Euroclear group reshaped its corporate structure in 2000 and 2001, transforming the Belgian company Euroclear Clearance System (Société Coopérative) into Euroclear Bank SA/NV, which now operates the Euroclear System. In 2005, a new Belgian holding company, Euroclear SA/NV, was created as the owner of all the shared technology and services supplied to each of the Euroclear CSDs and the 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 Covered Bonds, Permanent Global Covered Bonds or Definitive Bearer Covered Bonds 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 Covered Bonds, Permanent Global Covered Bonds or Definitive Bearer Covered Bonds 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 S.A. ("**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, Luxembourg. 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.

Euroclear Finland

Euroclear Finland is a Finnish limited liability company which operates under the supervision of the Finnish Financial Supervisory Authority and is authorised as a central securities depository and clearinghouse.

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

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

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 Covered Bonds is to be issued.

[**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")]; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA AND UNITED KINGDOM RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) No. 2017/1129 (the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]

[**Singapore Securities and Futures Act Product Classification –** Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A of the SFA) that the Covered Bonds are ["prescribed capital markets products"]/["capital markets products other than prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).]

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 MORTGAGE BANK PLC

Issue of
[**Aggregate Nominal Amount of Tranche**]
[**Title of Covered Bonds**]

Issued under the
€25,000,000,000 Covered Bond 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 2 April 2020 [and the base prospectus supplement[s] dated [•] which [together] constitute[s] a base prospectus] (the "**Base Prospectus**") for the purposes of the Prospectus Regulation. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Base Prospectus [as so supplemented] in order to obtain all the relevant information. The Base Prospectus [and the base prospectus supplement[s]] and the Final Terms are available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Satamaradankatu 5, 00020 NORDEA, Helsinki and [has/have] been published on the Issuer's website www.nordea.com.]

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 [[1 November 2016]/[23 November 2017]/[13 February 2019]] [and the base prospectus supplement[s] dated [•]]. This document comprises the Final Terms of the Covered Bonds described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 2 April 2020 [and the base prospectus supplement[s] dated [•]], which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation, save in respect of the Conditions which are extracted from the [base prospectus] dated [[1 November 2016]/[23 November 2017]/[13 February 2019]] [and the base prospectus supplement[s] dated [•]] and are incorporated by reference in the Base Prospectus.

Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms [,] [and] the Base Prospectus [and the base prospectus supplement[s] dated [•]]. The Base Prospectus [,] [and] the [base prospectus] dated [[1 November 2016]/[23 November 2017]/[13 February 2019]] [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 Satamaradankatu 5, 00020 NORDEA, Helsinki and [has/have] been published on the Issuer's website www.nordea.com.]

[For the purposes of these Final Terms, the expression "**Prospectus Regulation**" means Regulation (EU) No. 2017/1129.]

[These Covered Bonds are Finnish Covered Bonds. Holders of the Finnish Covered Bonds are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the deed of covenant dated 2 April 2020 executed by the Issuer constituting the Finnish Covered Bonds. [*This paragraph need only be included if the Final Terms relates to Finnish Covered Bonds.*]

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

1.	Issuer:	Nordea Mortgage Bank Plc

2.	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Covered Bonds become fungible:	Not Applicable / The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the [*provide issue amount/ISIN/maturity date/issue date of earlier Tranches*] (the "**Original Covered Bonds**") on [the Issue Date/exchange of the Temporary Global Covered Bonds for interests in the Permanent Global Covered Bonds, as described in these Final Terms [which is expected to occur on or about [•]]
3.	Specified Currency:		[•]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[•]
	(ii)	Tranche:	[•]
5.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount of the Tranche [plus accrued interest from [*insert date*] if applicable]
6.	(i)	Specified Denominations:	[•] (*No Covered Bonds may be issued which have a minimum denomination of less than EUR 100,000 (or equivalent in another currency)*) [*Where a tranche of Covered Bonds is issued in multiple denominations, and Covered Bonds are not being issued in registered form, the following sample wording should be followed:* So long as the Covered Bonds are represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond and the relevant clearing systems so permit, the Covered Bonds 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 Covered Bonds 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 these Specified Denominations (note: there must be a common factor of two or more Specified Denominations).*]
7.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[•]

8.	(i)	Maturity Date:	[•] / Interest Payment Date falling in or nearest to [•] *(in the case of Floating Rate Covered Bonds)*
	(ii)	Extended Maturity Date:	Applicable/Not Applicable [*If not applicable, delete the remaining sections of this subparagraph*] [The Extended Maturity Date is [[•]/Interest Payment Date falling in or nearest to [•] (*in the case of Floating Rate Covered Bonds*)]. [*If applicable, complete relevant sections regarding interest, etc.*]
9.	Interest Basis:		[•] per cent. Fixed Rate / [*insert period of time e.g. 3 months*] LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ SOFR/ SONIA/ STIBOR/ TIBOR/ TIIE/ TRLIBOR/ WIBOR ± [•] per cent. Floating Rate / Zero Coupon
10.	Redemption:		Redemption at par, subject to any purchase and cancellation or early redemption
11.	Put/Call Options:		Not Applicable / Investor Put / Issuer Call
12.	Authorisation:		Not Applicable / The issuance of the Covered Bonds was authorised by a decision of [•] dated [•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE TO MATURITY DATE

13.	**Fixed Rate Covered Bonds Provisions**		Applicable/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]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	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)]*
	(v)	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)
	(vi)	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 Covered Bonds Provisions**		Applicable/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
	(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 Interest Amount(s):	[Calculation Agent] / [•]
	(v)	Screen Rate Determination:	[•]
		— Reference Rate:	[*insert period of time e.g. 3 months*] LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ SOFR/ SONIA/ STIBOR/ TIBOR/ TIIE/ TRLIBOR/ WIBOR [The applicable Reference Rate for the first/last short/long Interest Period is [LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ SOFR / SONIA/ STIBOR/ TIBOR/ TIIE/ TRLIBOR/ WIBOR]
		— Interest Determination Date(s):	[•]
		— Relevant Screen Page:	[•]
		— Relevant Time:	[As set out in Condition 4(b) / [•]]
	(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)	Determination Agent:	[•] / Not Applicable
	(viii)	Margin(s):	[±][•] per cent. per annum
	(ix)	Minimum Rate of Interest:	[•] per cent. per annum / Not Applicable
	(x)	Maximum Rate of Interest:	[•] per cent. per annum / Not Applicable
	(xi)	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)
	(xii)	Observation Look-back Period:	[•] / Not Applicable
15.	**Zero Coupon Covered Bonds 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)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE FROM THE MATURITY DATE TO THE EXTENDED MATURITY DATE

16.	**Fixed Rate Covered Bonds Provisions**		Applicable/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]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	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)]*
	(v)	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)
	(vi)	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)*).
17.	**Floating Rate Covered Bonds Provisions**		Applicable/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
	(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 Interest Amount(s):	[Calculation Agent] / [•]
	(v)	Screen Rate Determination:	[•]
		— Reference Rate:	[*insert period of time e.g. 3 months*] LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ SOFR/ SONIA/ STIBOR/ TIBOR/ TIIE/ TRLIBOR/ WIBOR
		— Interest Determination Date(s):	[•]
		— Relevant Screen Page:	[•]
		— Relevant Time:	[As set out in Condition 4(b) / [•]]
	(vi)	Margin(s):	[±][•] per cent. per annum
	(vii)	Minimum Rate of Interest:	[•] per cent. per annum
	(vii)	Maximum Rate of Interest:	[•] per cent. per annum
	(ix)	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)
	(x)	Observation Look-back Period:	[•] / Not Applicable

PROVISIONS RELATING TO REDEMPTION

18.	**Call Option**			Applicable/Not Applicable
	(i)	Optional Redemption Date(s):		[•]/[Any date from and including [•] to but excluding [•]]
	(ii)	Optional Redemption Amount(s):		[•] per Calculation Amount
	(iii)	If redeemable in part:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
		(a)	Minimum Redemption Amount:	[•] per Calculation Amount
		(b)	Maximum Redemption Amount:	[•] per Calculation Amount
	(iv)	Notice period:		[•]
19.	**Put Option**			Applicable/Not Applicable *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):		[•]/[Any date from and including [•] to but excluding [•]]
	(ii)	Optional Redemption Amount(s) of each Covered Bond:		[•] per Calculation Amount
	(iii)	Notice period:		[•]
20.	**Final Redemption Amount**			Par
21.	**Early Redemption Amount**			[•]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:			[Condition 5[(b)/(c)/(e)] of the Covered Bonds applies]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

22.	**Form of Covered Bonds**	[Bearer Covered Bonds]: [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Covered Bond] [Temporary Global Covered Bond exchangeable for Definitive Covered Bonds on [•] days' notice.] [Permanent Global Covered Bonds exchangeable for Definitive Covered Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent

Global Covered Bonds.]

[Registered Covered Bonds: Individual Covered Bond Certificates / Global Registered Covered Bond [exchangeable for Individual Covered Bond Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Covered Bond]]

[Finnish Covered Bonds]:

[The Covered Bonds] are [Finnish Covered Bonds] in uncertificated and dematerialised book-entry form.]

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Covered Bonds 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 Covered Bonds which is to be represented on issue by a Temporary Global Covered Bond exchangeable for Definitive Covered Bonds)

23.	[New Global Covered Bonds]/[New Safekeeping Structure]:	[Yes/No/Not Applicable]
24.	Additional cities for the purposes of the definition of Relevant Financial Centre:	Not Applicable / *Give details*
25.	Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature):	Yes. The Talons mature on [•] / No
26.	Relevant Benchmark[s]:	[LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR/ SOFR/ SONIA / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR] is provided by [*administrator legal name*]][*repeat as necessary*]. [As at the date hereof, [[*administrator legal name*] [appears] /[does not appear]][*repeat as necessary*] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of Regulation (EU) 2016/1011, as amended]/[As far as the Issuer is aware, as at the date hereof, [LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR/ SOFR/ SONIA / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR] does not fall within the scope of Regulation (EU) 2016/1011, as amended] / [As far as the Issuer is aware, the transitional provisions in Article 51 of Regulation (EU)

	2016/1011, as amended apply, such that [*name of administrator*] is not currently required to obtain authorisation/registration (or, if located outside the European Union and the United Kingdom, recognition, endorsement or equivalence)] / [Not Applicable]

Signed on behalf of Nordea Mortgage Bank Plc:

By: .... Duly authorised	By: .... Duly authorised
Date:	Date: ....

PART B – OTHER INFORMATION

1. **LISTING**

Listing and admission to trading:	[Not Applicable]/[Application has been made to the [Euronext Dublin/London Stock Exchange] for the Covered Bonds to be admitted to the Official List and to trading on its regulated market with effect from [•]] [The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the Original Covered Bonds on [the Issue Date/exchange of the Temporary Global Covered Bonds for interests in the Permanent Global Covered Bonds, as described in these Final Terms [which is expected to occur on or about [•]]] (*Where documenting a fungible issue need to indicate that original securities are already admitted to trading.*)

2. **RATINGS**

Ratings:	The tranche of Covered Bonds itself has not been assigned any ratings solicited by the Issuer / The tranche of Covered Bonds itself is expected to be rated: [Moody's Investors Service Limited: [•]] [S&P Global Ratings Europe Limited: [•]] [[*Insert credit rating agency legal name*] is established in the European Union or the United Kingdom and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.] [[*Insert credit rating agency legal name*] is established in the European Union or the United Kingdom and has applied for registration under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, although as of the date of these Final Terms notification of the corresponding registration decision has not yet been provided by the relevant competent authority.] [[*Insert credit rating agency legal name*] is not established in the European Union or the United Kingdom and has not applied for registration under Regulation (EC) No 1060/2009 of the European Parliament and of

the Council of 16 September 2009 on credit rating agencies.]

[[*Insert credit rating agency legal name*] is not established in the European Union or the United Kingdom and has not applied for registration under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "CRA Regulation") but is endorsed by [*insert credit rating agency legal name*] which is established in the European Union or the United Kingdom [and registered under the CRA Regulation/and has applied for registration under the CRA Regulation, although as of the date of these Final Terms notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

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 Covered Bonds has an interest material to the offer / [•]]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i)	Reasons for the offer:	[The net proceeds of the issue of the Covered Bonds will be used for the general banking and other corporate purposes of Nordea Mortgage Bank Plc.]/ [*Specify alternative purpose if applicable*].
(ii)	Estimated net proceeds:	[•]
(iii)	Estimated total expenses in relation to admission to trading:	[•]

5. **[*Fixed Rate Covered Bonds only* - YIELD**

Indication of yield	[•] per cent.
	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 Covered Bonds only* - HISTORIC INTEREST RATES**

Details of the 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 information inaccurate or misleading.]

8. . **DISTRIBUTION**

If syndicated:

(i)	Names of Managers and underwriting commitments:	Not Applicable / *Give names and underwriting commitments*
(ii)	Date of Subscription Agreement:	[•]
(iii)	Stabilising Manager(s) (if any):	Not Applicable / *Give Name*

If non-syndicated, name of Dealer:	Not Applicable / *Give Name*
[Total commission and concession:]	[[•] per cent. of the Aggregate Nominal Amount]
U.S. Selling Restriction:	Regulation S Category 2 *(In the case of Bearer Covered Bonds)* - TEFRA D/TEFRA C/TEFRA Not Applicable *(In the case of Registered Covered Bonds/Finnish Covered Bonds)* -TEFRA Not Applicable
Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] (*If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified*. *If the Covered Bonds may constitute "packaged" products and no Key Information Document ("**KID**") will be prepared, "Applicable" should be specified.*)

9. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
[FISN:	[[•] / See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]
[CFI Code:	[[•] / See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available] (*If the CFI and/or FISN is not required or requested, it/they should be specified to be "Not Applicable"*.)
Issuer LEI:	7437001LESKGLAEOEU84
Intended to be held in a manner which would allow Eurosystem eligibility:	Yes / No / Not Applicable *(in the case of Covered Bonds not issued in NGCB / NSS form)*

	[Note that the designation "yes" means that the Covered Bonds are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [*include this text for registered Covered Bonds*] and does not necessarily mean that the Covered Bonds 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" is selected in which case the Covered Bonds must be bearer Covered Bonds issued in NGCB form or registered Covered Bonds issued in NSS 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 Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [*include this text for registered Covered Bonds*]. Note that this does not necessarily mean that the Covered Bonds 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 Covered Bonds are bearer Covered Bonds issued in NGCB form or registered Covered Bonds issued in NSS form*]
Clearing system(s) [and the relevant identification number(s), if applicable]:	[Euroclear/Clearstream, Luxembourg/ Euroclear Finland Ltd, P.O. Box 1110, FI-00101, Helsinki] [Euroclear Finland identification number: 1061446-0]
Delivery:	Delivery [against/free of] payment
Name(s) and address(es) of additional Paying Agent(s) (if any):	[•]
[Name and address of Finnish Issuing Agent:]	[*only applicable to Finnish Covered Bonds*]

FORM OF PRICING SUPPLEMENT

A pro forma Pricing Supplement for use in connection with Exempt Covered Bonds 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 Covered Bonds is to be issued.

[**MiFID II product governance/target market** – *[appropriate target market legend to be included*]]

[**PROHIBITION OF SALES TO EEA AND UNITED KINGDOM RETAIL INVESTORS** – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) No. 2017/1129. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA or UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA or UK may be unlawful under the PRIIPs Regulation.]

[**Singapore Securities and Futures Act Product Classification –** Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A of the SFA) that the Covered Bonds are ["prescribed capital markets products"]/["capital markets products other than prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).]

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 REGULATION (EU) 2017/1129 AS AMENDED FOR THIS ISSUE OF COVERED BONDS.

NORDEA MORTGAGE BANK PLC

Issue of
[Aggregate Nominal Amount of Tranche]
[Title of Covered Bonds]

Issued under the
€25,000,000,000 Covered Bond 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 2 April 2020 [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 Covered Bonds described herein and must be read in conjunction with such Base Prospectus [as so supplemented] in order to obtain all relevant information. The Base Prospectus [and the base prospectus supplement[s]] and the Pricing Supplement are available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Satamaradankatu 5, 00020 NORDEA, Helsinki and [has/have] been published on the Issuer's website www.nordea.com.]

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 [[1 November 2016]/[23 November 2017]/[13 February 2019]] [and the base prospectus supplement[s] dated [•]]. This document comprises the Pricing Supplement of the Covered Bonds described herein and must be read in conjunction with the Base Prospectus dated 2 April 2020 [and the base prospectus supplement[s] dated [•]], which [together] constitute[s] a base prospectus (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the [base prospectus] dated [[1 November 2016]/[23 November 2017]/[13 February 2019]] [and the base prospectus supplement[s] dated [•]] and are incorporated by reference in the Base Prospectus.

Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of this Pricing Supplement [,] [and] the Base Prospectus [and the base prospectus supplement[s] dated [•]]. The Base Prospectus [,] [and] the [base prospectus] dated [[1 November 2016]/[23 November 2017]/[13 February 2019]] [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 Satamaradankatu 5, 00020 NORDEA, Helsinki and [has/have] been published on the Issuer's website www.nordea.com.]

[These Covered Bonds are Finnish Covered Bonds. Holders of the Finnish Covered Bonds are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the deed of covenant dated 2 April 2020 executed by the Issuer constituting the Finnish Covered Bonds. [*This paragraph need only be included if the Pricing Supplement relates to Finnish Covered Bonds.*]

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

1.	Issuer:		Nordea Mortgage Bank Plc
2.	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•]

	(iii)	Date on which the Covered Bonds become fungible:	Not Applicable / The Covered Bonds shall be consolidated, form a single series, and be interchangeable for trading purposes, with the [*provide issue amount/ISIN/maturity date/issue date of earlier Tranches*] (the "**Original Covered Bonds**") on [the Issue Date/exchange of the Temporary Global Covered Bond for interests in the Permanent Global Covered Bond, as described in this Pricing Supplement [which is expected to occur on or about [•]]
3.	Specified Currency:		[•]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[•]
	(ii)	Tranche:	[•]
5.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount of the Tranche [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
6.	(i)	Specified Denominations:	[•] *(No Covered Bonds may be issued which have a minimum denomination of less than EUR 1,000 (or equivalent in another currency))* [*Where a tranche of Covered Bonds is issued in multiple denominations and Covered Bonds are not being issued in registered form, the following sample wording should be followed*: So long as the Covered Bonds are represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond and the relevant clearing systems so permit, the Covered Bonds 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 Covered Bonds 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)*]
7.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[•]
8.	(i)	Maturity Date:	[•] / Interest Payment Date falling in or nearest to [•] *(in the case of Floating Rate Covered Bonds)*
	(ii)	Extended Maturity Date	Applicable/Not Applicable

		[*If not applicable, delete the remaining sections of this subparagraph*] [The Extended Maturity Date is [[•]/Interest Payment Date falling in or nearest to [•] (*in the case of Floating Rate Covered Bonds)*]. [*If applicable, complete relevant sections regarding interest, etc.*]
9.	Interest Basis:	[•] per cent. Fixed Rate / [*insert period of time e.g. 3 months*] LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ SOFR/ SONIA/ STIBOR/ TIBOR/ TIIE/ TRLIBOR/ WIBOR/ *Other* ± [•] per cent. Floating Rate / Zero Coupon
10.	Redemption/Payment Basis:	Redemption at par, subject to any purchase and cancellation or early redemption
11.	Put/Call Options:	Not Applicable / Investor Put / Issuer Call
12.	Authorisation:	Not Applicable / The issuance of the Covered Bonds was authorised by a decision of [•] dated [•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Covered Bonds Provisions**		Applicable / 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]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	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)]*
	(v)	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 Covered Bonds denominated in euro*)
	(vi)	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 Covered Bonds Provisions**		Applicable / 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*
	(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):	[Calculation Agent] / [•]
	(v)	Screen Rate Determination:	
		• Reference Rate:	[•]/ LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ SOFR/ SONIA/ STIBOR/ TIBOR/ TIIE/ TRLIBOR/ WIBOR/ *Other* [The applicable Reference Rate for the first/last short/long Interest Period is [•]]
		• Interest Determination Date(s):	[•]
		• Relevant Screen Page:	[•]
		• Relevant Time:	[As set out in Condition 4(b) / [•]]
	(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)	Determination Agent:	[•] / Not Applicable
	(viii)	Margin(s):	[±][•] per cent. per annum
	(ix)	Minimum Rate of Interest:	[•] per cent. per annum / Not Applicable
	(x)	Maximum Rate of Interest:	[•] per cent. per annum / Not Applicable
	(xi)	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*
	(xii)	Observation Look-back Period:	[•] / Not Applicable
15.	**Zero Coupon Covered Bonds 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)	Any other formula/basis of determining amount payable:	[•]
	(iv)	Day Count Fraction:	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*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE FROM THE MATURITY DATE TO THE EXTENDED MATURITY DATE

16.	**Fixed Rate Covered Bonds Provisions**		Applicable/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/ *Other*] 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]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	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)]*
	(v)	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*
	(vi)	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)*).
17.	**Floating Rate Covered Bonds Provisions**		Applicable/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*
	(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 Interest Amount(s):	[Calculation Agent] / [•]
	(v)	Screen Rate Determination:	[•]
		— Reference Rate:	[•]/ LIBOR/ EURIBOR/ BBSW/ BKBM/ CDOR/ CIBOR/ HIBOR/ JIBAR/ MOSPRIME/ NIBOR/ SOFR/ SONIA/ STIBOR/ TIBOR/ TIIE/ TRLIBOR/ WIBOR/ *Other* [The applicable reference rate for the first short/long Interest Period is [•]]
		— Interest Determination Date(s):	[•]
		— Relevant Screen Page:	[•]
		— Relevant Time:	[As set out in Condition 4(b) / [•]]
	(vi)	Margin(s):	[±][•] per cent. per annum
	(vii)	Minimum Rate of Interest:	[•] per cent. per annum

	(viii)	Maximum Rate of Interest:	[•] per cent. per annum
	(ix)	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*
	(x)	Observation Look-back Period:	[•] / Not Applicable

PROVISIONS RELATING TO REDEMPTION

18.	**Call Option**		Applicable / Not Applicable
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[•]/[Any date from and including [•] to but excluding [•]]
	(ii)	Optional Redemption Amount(s):	[•] per Calculation Amount
	(iii)	If redeemable in part:	[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv)	Notice period:	[•]
19.	**Put Option**		Applicable / Not Applicable
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[•]/[Any date from and including [•] to but excluding [•]]
	(ii)	Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	Notice period:	[•]
20.	**Final Redemption Amount**		[Par/[•]] per Calculation Amount
21.	**Early Redemption Amount**		[•]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on		Condition 5[(b)/(c)/(e)] applies

	event of default or other early redemption:	

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

22.	Form of Covered Bonds:	[Bearer Covered Bonds]: [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global [Covered Bond] [Temporary Global Covered Bond exchangeable for Definitive Covered Bonds on [•] days' notice] [Permanent Global Covered Bond exchangeable for Definitive Covered Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global [Covered Bonds] [Registered Covered Bonds: Individual Covered Bond Certificates / Global Registered Covered Bond [exchangeable for Individual Covered Bond Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Covered Bond] [Finnish Covered Bonds]: [The Covered Bonds are Finnish Covered Bonds in uncertificated and dematerialised book-entry form.] *(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Covered Bonds 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 Covered Bonds which is to be represented on issue by a Temporary Global Covered Bond exchangeable for Definitive Covered Bonds)*
23.	[New Global Covered Bonds / New Safekeeping Structure]:	[Yes/No/Not Applicable]
24.	Additional cities for the purposes of the definition of Relevant Financial Centre:	Not Applicable/ *Give details*
25.	Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature):	Yes. The Talons mature on [•] / No
26.	Other terms and conditions:	Not Applicable / *Give details*

27.	Relevant Benchmark[s]:	[LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR/ SOFR/ SONIA / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR] is provided by [*administrator legal name*][*repeat as necessary*]. [As at the date hereof, [[*administrator legal name*] [appears] /[does not appear]][*repeat as necessary*] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of Regulation (EU) 2016/1011, as amended]/[As far as the Issuer is aware, as at the date hereof, the [*specify benchmark*] does not fall within the scope of Regulation (EU) 2016/1011, as amended] / [As far as the Issuer is aware, the transitional provisions in Article 51 of Regulation (EU) 2016/1011, as amended apply, such that [*name of administrator*] is not currently required to obtain authorisation/registration (or, if located outside the European Union and the United Kingdom, recognition, endorsement or equivalence)] / [Not Applicable]

RESPONSIBILITY

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

SIGNATURE

Signed on behalf of Nordea Mortgage Bank Plc:

By:	By:
Duly authorised	Duly authorised
Date:	Date:

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

None / Application has been made to [•] for the Covered Bonds to be admitted to trading on [•] with effect from [•] / *Other*

[The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the Original Covered Bonds on [the Issue Date/exchange of the Temporary Global Covered Bonds for interests in the Permanent Global Covered Bonds, as described in these Final Terms [which is expected to occur on or about [•]]]

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

2. **RATINGS**

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

[Moody's Investors Service Limited:	[•]]
[S&P Global Ratings Europe Limited:	[•]]
	[[*Insert credit rating agency legal name*] is established in the European Union or the United Kingdom and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.]
	[[*Insert credit rating agency legal name*] is established in the European Union or the United Kingdom and has applied for registration under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, although as of the date of this Pricing Supplement notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]
	[[*Insert credit rating agency legal name*] is not established in the European Union or the United Kingdom and has not applied for registration under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.]
	[[*Insert credit rating agency legal name*] is not established in the European Union or the United

Kingdom and has not applied for registration under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**") but is endorsed by [*insert credit rating agency legal name*] which is established in the European Union or the United Kingdom [and registered under the CRA Regulation/and has applied for registration under the CRA Regulation, although as of the date of this Pricing Supplement notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

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 Covered Bonds has an interest material to the offer / [•]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

Reasons for the offer:	[The net proceeds of the issue of the Covered Bonds will be used for the general banking and other corporate purposes of Nordea Mortgage Bank Plc.]/ [*Specify alternative purpose if applicable*].
Estimated net proceeds:	[•]
Estimated total expenses in relation to admission to trading:	[•]

5. [***Fixed Rate Covered Bonds only* - YIELD**

Indication of yield:	[•] per cent. 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 Covered Bonds only* - HISTORIC INTEREST RATES**

Details of the 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) Names of Managers and underwriting commitments:	Not Applicable / *Give names and underwriting commitments*
(ii) Date of Subscription Agreement:	[•]
(iii) Stabilising Manager(s) (if any):	Not Applicable / *Give Name*
If non-syndicated, name of Dealer:	Not Applicable / *Give Name*
[Total commission and concession:]	[[•] per cent. of the Aggregate Nominal Amount]
U.S. Selling Restriction:	Regulation S Category 2 *(In the case of Bearer Covered Bonds)* - TEFRA D/TEFRA C/TEFRA Not Applicable *(In the case of Registered Covered Bonds/Finnish Covered Bonds)* -TEFRA Not Applicable
Other Selling Restrictions:	[•] / Not Applicable
Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] (*If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified*. *If the Covered Bonds may constitute "packaged" products and no Key Information Document ("**KID**") will be prepared, "Applicable" should be specified.*)

9. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
[FISN:	[[•] / See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]
[CFI Code:	[[•] / See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available] (*If the CFI and/or FISN is not required or requested, it/they should be specified to be "Not Applicable".*)
Issuer LEI:	7437001LESKGLAEOEU84

Intended to be held in a manner which would allow Eurosystem eligibility:	Yes / No / Not Applicable *(in the case of Covered Bonds not issued in NGCB / NSS form)* [Note that the designation "yes" means that the Covered Bonds are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [*include this text for Registered Covered Bonds*] and does not necessarily mean that the Covered Bonds 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" is selected in which case the Covered Bonds must be bearer Covered Bonds issued in NGCB form or registered Covered Bonds issued in NSS 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 Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [*include this text for Registered Covered Bonds*]. Note that this does not necessarily mean that the Covered Bonds 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 Covered Bonds are bearer Covered Bonds issued in NGCB form or registered Covered Bonds issued in NSS form*]
Clearing system(s) [and identification number, if applicable]:	Euroclear / Clearstream, Luxembourg / Euroclear Finland Ltd, P.O. Box 1110, FI- 00101, Helsinki (Euroclear Finland identification number: 1061446-0)
Delivery:	Delivery [against/free of] payment
Name(s) and address(es) of additional Paying Agent(s) (if any):	Not Applicable / *Give name and address*
[Name and address of Finnish Issuing Agent:]	[*only applicable to Finnish Covered Bonds*]

TERMS AND CONDITIONS OF THE COVERED BONDS

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

The Covered Bonds are issued in accordance with a fiscal agency agreement (as amended and/or restated and/or replaced from time to time, the "**Fiscal Agency Agreement**") dated 2 April 2020 and made between Nordea Mortgage Bank Plc (*Nordea Kiinnitysluottopankki Oyj*) (the "**Issuer**"), Citibank, N.A., London Branch in its capacity as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such), and Citigroup Global Markets Europe AG as registrar (the "**Registrar**" in relation to any Series of Covered Bonds except Finnish Covered Bonds, which expression shall include any successor to Citigroup Global Markets Europe AG in its capacity as such) and certain financial institutions named therein in their capacity as paying agents (the "**Paying Agents**", which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Fiscal Agency Agreement) and Nordea Bank Abp in its capacity as Finnish issuing agent for Finnish Covered Bonds (the "**Finnish Issuing Agent**"). The Covered Bonds have the benefit of a deed of covenant (the "**Deed of Covenant**") dated 2 April 2020 (as amended and/or restated and/or replaced from time to time), executed by the Issuer in relation to the Covered Bonds. 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 Covered Bonds 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 Covered Bonds.

References herein to "**Exempt Covered Bonds**" are to Covered Bonds for which no prospectus is required to be published under Regulation (EU) 2017/1129 (for the purposes of these terms and conditions, the "**Prospectus Regulation**").

The Covered Bonds 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 Covered Bonds, a pricing supplement (the "**Pricing Supplement**") which, in either case, completes and (in the case of Exempt Covered Bonds only) completes, amends and/or replaces these terms and conditions (the "**Conditions**").

Covered Bonds may be settled through the Finnish Central Securities Depository, Euroclear Finland Ltd (the "**Finnish Covered Bonds**" and "**Euroclear Finland**" respectively).

The registrar in respect of any Series of Finnish Covered Bonds will be a duly authorised central securities depositary under the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 348/2017), as amended, expected to be Euroclear Finland (the "**Finnish Registrar**").

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

As the Finnish Covered Bonds will be in uncertificated and dematerialised book-entry form, the terms and conditions of the Finnish Covered Bonds shall be deemed to be incorporated by reference in, and to form part of, the Deed of Covenant by which the Finnish Covered Bonds are constituted.

As the Finnish Covered Bonds will be registered on behalf of the Holder on a securities account pursuant to the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 348/2017), as amended, and the Finnish Securities Accounts Act (*Laki arvo-osuustileistä* 827/1991), no physical securities will be issued. A request for a registration measure regarding Finnish Covered Bonds shall be addressed to the account operator pursuant to the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 348/2017), as amended, and the regulations of Euroclear Finland.

References in these Conditions to Covered Bonds are to Covered Bonds of the relevant Series and any references to Coupons as defined below, are to Coupons relating to Covered Bonds of the relevant Series.

1. **Form and Denomination**

(a) ***Form***

Covered Bonds, other than Finnish Covered Bonds, are issued in bearer form or registered form, as specified in the relevant Final Terms or Pricing Supplement, and are serially numbered.

The Finnish Covered Bonds are issued in uncertificated and dematerialised book-entry form in accordance with the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 348/2017), as amended.

(b) ***Form of Bearer Covered Bonds***

Covered Bonds issued in bearer form ("**Bearer Covered Bonds**") will be represented upon issue by a temporary global Covered Bond (a "**Temporary Global Covered Bond**") 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 Covered Bonds (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 Covered Bond) has been received, interests in the Temporary Global Covered Bond may be exchanged for:

(i) interests in a permanent global Covered Bond (a "**Permanent Global Covered Bond**") representing the Covered Bonds 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 or Pricing Supplement, definitive Covered Bonds ("**Definitive Covered Bonds**") 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 Covered Bonds of a Series occurs whilst any of the Covered Bonds of that Series are represented by the Temporary Global Covered Bond, the related interest payment will be made on the Temporary Global Covered Bond 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 Covered Bond) has been received by Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or by any other clearing system to which Covered Bonds or any interest therein may from time to time be credited. Payments of principal or interest (if any) on a Permanent Global Covered Bond will be made through Euroclear and Clearstream, Luxembourg without any requirement for certification.

Interests in the Permanent Global Covered Bond will, unless the contrary is specified in the relevant Pricing Supplement, 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 Covered Bond for Definitive Covered Bonds if 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. Whenever the Permanent Global Covered Bond is to be exchanged for Definitive Covered Bonds, the Issuer shall procure the prompt delivery (free of charge to the Holder) of such Definitive Covered Bonds, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms or Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Covered Bond to the Holder of the Permanent Global Covered Bond against the surrender of the Permanent Global Covered Bond 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 Covered Bonds and such default is continuing at 6.00 p.m. (London time) on the thirtieth day after the day on which the relevant notice period expires, such Permanent Global Covered Bond 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 Covered Bonds will, if so specified in the relevant Final Terms or Pricing Supplement, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below **provided that** interest bearing Definitive Covered Bonds, if so specified in the relevant Final Terms or Pricing Supplement, 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.

(c) ***Form of Registered Covered Bonds***

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

(d) ***Form of Finnish Covered Bonds***

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

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

(e) ***Denomination of Bearer Covered Bonds***

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

(f) ***Denomination of Registered Covered Bonds***

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

(g) ***Denomination of Finnish Covered Bonds***

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

(h) ***Currency of Covered Bonds***

Covered Bonds 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 Covered Bonds shall, as the context may require, be deemed to be Temporary Global Covered Bonds, Permanent Global Covered Bonds, Definitive Covered Bonds, Registered Covered Bonds, or Finnish Covered Bonds, as the case may be.

2. **Title**

(a) ***Title to Bearer Covered Bonds, Registered Covered Bond and Finnish Covered Bonds***

Title to the Bearer Covered Bonds and Coupons passes by delivery. References herein to the "**Covered Bond Holders**" or "**Holders**" of Bearer Covered Bonds or Coupons signify the bearers of such Bearer Covered Bonds or such Coupons.

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

Title to the Finnish Covered Bonds shall pass by registration in the computerised register consisting of accounts for the holders of financial instruments registered pursuant to the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 348/2017), as amended, and other Finnish laws, regulations and operating procedures applicable to and/or issued by Euroclear Finland from time to time (the "**Euroclear Finland Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any Finnish Covered Bond shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it and no person shall be liable for so treating the Holder. References herein to the "**Covered Bond Holders**" or "**Holders**" of Finnish Covered Bonds signify the persons in whose names such Covered Bonds are so registered.

The Holder of any Covered Bond 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 in accordance with the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 348/2017), as amended is so evidenced it shall be treated by the Issuer as the Holder of the relevant Finnish Covered Bonds.

(b) ***Transfer of Registered Covered Bonds and Finnish Covered Bonds***

A Registered Covered Bond 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 or Pricing Supplement) upon the surrender of the Registered Covered Bond 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 Covered Bond will be issued to the transferee and, in the case of a transfer of part only of a Registered Covered Bond, a new Registered Covered Bond in respect of the balance not transferred will be issued to the transferor.

Each new Registered Covered Bond to be issued upon the transfer of Registered Covered Bonds 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 Covered Bonds 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 Covered Bonds 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 Finnish Covered Bonds may be transferred in accordance with Euroclear Finland Rules.

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

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

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

In these terms and conditions in relation to Finnish Covered Bonds only, "**Covered Bond Holder**" or "**Holder**" means, as the context requires, the person in whose name a Finnish Covered Bond is registered in the Euroclear Finland Register and shall also include any person duly authorised to act as a nominee and registered as a holder of the Finnish Covered Bonds.

3. **Status**

The Covered Bonds of each Series constitute unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The Covered Bonds are obligations issued in accordance with the Finnish Covered Bond Act (*Laki kiinnitysluottopankkitoiminnasta* 688/2010), as amended (the "**CBA**") and rank *pari passu* among themselves and with Derivative transactions and Bankruptcy liquidity loans in respect of the statutory security in accordance with the CBA. To the extent that claims in relation to the Covered Bonds are not met out of the assets of the Issuer that are covered in accordance with the CBA, the residual claims will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

For the purposes of this Condition 3 (*Status*):

"**Derivative transactions**" means derivative transactions entered into by the Issuer to hedge against risks relating to Covered Bonds or their underlying collateral and recorded in the register of Covered Bonds; and

"**Bankruptcy liquidity loans**" means loans made by the bankruptcy administrator of the Issuer to secure liquidity or take out liquidity credit in accordance with Section 26 of the CBA and recorded in the register of Covered Bonds.

4. **Interest**

Covered Bonds may be interest bearing or non-interest-bearing, as specified in the relevant Final Terms or Pricing Supplement. In the case of non-interest-bearing Covered Bonds, a reference price and yield will, unless otherwise agreed, be specified in the relevant Final Terms or Pricing Supplement. The Final Terms or Pricing Supplement in relation to each Series of interest bearing Covered Bonds shall specify which one of Condition 4(a) (*Interest—Fixed Rate Covered Bonds Provisions*), 4(b) (*Interest— Floating Rate Covered Bond Provisions (other than Floating Rate Covered Bonds referencing SONIA or SOFR)*), 4(c) (*Interest—Floating Rate Covered Bonds referencing SONIA or SOFR*) or 4(d) (*Interest—Other Rates*) shall be applicable **provided that** Condition 4(e) (*Interest—Supplemental Provision*) will be applicable to each Series of interest bearing Covered Bonds as specified therein, and **provided further that** Condition 4(g) (*Interest Payments up to the Extended Maturity Date*) will be applicable to each series of interest bearing and non-interest-bearing Covered Bonds to which Condition 5(j) (*Extension of maturity up to Extended Maturity Date*) is specified as being applicable in the relevant Final Terms or Pricing Supplement, save, in each case, to the extent inconsistent with the relevant Pricing Supplement.

(a) ***Interest—Fixed Rate Covered Bonds Provisions***

This Condition 4(a) is applicable to the Covered Bonds only if the Fixed Rate Covered Bonds Provisions are specified in the relevant Final Terms or Pricing Supplement as being applicable. Each Covered Bond to which this Condition 4(a) is applicable shall bear interest on its outstanding nominal amount from and including their date of issue to, but excluding the date of final maturity thereof (each date as specified in the relevant Final Terms or Pricing Supplement) at the rate or rates per annum specified in the relevant Final Terms or Pricing Supplement. Interest will be payable in arrear on such dates as are specified in the relevant Final Terms or Pricing Supplement and on the date of final maturity thereof. The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified in the relevant Pricing Supplement shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest subunit of the Specified Currency (half a subunit being rounded upwards) and multiplying such rounded figures by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For the purposes of this Condition 4, a "**subunit**" 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. Interest may also be calculated on such other basis as may be specified in the relevant Pricing Supplement.

(b) ***Interest—Floating Rate Covered Bonds Provisions (other than Floating Rate Covered Bonds referencing SONIA or SOFR)***

This Condition 4(b) is applicable to Covered Bonds only if the Floating Rate Covered Bonds Provisions are specified in the relevant Final Terms or Pricing Supplement as being applicable and the Reference Rate is not SONIA or SOFR. Covered Bonds in relation to which this Condition 4(b) is applicable shall bear interest on their outstanding nominal amount at the rates per annum determined in accordance with this Condition 4(b).

Covered Bonds shall bear interest from and including their date of issue, to, but excluding the date of final maturity thereof (each date as specified in the relevant Final Terms or Pricing Supplement). Interest will be payable on each date (an "**Interest Payment Date**") which falls in such period of months or any other period as may be specified in the relevant Final Terms or Pricing Supplement after such date of issue 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 7 (*Payments*)), 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 or Pricing Supplement 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 date of issue 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 date of issue 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**".

The Final Terms or Pricing Supplement in relation to each Series of Covered Bonds in relation to which the Floating Rate Covered Bonds 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.

The rate of interest (the "**Rate of Interest**") applicable to such Covered Bonds for each Interest Period shall be determined by the Calculation Agent on the following basis:

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

(i) where the Reference Rate is based on the London interbank offered rate ("**LIBOR**") the Calculation 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;

(ii) where the Reference Rate is based on the Euro zone interbank offered rate ("**EURIBOR**") the Calculation 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;

(iii) where the Reference Rate is based on the Australian bank bill swap rate ("**BBSW**") the Calculation 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;

(iv) where the Reference Rate is based on the New Zealand bank bill rate ("**BKBM**") the Calculation 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;

(v) where the Reference Rate is based on the Canadian dealer offer rate ("**CDOR**") the Calculation 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;

(vi) where the Reference Rate is based on the Copenhagen interbank offered rate ("**CIBOR**") the Calculation 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;

(vii) where the Reference Rate is based on the Hong Kong interbank offered rate ("**HIBOR**") the Calculation 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;

(viii) where the Reference Rate is based on the Johannesburg interbank agreed rate ("**JIBAR**") the Calculation 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;

(ix) where the Reference Rate is based on the Moscow prime offered rate ("**MOSPRIME**") the Calculation 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;

(x) where the Reference Rate is based on the Oslo interbank offered rate ("**NIBOR**") the Calculation 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;

(xi) where the Reference Rate is based on the Stockholm interbank offered rate ("**STIBOR**") the Calculation 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;

(xii) where the Reference Rate is based on the Tokyo interbank offered rate ("**TIBOR**") the Calculation 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;

(xiii) where the Reference Rate is based on the Mexican interbank equilibrium interest rate ("**TIIE**") the Calculation 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;

(xiv) where the Reference Rate is based on the Turkish Lira interbank offer rate ("**TRLIBOR**") the Calculation 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;

(xv) where the Reference Rate is based on the Warsaw interbank offered rate ("**WIBOR**") the Calculation 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;

(xvi) where the Reference Rate is based on the interbank offered rate in a Relevant Financial Centre specified in the relevant Pricing Supplement, the Calculation 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;

(xvii) 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 Calculation 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 (selected by the Issuer) 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; and

(xviii) if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean of the rates quoted by major banks in the Relevant Financial Centre, selected by the Calculation Agent (in consultation with the Issuer) 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 relevant Final Terms or Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation 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 Calculation Agent shall determine such rate at such time and by reference to such sources as determined by the Issuer,

and the Rate of Interest applicable to such Covered Bonds during each Interest Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the relevant Final Terms or Pricing Supplement and the rate (or, as the case may be, the arithmetic mean) so determined **provided that**, if the Calculation 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 Covered Bonds 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 Covered Bonds 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 4 (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 Pricing Supplement 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 Covered Bonds 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 STIBOR, the second Stockholm business day before the first day of the relevant interest period, (xii) in the case of TIBOR, the second Tokyo business day before the first day of the relevant Interest Period, (xiii) in the case of TIIE, the first Mexico City business day before the first day of the relevant Interest Period, (xiv) in the case of TRLIBOR, the second Istanbul business day before the first day of the relevant Interest Period, (xv) in the case of WIBOR, the first Warsaw business day of the relevant Interest Period, or, in the case of Exempt Covered Bonds, such other Interest Determination Date as shall be specified in the relevant 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) STIBOR, (xii) TIBOR, (xiii) TIIE, (xiv) TRLIBOR, (xv) WIBOR, in each case for the relevant Interest Period, as specified in the relevant Final Terms or Pricing Supplement, or, in the case of Exempt Covered Bonds, such other Reference Rate as shall be specified in the relevant Pricing Supplement; "**Relevant Financial Centre**" has the meaning given to such term in Condition 7(4)(c)(ii); and "**Relevant Time**" means the time specified as such in the Final Terms or Pricing Supplement 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 STIBOR, 11.00 a.m. Stockholm time, (xii) in the case of TIBOR, 11.00 a.m. Tokyo time, (xiii) in the case of TIIE, 2.30 p.m. Mexico City time, (xiv) in the case of TRLIBOR, 11.15 a.m. Istanbul time, (xv) in the case of WIBOR, 11.00 a.m. Warsaw time or, in the case of Exempt Covered Bonds, such other time as shall be specified in the relevant Pricing Supplement.

The Calculation 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 or Pricing Supplement 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 Covered Bonds 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 or Pricing Supplement, rounding the resulting figure to the nearest sub unit of the currency in which such Covered Bonds 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 Covered Bond divided by the Calculation Amount. Where the Specified Denomination of such a Covered Bond comprises more than one Calculation Amount, the Interest Amount payable in respect of such Covered Bond shall be the aggregate of the amounts (determined in the manner above) for each Calculation Amount comprising the Specified Denomination, without any further rounding.

(c) ***Interest – Floating Rate Covered Bonds referencing SONIA or SOFR***

(i) This Condition 4(c) is applicable to the Covered Bonds only if the Floating Rate Covered Bonds Provisions are specified in the relevant Final Terms or Pricing Supplement as being applicable and the Reference Rate is SONIA or SOFR. Covered Bonds in relation to which this Condition 4(c) is applicable shall bear interest on their outstanding nominal amount at the rates per annum determined in accordance with this Condition 4(c).

(ii) Such Covered Bonds shall bear interest from and including their date of issue to, but excluding, the date of final maturity thereof (each date as specified in the relevant Final

Terms or Pricing Supplement). Interest will be payable on each Interest Payment Date which falls in such period of months or any other period as may be specified in the relevant Final Terms or Pricing Supplement after such date of issue 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 7 (*Payments*)), 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 or Pricing Supplement 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 date of issue 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 date of issue 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**".

(iii) Subject to Condition 4(h) and 4(e)(iv) (if applicable), where the Reference Rate specified in the relevant Final Terms or Pricing Supplement is SONIA, the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SONIA plus or minus (as specified in the relevant Final Terms or Pricing Supplement) the Relevant Margin, all as determined by the Calculation Agent.

For the purposes of this Condition 4(c):

"**Compounded Daily SONIA**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the Interest Determination Date in question, as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SONIA_{i-pLBD}\times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

"**d**" means, for any Interest Period, the number of calendar days in such Interest Period;

"**d_o**" means, for any Interest Period, the number of London Banking Days in such Interest Period;

"**i**" means, for any Interest Period, a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in such Interest Period to, and including, the last London Banking Day in such Interest Period;

"**Interest Determination Date**" means the date specified as such in the relevant Final Terms or Pricing Supplement;

"**London Banking Day**" or "**LBD"** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**n_i**" means, for any London Banking Day "i", the number of calendar days from, and including, such London Banking Day "i" up to, but excluding, the following London Banking Day;

"**Observation Period**" means, in respect of an Interest Period, the period from, and including, the date falling "p" London Banking Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date which is "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, if any, on which the Covered Bonds become due and payable);

"**p**" means, for any Interest Period, the number of London Banking Days included in the Observation Look-back Period specified in the relevant Final Terms or Pricing Supplement;

"**SONIA$_i$**" means, in respect of any London Banking Day, "i", a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or if the Relevant Screen Page is unavailable, as otherwise is published by such authorised distributors) on the London Banking Day immediately following such London Banking Day; and

"**SONIA$_{i-pLBD}$**" means, in respect of any London Banking Day "i" falling in the relevant Interest Period, the SONIA rate for the London Banking Day falling "p" London Banking Days prior to the relevant London Banking Day "i".

If, subject to Condition 4(h), in respect of any London Banking Day in the relevant Observation Period, the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA rate shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA rate to the Bank Rate over the previous five days on which a SONIA rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads).

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, subject to Condition 4(h), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Relevant Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Relevant Margin relating to the relevant Interest Period, in place of the Relevant Margin relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first Interest Period had the Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Relevant Margin applicable to the first Interest Period).

(iv) Where the Reference Rate specified in the relevant Final Terms or Pricing Supplement is SOFR, the Rate of Interest for each Interest Period will, subject as provided below, be Weighted Average SOFR plus or minus (as specified in the relevant Final Terms or Pricing Supplement) the Relevant Margin, all as determined by the Calculation Agent on the Interest Determination Date in question.

"**Weighted Average SOFR**" means the arithmetic mean of the SOFR in effect for each SOFR Reset Date during the relevant Interest Period, calculated by multiplying the relevant SOFR by the number of calendar days such SOFR is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Period, **provided, however, that** the last four SOFR Reset Dates of such Interest Period shall be a "**Suspension Period**". During a Suspension Period, the SOFR for each day during that Suspension Period will be the value for the SOFR Reset Date immediately prior to the first day of such Suspension Period.

"**SOFR**" means, with respect to any SOFR Reset Date:

(1) the Secured Overnight Financing Rate published at 5:00 p.m. (New York time) on the New York Federal Reserve's Website on such SOFR Reset Date for trades made on the related SOFR Determination Date;

(2) if the rate specified in paragraph (1) above does not so appear, and a SOFR Index Cessation Event and SOFR Index Cessation Date have not both occurred, the Secured Overnight Financing Rate published on the New York Federal Reserve's Website for the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the New York Federal Reserve's Website;

(3) if the rate specified in (1) above does not so appear, and a SOFR Index Cessation Event and SOFR Index Cessation Date have both occurred, the rate that was recommended as the replacement for the Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by the Federal Reserve Bank of New York or other designated administrator, and which rate may include any adjustments or spreads) or, if no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Date, the Overnight Bank Funding Rate (published on the New York Federal Reserve's Website at or around 5:00 p.m. (New York time) on the relevant New York City Banking Day) for any SOFR Reset Date falling on or after the SOFR Index Cessation Date (it being understood that the Overnight Bank Funding Rate for any such SOFR Reset Date will be for trades made on the related SOFR Determination Date); or

(4) if the Calculation Agent is required to use the Overnight Bank Funding Rate in paragraph (3) above and an OBFR Index Cessation Event and an OBFR Index Cessation Date have both occurred, then for any SOFR Reset Date falling on or after the later of the SOFR Index Cessation Date and the OBFR Index Cessation Date, the short-term interest rate target set by the Federal Open Market Committee, as published on the Federal Reserve's Website and as prevailing on such SOFR Reset Date, or if the Federal Open Market Committee has not set a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee, as published on the Federal Reserve's Website and as prevailing on such SOFR Reset Date (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range).

"**Federal Reserve's Website**" means the website of the Board of Governors of the Federal Reserve System, currently at http://www.federalreserve.gov, or any successor website of the Board of Governors of the Federal Reserve System.

"**New York Federal Reserve's Website**" means the website of the Federal Reserve Bank of New York, currently at http://www.newyorkfed.org/, or any successor website of the Federal Reserve Bank of New York.

"**New York City Banking Day**" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.

"**OBFR Index Cessation Date**" means, in respect of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Overnight Bank Funding Rate) ceases to publish the Overnight Bank Funding Rate, or the date as of which the Overnight Bank Funding Rate may no longer be used.

"**OBFR Index Cessation Event**" means the occurrence of one or more of the following events:

(A) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) announcing that it has ceased or will cease to publish or provide the Overnight Bank Funding Rate permanently or indefinitely, **provided that**, at that time, there is no successor administrator that will continue to publish or provide an Overnight Bank Funding Rate; or

(B) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) has ceased or will cease to provide the Overnight Bank Funding Rate permanently or indefinitely, **provided that**, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate.

"**SIFMA**" means the Securities Industry and Financial Markets Association or any successor thereto.

"**SOFR Determination Date**" means, with respect to any SOFR Reset Date and with respect to (x) the Secured Overnight Financing Rate and (y) the Overnight Bank Funding Rate: (i) in the case of (x), the first U.S. Government Securities Business Day immediately preceding such SOFR Reset Date; and (ii) in the case of (y), the first New York City Banking Day immediately preceding such SOFR Reset Date.

"**SOFR Index Cessation Date**" means, in respect of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate), ceases to publish the Secured Overnight Financing Rate, or the date as of which the Secured Overnight Financing Rate may no longer be used.

"**SOFR Index Cessation Event**" means the occurrence of one or more of the following events:

(A) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased or will cease to publish or provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide a Secured Overnight Financing Rate; or

(B) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate.

"**SOFR Reset Date**" means each U.S. Government Securities Business Day during the relevant Interest Period, **provided, however, that** if both a SOFR Index Cessation Event and a SOFR Index Cessation Date have occurred, it shall mean: (i) in respect of the period from, and including, the first day of the Interest Period in which the SOFR Index Cessation Date falls (such Interest Period, the "**Affected Interest Period**") to, but excluding, the SOFR Index Cessation Date (such period, the "**Partial SOFR Period**"), each U.S. Government Securities Business Day during the Partial SOFR Period; (ii) in respect of the period from, and including, the SOFR Index Cessation Date to, but excluding, the Interest Payment Date in respect of the Affected Interest Period (such period, the "**Partial Fallback Period**"), each New York City Banking Day during the Partial Fallback Period; and (iii) in respect of each Interest Period subsequent to the Affected Interest Period, each New York City Banking Day during the relevant Interest Period.

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which SIFMA recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(v) The Calculation Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the Interest Amount payable in respect of the Calculation Amount specified in the relevant Final Terms or Pricing Supplement 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 Covered Bonds 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 or Pricing Supplement, rounding the resulting figure to the nearest subunit of the currency in which such Covered Bonds are denominated or, as the case may be, in which such interest is payable (one half of any such subunit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bonds divided by the Calculation Amount. Where the Specified Denomination of such a Covered Bond comprises more than one Calculation Amount, the Interest Amount payable in respect of such Covered Bond 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 "**subunit**" 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.

(d) ***Interest—Other Rates***

Covered Bonds in relation to which this Condition 4(d) is specified in the relevant Pricing Supplement as being applicable shall bear interest at the rates per annum, or be payable in the amounts and in the manner determined in accordance with, the relevant Pricing Supplement.

(e) ***Interest—Supplemental Provision***

(i) Condition 4(e)(ii) (*Notification of Rates of Interest, Interest Amounts and Interest Payment Dates*) shall be applicable in relation to Covered Bonds in relation to which Floating Rate Covered Bonds Provisions are specified in the relevant Final Terms or Pricing Supplement as being applicable and Condition 4(e)(iii) shall be applicable in relation to all interest bearing Covered Bonds.

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

The Calculation Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount or floating amount 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 Covered Bonds, 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 Covered Bonds admitted to the listing on the Official List of the Euronext Dublin or the London Stock Exchange (as the case may be) and to trading on its regulated market, cause each such Rate of Interest, floating rate, Interest Amount or floating amount to be notified to the Euronext Dublin. The Calculation 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 Calculation Agent of all rates of interest and amounts of interest for the purposes of this Condition 4 shall, in the absence of manifest error, be final and binding on all parties.

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

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

(f) ***Non Interest Bearing Covered Bonds***

If any principal amount in respect of any Covered Bond which is non interest bearing is not paid when due, interest shall accrue from and including such due date, or in the case of Finnish Covered

Bonds from but excluding such due date, on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Accrual Yield defined in the Final Terms or Pricing Supplement or at such other rate as may be specified for this purpose in the Final Terms or Pricing Supplement until but excluding, or in the case of Finnish Covered Bonds until and including, the date on which, upon due presentation or surrender of the relevant Covered Bond (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Covered Bond is not required as a pre-condition 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 Covered Bonds in accordance with Condition 12 (*Notices*) 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 Accrual Yield and the overdue sum by the Day Count Fraction as specified for this purpose in the Final Terms or Pricing Supplement.

(g) ***Interest Payments up to the Extended Maturity Date***

If an Extended Maturity Date is specified in the relevant Final Terms or Pricing Supplement as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 5(j) (*Extension of maturity up to Extended Maturity Date*):

(i) the Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full and the Extended Maturity Date. Interest shall be payable on the Covered Bonds at the rate specified in the relevant Final Terms or Pricing Supplement on the principal amount outstanding of the Covered Bonds in arrear on each monthly Interest Payment Date after the Maturity Date in respect of the interest period beginning on (and including) the Maturity Date and ending on (but excluding) the first Interest Payment Date after the Maturity Date and each subsequent interest period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date subject (in the case of the Exempt Covered Bonds only) as otherwise provided in the relevant Pricing Supplement. The final Interest Payment Date shall fall no later than the Extended Maturity Date;

(ii) the rate of interest payable from time to time under Condition 4(g)(i) will be as specified in the relevant Final Terms or Pricing Supplement and, where applicable, determined by the Fiscal Agent or, where the relevant Final Terms or Pricing Supplement specify a Calculation Agent, the Calculation Agent so specified, three Business Days after the Maturity Date in respect of the first such interest period and thereafter as specified in the relevant Final Terms or Pricing Supplement; and

(iii) in the case of Covered Bonds which are non-interest-bearing Covered Bonds up to (and including) the Maturity Date, for the purposes of this Condition 4(g) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

(h) ***Benchmark Replacement***

Notwithstanding the foregoing provisions of this Condition 4, but subject, where the Reference Rate specified in the relevant Final Terms is SOFR, to the operation of the fallback provisions specified in the definitions of SOFR in Condition 4(c)(iv), if the Issuer (in consultation with the Calculation Agent (or the person specified in the relevant Final Terms or Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount)) determines that a Benchmark Event has occurred when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to a Reference Rate, then the following provisions shall apply:

(i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the determination (with the Issuer's agreement) of a Successor Rate or, alternatively, if the

Independent Adviser and the Issuer agree that there is no Successor Rate, an alternative rate (the "**Alternative Benchmark Rate**") and, in either case, an alternative screen page or source (the "**Alternative Relevant Screen Page**") and an Adjustment Spread (if applicable) no later than three (3) Business Days prior to the relevant Interest Determination Date or last SOFR Determination Date (as applicable) relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**") for purposes of determining the Rate of Interest applicable to the Covered Bonds for all future Interest Periods (subject to the subsequent operation of this Condition 4(h) if a further Benchmark Event occurs);

(ii) the Alternative Benchmark Rate shall be such rate as the Independent Adviser and the Issuer acting in good faith agree has replaced the relevant Reference Rate in customary market usage for the purposes of determining floating rates of interest in respect of debt securities denominated in the Specified Currency, or, if the Independent Adviser and the Issuer agree that there is no such rate, such other rate as the Independent Adviser and the Issuer acting in good faith agree is most comparable to the relevant Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate;

(iii) if the Issuer is unable to appoint an Independent Adviser, or if the Independent Adviser and the Issuer cannot agree upon, or cannot select a Successor Rate or an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the IA Determination Cut-off Date in accordance with sub-paragraph (ii) above, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine which (if any) rate has replaced the relevant Reference Rate in customary market usage for purposes of determining floating rates of interest in respect of debt securities denominated in the Specified Currency, or, if it determines that there is no such rate, which (if any) rate is most comparable to the relevant Reference Rate, and the Alternative Benchmark Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate; **provided, however, that** if this sub-paragraph (iii) applies and the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the Interest Determination Date relating to the next succeeding Interest Period in accordance with this sub-paragraph (iii), the Reference Rate applicable to such Interest Period shall be equal to the Reference Rate for a term equivalent to the relevant Interest Period published on the Relevant Screen Page as at the last preceding Interest Determination Date (including a LIBOR Interest Determination Date or a EURIBOR Interest Determination Date) (as applicable) (though substituting, where a different Relevant Margin is to be applied to the Interest Period from that which applied to the last preceding Interest Period, the Relevant Margin relating to the relevant Interest Period, in place of the margin relating to that last preceding Interest Period). For the avoidance of doubt this paragraph shall apply to the relevant next succeeding Interest Period and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in the first paragraph of this Condition 4(h);

(iv) if a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page shall be the benchmark and the Relevant Screen Page in relation to the Covered Bonds for all future Interest Periods (subject to the subsequent operation of this Condition 4(h));

(v) if the Issuer, following consultation with the Independent Adviser and acting in good faith, determines (A) that an Adjustment Spread is required to be applied to the Successor Rate or Alternative Benchmark Rate and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or Alternative Benchmark Rate for each subsequent determination of a relevant Rate of Interest and Interest Amount (or a component part thereof) by reference to such Successor Rate or Alternative Benchmark Rate;

(vi) if a Successor Rate or an Alternative Benchmark Rate and/or Adjustment Spread is determined in accordance with the above provisions, the Independent Adviser (with the

Issuer's agreement) or the Issuer (as the case may be), may also specify changes to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Covered Bonds, and the method for determining the fallback rate in relation to the Covered Bonds, in order to follow market practice in relation to the Successor Rate or Alternative Benchmark Rate and/or Adjustment Spread, which changes shall apply to the Covered Bonds for all future Interest Periods (subject to the subsequent operation of this Condition 4(h)); and

(vii) the Issuer shall promptly following the determination of any Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page and Adjustment Spread (if any) give notice thereof and of any changes pursuant to sub-paragraph (vi) above to the Calculation Agent, the Fiscal Agent and the Holders.

(i) ***Interest - Definitions***

For the purposes of these Conditions:

"**Adjustment Spread**" means either a spread (which may be positive or negative) or a formula or methodology for calculating a spread, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines should be applied to the relevant Successor Rate or the relevant Alternative Benchmark Rate (as applicable), as a result of the replacement of the relevant Reference Rate with the relevant Successor Rate or the relevant Alternative Benchmark Rate (as applicable), and is the spread, formula or methodology which:

(a) in the case of a Successor Rate, is recommended or formally provided as an option for parties to adopt, in relation to the replacement of Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(b) in the case of a Successor Rate for which no such recommendation has been made, or option provided, or in the case of an Alternative Benchmark Rate, the spread, formula or methodology which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate in order to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the Reference Rate with the Successor Rate or Alternative Benchmark Rate (as applicable);

"**Benchmark Event**" means:

(a) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or

(b) a public statement by the administrator of the relevant Reference Rate that it has ceased or will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate); or

(c) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences either generally or in respect of the Covered Bonds; or

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

(f) it has or will become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any Holder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable);

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

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

(b) "**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;

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

(d) "**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 or Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided**, **however**, **that**:

    (i) 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;

    (ii) 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

    (iii) 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

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

"**Calculation Agent**" means the Fiscal Agent or such other agent specified as being responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) and/or principal or interest due in the relevant Final Terms or Pricing Supplement;

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

"**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 Pricing Supplement and:

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

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

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

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

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

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

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

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

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

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

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

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 D_1 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 D_2 will be 30;

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 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**" means the agent specified as such in the relevant Final Terms or Pricing Supplement;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing with relevant experience in the international capital markets, in each case appointed by the Issuer at its own expense;

"**Interest Commencement Date**" means the date of issue of the Covered Bonds (as specified in the Final Terms or Pricing Supplement) or such other date as may be specified as such in the Final Terms or Pricing Supplement;

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

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

"**Optional Redemption Amount**" has the meaning given in the relevant Final Terms or Pricing Supplement;

"**Regular Period**" means:

(i) in the case of Covered Bonds 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;

(ii) in the case of Covered Bonds 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

(iii) in the case of Covered Bonds 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;

"**Reference Price**" has the meaning given in the relevant Final Terms or Pricing Supplement;

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable): (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

"**Successor Rate**" means the reference rate (and related alternative screen page or source, if available) that the Independent Adviser (with the Issuer's agreement) determines is a successor to or replacement of the relevant Reference Rate which is formally recommended by any Relevant Nominating Body;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

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

5. **Redemption and Purchase**

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

Unless previously redeemed, or purchased and cancelled, Covered Bonds shall be redeemed at their principal amount (or at such other redemption amount as may be specified in the relevant Pricing Supplement) on the date or dates (or, in the case of Covered Bonds 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 or Pricing Supplement.

(b) ***Early Redemption for Taxation Reasons***

If, in relation to any Series of Covered Bonds, 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 date of issue of such Covered Bonds or any earlier date specified in the relevant Final Terms or Pricing Supplement on the occasion of the next payment due in respect of such Covered Bonds the Issuer would be required to pay additional amounts as provided in Condition 6 (*Taxation*), the Issuer may, at its option having given not less than 30 nor more than 60 days' notice (ending, in the case of Covered Bonds which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable) redeem in whole (but not, unless and to the extent that the relevant Final Terms or Pricing Supplement specifies otherwise, in part) the Covered Bonds of the relevant Series at their principal amount or such other redemption amount as may be specified in the relevant Final Terms or Pricing Supplement or at the redemption amount referred to in Condition 5(f) (*Early Redemption of non interest bearing Covered Bonds*), together with accrued but unpaid interest ("**Accrued Interest**") (if any) thereon.

"**Taxing Jurisdiction**" means Finland 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.

(c) ***Optional Early Redemption (Call)***

If this Condition 5(c) is specified in the relevant Final Terms or Pricing Supplement as being applicable, then the Issuer may, upon the expiry of the appropriate notice, redeem in whole (but not, unless and to the extent that the relevant Final Terms or Pricing Supplement specifies otherwise, in part), the Covered Bonds of the relevant Series at its principal amount or such other redemption amount as may be specified in the relevant Final Terms or Pricing Supplement, together with Accrued Interest (if any) thereon. Covered Bonds denominated in Pounds Sterling may not be redeemed prior to one year and one day from the date of issue. 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 5(c) is a notice given by the Issuer to the Fiscal Agent, the Registrar (in the case of Registered Covered Bonds) and the Holders of the Covered Bonds of the relevant Series, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

- the Series of Covered Bonds subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Covered Bonds of the relevant Series which are to be redeemed;
- the due date for such redemption, which shall be not less than 30 days (as more particularly specified in the relevant Final Terms or Pricing Supplement) after the date on which such notice is validly given and which is, in the case of Covered Bonds which bear interest at a floating rate, a date upon which interest is payable; and
- the amount at which such Covered Bonds are to be redeemed, which shall be their principal amount (or such other amount as may be specified in the relevant Final Terms or Pricing Supplement) together with, in the case of Covered Bonds 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.

(d) ***Partial Redemption***

If the Covered Bonds of a Series are to be redeemed in part only on any date in accordance with Condition 5(c) (*Optional Early Redemption (Call)*):

(i) in the case of Bearer Covered Bonds, the Covered Bonds shall be redeemed *pro rata* to their 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 Covered Bonds 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 Covered Bonds, the Covered Bonds shall be redeemed *pro rata* to their principal amounts, subject always to compliance with all applicable laws and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation and, if applicable, the rules of Euroclear and Clearstream, Luxembourg.

(e) ***Optional Early Redemption (Put)***

If this Condition 5(e) is specified in the relevant Final Terms or Pricing Supplement as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Covered Bond of the relevant Series, redeem such Covered Bond on the date or the next of the dates specified in the relevant Final Terms or Pricing Supplement at its principal amount (or such other redemption amount as may be specified in the relevant Final Terms or Pricing Supplement), 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 in the relevant Final Terms or Pricing Supplement, deposit the relevant Covered Bond (together, in the case of an interest bearing Definitive Covered Bond, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Covered Bond, any Paying Agent or, in the case of a Registered Covered Bond, 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.

(f) ***Early Redemption of non interest bearing Covered Bonds***

The redemption amount payable in respect of any non interest bearing Covered Bond upon redemption of such Covered Bond pursuant to Condition 5(b) (*Early Redemption for Taxation Reasons*), or, if applicable Condition 5(c) (*Optional Early Redemption (Call)*) or 5(e) (*Optional Early Redemption (Put)*) shall be the Amortised Face Amount (calculated as provided below) of such Covered Bonds or such other calculation basis as may be specified in the relevant Pricing Supplement.

(i) Subject to the provisions of subparagraph (ii) below, the Amortised Face Amount of any such Covered Bond shall be the sum of (A) the Reference Price specified in the relevant Final Terms or Pricing Supplement and (B) the aggregate amortisation of the difference between the principal amount of such Covered Bond from its date of issue to the date on which such Covered Bond becomes due and payable at a rate per annum (expressed as a percentage) equal to the Accrual Yield specified in the relevant Final Terms or Pricing Supplement 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 Day Count Fraction as may be specified in the relevant Final Terms or Pricing Supplement.

(ii) If the redemption amount payable in respect of any such Covered Bond upon its redemption pursuant to Condition 5(b) (*Early Redemption for Taxation Reasons*), or, if applicable Condition 5(c) (*Optional Early Redemption (Call)*) or 5(e) (*Optional Early Redemption (Put)*) is not paid when due, the redemption amount due and payable in respect of such Covered Bond shall be the Amortised Face Amount of such Covered Bond as defined in subparagraph (i) above, except that subparagraph (i) above shall have effect as though the reference therein to the date on which the Covered Bond becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this subparagraph (ii) 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 Covered Bond.

(g) ***Purchase of Covered Bonds***

The Issuer and its subsidiaries (if any) may at any time purchase Covered Bonds in the open market or otherwise and at any price **provided that**, in the case of interest bearing Definitive Covered Bonds, any unmatured Coupons appertaining thereto are purchased therewith. Such purchased Covered Bonds may be cancelled, reissued or resold.

(h) ***Cancellation of Redeemed and Purchased Covered Bonds***

All Covered Bonds redeemed or purchased for cancellation in accordance with this Condition 5 and, in the case of interest bearing Definitive Covered Bonds, any unmatured Coupons attached thereto or surrendered or purchased for cancellation therewith will be cancelled and may not be reissued or resold. References in this Condition 5 to the purchase of Covered Bonds by the Issuer or its subsidiaries (if any) shall not include the purchase of Covered Bonds in the ordinary course of business of dealing in securities or the purchase of Covered Bonds otherwise than as beneficial owners.

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

Any redemption of the Finnish Covered Bonds pursuant to this Condition 5 shall be in accordance with, in the case of the Finnish Covered Bonds, the Euroclear Finland Rules.

(j) ***Extension of maturity up to Extended Maturity Date***

(i) An Extended Maturity Date may be specified in the relevant Final Terms or Pricing Supplement as applying to the relevant Series of Covered Bonds.

(ii) If an Extended Maturity Date is specified in the relevant Final Terms or Pricing Supplement as applying to a Series of Covered Bonds and the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the maturity of the outstanding Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided for in the relevant Pricing Supplement. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the relevant Pricing Supplement. The Issuer shall give notice to the Holders of the Covered Bonds (in accordance with Condition 12 (*Notices*)) and the Paying Agents of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date.

(iii) In the case of Covered Bonds which are non-interest-bearing up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the relevant Final Terms or Pricing Supplement, for the purposes of this Condition 5(j) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

(iv) Any extension of the maturity of Covered Bonds under this Condition 5(j) shall be irrevocable. Where this Condition 5(j) applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of Covered Bonds under this Condition 5(j), shall not constitute a default, an event of default or acceleration of payment or other similar condition or event (however described) for any purpose or give any Covered Bond Holder any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Conditions.

(v) In the event of the extension of the maturity of Covered Bonds under this Condition 5(j), rates of interest, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the relevant Final Terms or Pricing Supplement and Condition 4(g) (*Interest Payments up to the Extended Maturity Date*).

(vi) If the Issuer redeems part and not all of the principal amount outstanding of Covered Bonds on any Interest Payment Date falling after the Maturity Date, the redemption proceeds shall be applied rateably across the Covered Bonds and the principal amount outstanding on the Covered Bonds shall be reduced by the level of that redemption.

(vii) If the maturity of any Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 5(j), subject as otherwise provided for in the relevant Pricing Supplement, for so long as any of those Covered Bonds remains outstanding, the Issuer shall not issue any further Covered Bonds, unless the proceeds of issue of such further Covered Bonds are applied by the Issuer on issue to redeem in whole or in part the relevant Covered Bonds in accordance with the terms hereof.

6. Taxation

(a) All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Covered Bonds 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 any Taxing Jurisdiction 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 Covered Bond or Coupon:

(i) presented for payment in Finland; or

(ii) held by or on behalf of a Holder who is liable to such taxes or duties in respect of such Bearer Covered Bond or Coupon by reason of such Holder having some connection with a Taxing Jurisdiction other than the mere holding of such Bearer Covered Bond or Coupon; or

(iii) presented for payment more than 30 days after the Relevant Date (as defined below), 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 30 days; or

(iv) held 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,

Notwithstanding anything to the contrary in these terms and conditions, the Issuer shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any FATCA withholding or deduction imposed on or with respect to any Covered Bond.

(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 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 Covered Bonds of the relevant Series in accordance with Condition 12 (*Notices*).

(c) Any reference in these Conditions to principal, redemption amount and/or interest in respect of the Covered Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 6 or any undertaking given in addition thereto or in substitution therefor.

7. **Payments**

(1) ***Payments—Bearer Covered Bonds***

(a) This Condition 7(1) is applicable in relation to Bearer Covered Bonds.

(b) Payment of amounts (including Accrued Interest) due on the redemption of Bearer Covered Bonds will be made against presentation and, save in the case of a partial redemption by reason of insufficiency of funds, surrender of the relevant Bearer Covered Bonds to or to the order of any of the Paying Agents.

(c) Payment of amounts due in respect of interest on Bearer Covered Bonds will be made:

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

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

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

(d) If the due date for payment of any amount due (whether in respect of principal, interest or otherwise) in respect of any Bearer Covered Bonds 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.

(e) Each Definitive Covered Bond initially delivered with Coupons attached thereto should be surrendered for final redemption together with all unmatured Coupons appertaining thereto, failing which:

(i) in the case of Definitive Covered Bonds 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

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

(2) ***Payments—Registered Covered Bonds***

(a) This Condition 7(2) is applicable in relation to Registered Covered Bonds.

(b) Payments of the amounts (including Accrued Interest) due on the final redemption of Registered Covered Bonds 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 Covered Bonds at the specified office of the Registrar. If the due date for payment of the final redemption amount of Registered Covered Bonds 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.

(c) Payment of amounts (whether principal, interest or otherwise) due (other than in respect of the final redemption of Registered Covered Bonds) in respect of Registered Covered Bonds will be paid to the Holders thereof (or, in the case of joint Holders, the first named) as appearing in the register kept by the Registrar as at opening of business (London time) on the fifteenth London Banking Day before the due date for such payment (the "**Record Date**").

(d) Notwithstanding the provisions of Condition 7(4)(b), payments of interest due (other than in respect of the final redemption of Registered Covered Bonds) 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 application for payment to be made to a designated account (in the case aforesaid, a non resident account with an authorised foreign exchange bank).

(3) ***Payments—Finnish Covered Bonds***

Payments of principal and/or interest in respect of the Finnish Covered Bonds shall be made to the Holders as appearing registered in the register kept by Euroclear Finland as such on the fifth business day (as defined by the then applicable Euroclear Finland Rules) before the due date for such payment, such day being a Helsinki Business Day, or such other business day falling closer to the due date as then may be stipulated in Euroclear Finland Rules and will be made in accordance with said Euroclear Finland Rules. Such day shall be the "**Record Date**" in respect of the Finnish Covered Bonds in accordance with Euroclear Finland Rules.

(4) ***Payments — General Provisions***

(a) Save as otherwise specified in Condition 7(1) and 7(2), this Condition 7(4) is applicable in relation to Covered Bonds whether in bearer or in registered form.

(b) Subject to this Condition 7(4), payments of amounts due (whether in respect of principal, interest or otherwise) in respect of Covered Bonds 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 case aforesaid, an authorised foreign exchange bank) in the Relevant Financial Centre and in respect of an Covered Bond denominated in euro by cheque drawn on, or by transfer to, an euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Member State of the European Union. Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*) 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 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(c) For the purposes of these Conditions:

(i) "**Business Day**" means (unless varied or restated in the relevant Pricing Supplement) a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in London and:

- in relation to Covered Bonds denominated in euro, a TARGET2 Settlement Day;
- in relation to Finnish Covered Bonds, Helsinki;
- in relation to Covered Bonds denominated in any other currency, the Relevant Financial Centre; and
- in relation to payments due upon presentation and/or surrender of any Covered Bonds or Coupon, in the relevant place of presentation and/or surrender;

(ii) "**Relevant Financial Centre**" means, unless otherwise specified in the Final Terms or Pricing Supplement:

- in relation to Covered Bonds denominated in Australian Dollars, Sydney;
- in relation to Covered Bonds denominated in Canadian Dollars, Toronto;
- in relation to Covered Bonds denominated in Danish Krone, Copenhagen;
- in relation to Covered Bonds denominated in Hong Kong Dollars, Hong Kong;
- in relation to Covered Bonds denominated in Japanese Yen, Tokyo;
- in relation to Covered Bonds denominated in Polish Zloty, Warsaw;
- in relation to Covered Bonds denominated in Pounds Sterling, London;
- in relation to Covered Bonds denominated in Mexican Pesos, Mexico City;

- in relation to Covered Bonds denominated in New Zealand Dollars, Wellington and Auckland;
- in relation to Covered Bonds denominated in Norwegian Kroner, Oslo;
- in relation to Covered Bonds denominated in Russian Roubles, Moscow;
- in relation to Covered Bonds denominated in South African Rand, Johannesburg;
- in relation to Covered Bonds denominated in Swedish Krona, Stockholm;
- in relation to Covered Bonds denominated in Swiss francs, Zurich;
- in relation to Covered Bonds denominated in United States dollars, New York City; and
- in relation to Covered Bonds 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 Pricing Supplement.

8. **Prescription**

(a) Bearer Covered Bonds and the related Coupons will become void unless presented for payment within 10 years (or, in the case of Coupons and save as provided in Condition 7(1)(e), five years) after the due date for payment.

(b) Claims against the Issuer in respect of Registered Covered Bonds 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.

9. **The Paying Agents and the Registrars**

The initial Paying Agents and Registrars 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 Finland, (iv) so long as any Finnish Covered Bonds are cleared through Euroclear Finland, an Issuing Agent with a specified office in Finland, and (v) so long as Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority. 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.

10. **Replacement of Covered Bonds**

If any Covered Bond 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 Covered Bonds and Coupons) or of the Registrar (in the case of Registered Covered Bonds), subject to all applicable laws and the requirements of any stock exchange and/or listing authority on which the relevant Covered Bonds 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 Covered Bonds and Coupons must be surrendered before replacements will be delivered.

11. **Meetings of Holders**

The Fiscal Agency Agreement contains provisions, which are binding on the Issuer and the Holders of Covered Bonds or Coupons, for convening meetings of the Holders of Covered Bonds of any Series to consider matters affecting their interests, including the modification or waiver of the Conditions applicable to any Series of Covered Bonds.

In relation to Finnish Covered Bonds only, meetings of Holders shall be held in accordance with the Fiscal Agency Agreement.

12. **Notices**

(a) ***To Holders of Bearer Covered Bonds***

Notices to Holders of Bearer Covered Bonds will, save where another means of effective communication has been specified in the relevant Pricing Supplement, 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 Covered Bond or Permanent Global Covered Bond 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 Covered Bonds 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 Covered Bonds***

Notices to Holders of Registered Covered Bonds 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 at Nordea Mortgage Bank Plc, c/o Group Finance VU 2175 / F207, Satamaradankatu 5, 00020 NORDEA, Helsinki and clearly marked on their exterior "Urgent — Attention: Group Treasury & ALM" (or at such other address and for such other attention as may have been notified to the Holders of the Covered Bonds in accordance with this Condition (12)) 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 Finnish Covered Bonds***

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

13. **Further Issues**

Subject to Condition 5(j) (*Extension of maturity up to Extended Maturity Date*) the Issuer may from time to time without the consent of the Holders of any Covered Bonds of any Series create and issue further covered bonds having terms and conditions the same as those of the Covered Bonds of such Series or the same except for the amount and date of the first payment of interest (if any), which may be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

14. **Law and Jurisdiction**

(a) The Covered Bonds, 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 Condition 3 (*Status*) and all non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with the laws of Finland. In addition the Covered Bonds must comply with the CBA. Finnish law and jurisdiction will be applicable with regard to the registration of such Finnish Covered Bonds in Euroclear Finland and the Finnish Covered Bonds must comply with the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 348/2017), as amended.

(b) The Issuer irrevocably agrees for the benefit of the Holders of the Covered Bonds 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 Covered Bonds (including a dispute relating to any non-contractual obligation arising out of or in connection with the Covered Bonds) (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 Covered Bonds 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 Abp, London Branch at its registered address in London from time to time, being presently at 8th Floor, City Place House, 55 Basinghall Street, London EC2V 5NB, or at any other address at which process may from time to time be served on it in accordance with the Companies Act 2006 (as modified or re-enacted from time to time). Nothing contained herein shall affect the right to serve process in any other manner permitted by law.

(c) Notwithstanding that, under the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* 348/2017), as amended, other Finnish laws or the operating procedures, rules and regulations of Euroclear Finland (together, the "**Finnish Remedies**"), Holders of Finnish Covered Bonds may have remedies against the Issuer for non-payment or non-performance under the Conditions applicable to such Finnish Covered Bonds, a Finnish Covered Bond 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 Finland in respect of the Finnish Remedies. Notwithstanding Condition 14(b), and in this limited respect only, a Registered Holder of Finnish Covered Bonds may therefore not take concurrent Proceedings in Finland.

15. **Third Parties Rights**

No person shall have any right to enforce any Condition of any Covered Bonds under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from such Act.

SUMMARY OF FINNISH LEGISLATION REGARDING COVERED BONDS AND RELEVANT TO MORTGAGE LENDING

The following is a brief summary of certain features of the Finnish Covered Bond Act (*Laki kiinnitysluottopankkitoiminnasta* 688/2010), as amended (the "**CBA**") as of the date hereof. The summary does not purport to be, and is not, a complete description of all aspects of the Finnish legislative and regulatory framework for covered bonds. Please also refer to the "*Risk Factors*" on pages 7 to 31.

General

The CBA entered into force on 1 August 2010. It enables the issue of covered bonds (*katetut joukkolainat*) ("**covered bonds**") which are debt instruments secured by a cover pool of eligible assets ("**cover pool**"). The CBA regulates which assets can be used as collateral for the covered bonds and the quality of such assets. They are issued by credit institutions (such as the Issuer), which are authorised to engage in the mortgage credit business (*kiinnitysluottopankkitoiminta*) (each an "**issuer**").

Supervision

The Issuer is a significant supervised entity, directly supervised by the ECB.

The Finnish Financial Supervisory Authority ("**FIN-FSA**") is responsible for supervising each issuer's compliance with the CBA and may issue regulations for risk management and internal control in respect of mortgage credit business operations. If an issuer does not comply with the provisions of the CBA or the conditions of the licence granted by the FIN-FSA, the FIN-FSA shall lay down a period in which the issuer must fulfil any requirements set by the FIN-FSA. If such requirements are not fulfilled within the set period, the FIN-FSA may cancel the issuer's authorisation to engage in mortgage credit business.

As of the date hereof, the FIN-FSA has issued two regulations on mortgage credit bank operations: Regulation 6/2012 on authorisation procedure and risk management, and Regulation 7/2012 on reporting of mortgage credit bank operations.

Authorisation

Mortgage credit business is a line of banking business which involves the issuing of covered bonds on the basis of loans secured by residential or commercial real estate or, shares in Finnish housing companies or real estate companies as well as claims against public-sector entities. A credit institution must fulfil certain requirements prescribed in the CBA in order to obtain a mortgage credit licence from the European Central Bank or an authorisation from the FIN-FSA to engage in a mortgage credit business. The credit institution must, among other things, have in place suitable procedures and instruments for managing the risk entailed in holding the cover pool assets and in issuing covered bonds and also prove that it intends to engage in a mortgage credit business on a regular and sustained basis. The issuer must have put the appropriate organisational structure and resources into place. Mortgage credit banks, whose activities are exclusively restricted to carrying out a mortgage credit business, may also be authorised to issue covered bonds.

Register of covered bonds

Chapter 5 of the CBA requires the issuer to maintain a register (the "**register**") for the covered bonds and the collateral which forms the cover pool assets for the covered bonds. Any intermediary loan (see "*Intermediary loans*" below) shall also be entered in the register. The actual entry of the covered bonds and relevant derivative transactions (as defined below) in the register is necessary to confer the preferential right in the cover pool in favour of, among others, the holders of covered bonds. Further, only assets entered in the register form part of the cover pool.

The register must list, amongst other things, the covered bonds issued by the issuer and the assets in the cover pool and derivatives transactions entered into by the issuer to hedge against the risks relating to covered bonds or their underlying collateral and recorded in the register ("**derivative transactions**"), along with any loans made by the bankruptcy administrator of the issuer to secure liquidity or take out liquidity credit in accordance with Section 26 of the CBA recorded in the register ("**bankruptcy liquidity loans**") entered into on behalf of the issuer. All assets entered in the register shall rank equally as collateral for the covered bonds, unless the collateral has been entered in the register as collateral for specified covered bonds. If mortgage loans, a public-sector loan or any supplementary collateral (as defined below) is placed in the register as collateral for a particular covered bond, the register must specify the covered bond which this collateral covers. Section 22 of the CBA requires that the information shall be entered in the register no later than on the first business day following the issue of the covered bonds and information on the granting or acquisition of a mortgage loan or public-sector loan or a supplementary collateral which is placed as collateral for the covered bonds shall be entered in the register no later than one day after granting or acquiring such collateral. Any changes in such information shall be entered in the register without delay (although no specific timeframe is provided for under the CBA). A mortgage loan or a public-sector loan shall be removed from the register when it has been fully repaid by the relevant borrower. A loan shall also be removed from the register if it can no longer be deemed to be an eligible asset (as defined below). A mortgage loan, a public-sector loan or any supplementary collateral may also be removed from the register, if, after its removal, the remaining mortgage loans, public-sector loans and supplementary collateral entered in the register are sufficient to meet the requirements prescribed in the CBA. Accordingly, the cover pool is dynamic in the sense that an issuer may supplement or substitute assets in the cover pool.

The duty to maintain the register is with the issuer. The CBA contains no formal requirements for the physical form of the register. The FIN-FSA monitors the standard and form as well as the management of the register including the due and proper recording of assets. The information in the register shall be submitted to the FIN-FSA regularly.

Eligible cover pool assets

The covered bonds shall be covered at all times by a specific but dynamic cover pool of eligible assets which may consist of mortgage loans, public-sector loans and supplementary collateral ("**eligible assets**"), each as defined in the CBA as follows:

"**mortgage loans**" are housing loans or commercial property loans;

"**housing loans**" are loans secured by (i) mortgageable property for primarily residential purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*Maakaari* 540/1995), as amended; or (ii) shares in a housing company referred to in Chapter 1, Section 2 of the Act on Housing Companies (*Asunto-osakeyhtiölaki* 1599/2009), as amended or shares comparable thereto, participations and rights of occupancy; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the European Economic Area;

"**commercial property loans**" are loans secured by (i) mortgageable property for commercial or office purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*Maakaari* 540/1995), as amended; or (ii) shares of a housing company or a real estate company entitling the holder to occupancy of the commercial or office premises; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the European Economic Area;

"**public-sector loans**" are loans which have been granted to the Republic of Finland, a Finnish municipality or other public-sector entity which may, when calculating prudential requirements set out in Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 648/2012 be considered equivalent to the Finnish State or Finnish municipality or a credit which is fully collateralised by a guarantee granted by a public-sector entity or a claim on such entity; and

"**supplementary collateral**" is collateral which may include: (i) bonds and other debt obligations issued by a central government, a municipality or another public-sector entity or a credit institution (other than one belonging to the same consolidated group as the issuer); (ii) guarantees granted by a public-sector entity or a credit institution referred to in (i) above; (iii) credit insurance given by an insurance company other than one belonging to the same "group", as defined in the Finnish Act on Supervision of Finance and Insurance Groups (*Laki rahoitus- ja vakuutusryhmittymien valvonnasta* 699/2004), as amended, as the issuer; or (iv) assets of the issuer deposited in the Bank of Finland or a deposit bank; if the issuer is a deposit bank, the deposit may not be in a deposit bank belonging to the same consolidated group as the issuer.

Supplementary collateral may only be used as collateral for covered bonds on a temporary basis and in the circumstances set out in the CBA (see "*Supplementary collateral*" below).

At least 90 per cent. of the total amount of collateral shall be housing loans or public-sector loans or supplementary collateral unless otherwise provided for in the terms and conditions of a covered bond.

Derivative transactions concluded for hedging against risks related to covered bonds and their underlying collateral must be registered in the register and therefore constitute part of the cover pool assets.

Quality of the cover pool assets

Mortgage lending limit and valuation

Mortgage loans entered in the register as collateral for a covered bond may not exceed the current value of the shares or real estate standing as collateral. The current value shall be calculated using good real estate evaluation practice applicable to credit institutions in accordance with provisions on the management of capital adequacy and credit risk of credit institutions issued by the FIN-FSA. The issuer shall regularly monitor the value of the shares or real estate entered as collateral for the covered bonds and revise the value of the collateral in accordance with provisions on the management of capital adequacy of credit institutions issued by the FIN-FSA.

Requirements for matching cover

The CBA seeks to protect holders of covered bonds' position by requiring that the outstanding principal amount and net present value of the covered bonds must be covered at all times by matching cover pool assets. This is achieved by Section 16 of the CBA, which provides that (a) the total value of cover pool assets must always exceed the aggregate outstanding principal amount of the covered bonds and (b) the net present value of cover pool assets must always be at least 2 per cent. above the net present value of the liabilities under the covered bonds. According to the preparatory works of the CBA (HE 42/2010), the net present value means, in respect of (a) covered bonds and (b) mortgage loans, public-sector loans and supplementary collateral, the total value of the future discounted cash flows applying the market rate of interest prevailing from time to time.

Requirements relating to liquidity

Under Section 17 of the CBA, the issuer shall ensure that the average maturity date of the covered bonds does not exceed the average maturity date of the loans entered in the register. Further, the issuer shall further ensure that the total amount of interest accrued from the cover pool assets, during any 12-month period, is sufficient to cover the total amount payable to the holders of covered bonds as interest and to the counterparties of derivative transactions as payments under such derivative transactions. Before the commencement of liquidation or bankruptcy proceedings against the issuer or a debtor of an intermediary loan, a mortgage credit bank may, in respect of collateral granted by a debtor of an intermediary loan, treat the interest payments on the intermediary loans as being the interest accrued from such collateral.

Determination of requirements under Sections 16 and 17 of the CBA

To determine the value of the cover pool assets in order to provide the matching cover required by Sections 16 and 17 of the CBA, the issuer shall only take into account:

(1) an amount not exceeding 70 per cent. of the current value of the shares or real estate placed as collateral for any housing loan;

(2) an amount not exceeding 60 per cent. of the current value of the shares or real estate placed as collateral for any commercial property loan; and

(3) the book value of any public-sector loans and supplementary collateral.

Loans that have been entered in the register which must be booked as non-performing loans at the time of review of such loans in accordance with the regulations issued by the FIN-FSA, shall no longer be included as cover pool assets in calculating the matching cover.

Derivative transactions concluded in order to hedge the covered bonds and any assets provided as collateral for the derivative transactions shall be taken into account for the purposes of Sections 16 and 17 of the CBA.

Supplementary collateral

Up to 20 per cent. of the aggregate amount of all assets constituting the statutory security for the covered bonds conferred by the CBA may temporarily consist of supplementary collateral, **provided that** receivables from credit institutions shall not exceed 15 per cent. (or such larger amount as may be approved by the FIN-FSA on the application of the issuer for a specific reason and for a specified period of time) of the total amount of collateral. Supplementary collateral may temporarily be used in situations where: (i) mortgage loans or public-sector loans have not yet been granted or registered as collateral for the covered bonds; or (ii) the total amount of collateral does not fulfil the provisions provided for in Sections 16 and 17 of the CBA.

Intermediary loans

The CBA allows deposit banks and credit societies to participate indirectly in the issue of covered bonds by means of intermediary loans granted by a mortgage credit bank to such institutions. The intermediary loan shall be entered in the register but shall not be calculated into the cover pool assets of the covered bonds. In addition, the debtor of the intermediary loan shall provide collateral in the form of mortgage loans and public-sector loans to be registered in the register as security for the covered bonds of the mortgage credit bank. The total priority value of such loans in the cover pool shall always exceed the principal amount of the intermediary loan. Upon the liquidation or bankruptcy of the Issuer the estate of the Issuer will be entitled to collect any proceeds from such loans and enter such proceeds in the register as security for the covered bonds. Moreover, the Issuer's estate may demand a transfer of title of the loans to the estate or a named third party.

Derivatives

The issuer may enter into derivative transactions to hedge against the risks relating to covered bonds or their underlying collateral. Details of any such derivative transactions must be entered in the register and registered derivatives will hence form part of the cover pool.

Set-off

A creditor of the issuer may not set-off its claim against mortgage loans or a public-sector loan entered in the register if it is within the scope of the priority of payment of the holders of covered bonds as provided for in Section 24 of the CBA nor against an intermediary loan. This restriction on set-off would apply (among other) to deposits in bank accounts.

Prohibition on transfers, pledges, execution and precautionary measures

The issuer or the debtor under an intermediary loan may not, without the permission of the FIN-FSA, assign or pledge mortgage loans or public-sector loans which are included in the cover pool assets. A mortgage credit bank may not assign or pledge any intermediary loan without the permission of the FIN-FSA. An assignment or pledge violating such prohibition shall be void.

Mortgage loans, a public-sector loan or any supplementary collateral entered in the register as collateral for a covered bond or an intermediary loan may not be taken in execution for a debt of an issuer, a deposit bank or a credit entity, nor may precautionary measures be directed at it.

Preferential right in the event of liquidation or bankruptcy

Under Finnish law, "*selvitystila*" (or liquidation in English) means either a voluntary winding up of a company or a winding up pursuant to specific provisions of Finnish law and "*konkurssi*" (or bankruptcy in English) means the mandatory winding up of a company in the event of its insolvency.

Under Section 25 of the CBA, notwithstanding the liquidation or bankruptcy of the issuer, a covered bond shall be paid until its maturity in accordance with the terms and conditions of the covered bond from the funds accruing on the cover pool assets of the covered bond before other claims. The funds accruing from collateral for covered bonds after the commencement of liquidation or bankruptcy proceedings against the issuer shall be entered in the register as collateral for such covered bonds. In bankruptcy proceedings, the bankruptcy administrator must ensure due maintenance of the register.

Collateral entered in the register in accordance with the CBA may not be recovered pursuant to Section 14 of the Finnish Act on Recovery of Assets to a Bankruptcy Estate (*Laki takaisinsaannista konkurssipesään* 758/1991), as amended.

In respect of mortgage loans included in the cover pool for a covered bond, the priority of payment right in accordance with Section 25 of the CBA is limited to a maximum amount which corresponds to 70 per cent. in respect of housing loans and to 60 per cent. in respect of commercial property loans of the current value of shares or real estate which stand as collateral for the loan as entered in the register at the time of commencement of liquidation or bankruptcy proceedings against the issuer. Under the CBA, funds accruing from the cover pool after the commencement of liquidation or bankruptcy shall be entered in the register and constitute part of the cover pool. The bankruptcy administrator shall, nonetheless, assign the share of payments out of any mortgage loans exceeding the preferential right to the general bankruptcy estate, except in the case of non-performing mortgage loans which would primarily be within the scope of the preferential right. According to the preparatory works of the CBA, payments deriving from mortgage loans to be booked as non-performing and proceeds from disposal of loans or enforcement of collateral shall, nonetheless, be firstly used for payment of covered bonds up to their preferential portion.

What is set out above in respect of Section 25 of the CBA applies *mutatis mutandis* to the counterparties of the derivative transactions entered in the register and to the providers of bankruptcy liquidity loans. These parties have an equal right with the holders of the covered bonds to payment from the funds, entered in the register as collateral for the covered bonds, and from the payments relating to them, and accordingly, such derivative transactions and bankruptcy liquidity loans rank *pari passu* with the covered bonds with respect to such cover pool assets.

The bankruptcy administrator may, upon the demand or with the consent of the supervisor appointed by the FIN-FSA (see "*Management of cover pool assets during the liquidation or bankruptcy of the issuer*"), transfer collateral entered in the register to the issuer's general bankruptcy estate, if the value and the net present value of the cover pool, as provided for in Section 16 of the CBA, considerably exceed the total amount of the covered bonds and it is apparent that the collateral to be transferred shall not be necessary to fulfil the obligations in respect of the covered bonds, derivative transactions and bankruptcy liquidity loans.

Management of cover pool assets during the liquidation or bankruptcy of the issuer

When the issuer has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall, without delay, appoint a supervisor in accordance with Section 29 of the Finnish Act on the Financial Supervisory Authority (*Laki Finanssivalvonnasta* 878/2008), as amended to protect the interests of creditors of covered bonds and creditor entities comparable to such and to enforce their right to be heard (a "**supervisor**"). The supervisor shall, in particular, supervise the management of the collateral for the covered bonds and their conversion into cash as well as the contractual payments to be made to the holders of the covered bonds. The person to be appointed as supervisor shall have sufficient knowledge of financing and legal issues with regard to the nature and scope of the duties.

In bankruptcy proceedings the courts will by operation of law appoint a bankruptcy administrator to administer the bankruptcy estate. The cover pool will be run by the bankruptcy administrator, but the supervisor will supervise the bankruptcy administrator, acting in the interest of the holders of the covered bonds. Under Section 26 of the CBA, a bankruptcy administrator shall, upon the demand or with the consent of the supervisor, conclude derivative transactions necessary for hedging against risks relating to covered bonds and the relevant collateral as well as, where necessary, sell a sufficient amount of collateral for the covered bond in order to fulfil the obligations relating to the covered bond. In addition, a bankruptcy administrator shall, upon the demand or with the consent of the supervisor, have a right to conclude contractual arrangements to secure liquidity or take out bankruptcy liquidity loans.

Funds which accrue on the collateral for covered bonds after the commencement of liquidation or bankruptcy of the issuer and the bank accounts related to the collateral and its income shall be entered in the register. Correspondingly, a bankruptcy liquidity loan taken under Section 26 of the CBA and each bank account into which any such funds are deposited shall be entered in the register.

The bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding collateral to another mortgage credit bank, deposit bank or credit entity that has acquired a licence to issue covered bonds or to a foreign mortgage credit bank which is subject to supervision corresponding to that of the CBA, unless the terms of the covered bond provide otherwise.

A bankruptcy administrator has the right to terminate or transfer a derivative transaction to a third party on the demand or with the consent of the supervisor, **provided that** the collateral is transferred or converted into cash, or a right to transfer collateral to the counterparty in the derivative transaction when the interests of the holder of the covered bonds demands such and it is reasonable from the perspective of risk management.

If the requirements for the cover pool of the covered bonds, as provided for in Sections 16 and 17 of the CBA, cannot be fulfilled, the bankruptcy administrator must, upon the request or approval of the supervisor, accelerate the covered bonds and sell the cover pool assets in order to pay the covered bonds.

Management of cover pool assets upon the liquidation or bankruptcy of the debtor of an intermediary loan

When the debtor of an intermediary loan has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall without delay appoint a supervisor to protect the interests of the holders of covered bonds issued by the issuer, standing as the creditor of the intermediary loan and will have a right to enforce the holders' right to be heard. The supervisor must, in particular, supervise the management of the collateral for covered bonds and its conversion into cash as well as oversee the contractual payments to be made to the holders of covered bonds and other parties comparable to such holders. Notwithstanding the liquidation or bankruptcy of the debtor of the intermediary loan, the issuer's obligations under the covered bond must be paid for the full term of the covered bond, in accordance with its contractual terms, from the collateral entered in the register before other claims can be met, following, where applicable, what is provided for in Section 25 of the CBA in respect of payment priority.

When the debtor of the intermediary loan is in liquidation or bankruptcy, the bankruptcy administrator shall upon the supervisor's demand or with his consent:

(1) sell to the issuer the mortgage loans or public-sector loans, included in the collateral of its covered bond, in such a manner that the substitute claim is set-off partially or wholly against the claim under the intermediary loan of the issuer; or

(2) if necessary, sell to a third party a sufficient amount of collateral for a covered bond, to comply with its obligations under the covered bond.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Covered Bonds, as the case may be, will be used for the general banking and other corporate purposes of the Issuer. If, in respect of any particular issue, there is another or a particular identified use of proceeds this will be stated in the relevant Final Terms or Pricing Supplement.

THE NORDEA GROUP

General

The Nordea Group is the leading bank in the Nordic markets (Denmark, Finland, Norway and Sweden) measured by total income. The Nordea Group has a large customer base with approximately 10 million customers across the markets in which it operates, including approximately 9.3 million household customers, 530,000 small and medium-sized corporate customers and 2,650 large corporate and institutional customers, in each case as of 31 December 2019. As of the same date, the Nordea Group had total assets of EUR 554.8 billion and tier 1 capital of EUR 27.5 billion, and was the largest Nordic-based asset manager with EUR 324.1 billion in assets under management. The Nordea Group's total operating income for the year ended 31 December 2019 was EUR 8,635 million.

The Nordea Group offers a comprehensive range of banking and financial products and services to household and corporate customers, including financial institutions. The Nordea Group's products and services comprise a broad range of household banking services, including mortgages and consumer loans, credit and debit cards, and a wide selection of savings, life insurance and pension products. In addition, the Nordea Group offers a wide range of corporate banking services, including business loans, cash management, payment and account services, risk management products and advisory services, debt and equity-related products for liquidity and capital raising purposes, as well as corporate finance, institutional asset management services and corporate life and pension products. The Nordea Group also distributes general insurance products. With approximately 340 branch office locations, call centres in each of the Nordic markets, and a highly competitive net bank, the Nordea Group also has the largest distribution network for customers in the Nordic markets.

Nordea Bank Abp, the parent company of the Nordea Group, is organised under the laws of Finland and is headquartered in Helsinki. Its ordinary shares are listed on Nasdaq Nordic, the stock exchanges in Helsinki (in euro), Stockholm (in Swedish krona) and Copenhagen (in Danish krone).

Strategy

The Nordea Group will continue to evolve and operate as "One Nordea" and focuses on the following strategic priorities with the aim of further increasing the Nordea Group's competitiveness and delivering on the financial targets that the Nordea Group has set:

Strengthening the Customer-Centric Organisation

To facilitate a sharp customer focus, and to reflect the unique needs of the different customer segments, Nordea is organised into four business areas: Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management. Through this organisation, the Nordea Group seeks to ensure optimal delivery, while increasing the time spent with customers and reducing the time required to bring new products and services to market. The Nordea Group has, as from 1 January 2020, adjusted its organisation to support the following three priorities: (i) optimising operational efficiency, (ii) driving of income growth initiatives and (iii) creating great customer experiences. The business areas have a stronger mandate to take the necessary actions, supported by Group functions, to deliver on these three priorities. To rebalance the roles and responsibilities between the first and second lines of defence, the activities of the Group Business Risk Management unit were assigned to the business areas, to Group Risk & Compliance and to other Group functions in connection with the organisational updates. The Group Corporate Centre unit was renamed to Group Business Support that has been structured to fully support the priorities of the business. Nordea believes that the new organisational structure will create clearer accountability, remove overlaps and utilise synergies.

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, ease 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 be a truly digital bank, the Nordea Group is on a transformational journey. The ramp-up phase of this journey was completed between 2015 and 2017, and the Nordea Group is now in the execution phase, which will continue until 2021. At the end of this phase, the ambition is that the Nordea Group's distribution channels, processes, IT infrastructure and operations will be state-of-the-art, enabling efficient, agile and compliant operations, and that the Nordea Group has transformed into a scalable, resilient, efficient and digital relationship bank. The transition activities include the shift from physical to digital distribution and the establishment of e-branches as well as the use of artificial intelligence.

Building a Resilient Business for the Future

The Nordea Group is acting responsibly by taking into consideration its environmental impact while mitigating risks and managing its customers' monies. Sustainability is an important factor and the Nordea Group's sustainability policy, therefore, sets out principles on investments, financing and advice. The Nordea Group integrates environmental, social and governance ("**ESG**") issues into Nordea's investment analysis methodology, to ensure that investment and portfolio construction decisions are based on a full set of information. The Nordea Group also integrates ESG risk evaluation into its credit decision-making, and the ESG risk category of customers is part of customer credit analyses.

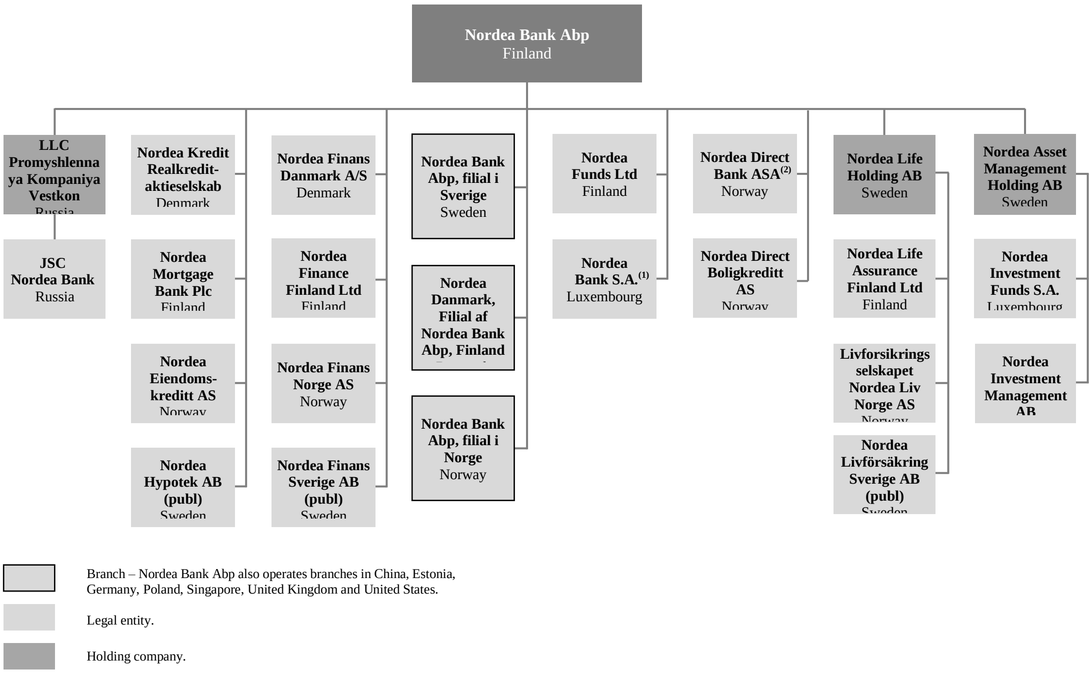
Trust and Responsibility

The Nordea Group has set a target to be a leading institution in terms of regulatory compliance in the Nordic countries. The Nordea Group puts an emphasis on quickly implementing new rules and regulations, making it an integral part of its business model.

Legal Structure

Nordea Group

The following chart sets forth the main legal structure of the Nordea Group as of the date of this Base Prospectus:



(1) In liquidation as of 14 November 2019.

(2) Up to 27 February 2020 named Gjensidige Bank ASA. Nordea Bank Abp and Gjensidige Bank ASA signed a merger plan on 12 June 2019. The merger of Nordea Direct ASA into Nordea Bank Abp is expected to be executed in the first half of 2021. The execution of the merger is subject to the necessary authority approvals.

Nordea announced in February 2016 that the board of directors of Nordea Bank AB (publ), together with each of the boards of directors of Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA, had signed cross-border merger plans (together, the "**2017 Subsidiary Merger Plans**"). In March 2016, the general meeting of Nordea Bank AB (publ) approved the 2017 Subsidiary Merger Plans that were entered into with the aim to convert Nordea Bank AB (publ)'s Danish, Finnish and Norwegian subsidiary banks to branches of Nordea Bank AB (publ) by means of cross-border mergers (the "**2017 Subsidiary Mergers**"). The 2017 Subsidiary Mergers took effect on 2 January 2017 under applicable national legislation implementing the European Cross-Border Mergers Directive (2005/56/EC) and Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA ceased to exist, with their operations being carried out in branches of Nordea Bank AB (publ). On 1 October 2016, as part of the 2017 Subsidiary Mergers process, a new mortgage credit bank (Nordea Mortgage Bank) was established in Finland through a demerger of Nordea Bank Finland Plc to continue the covered bond operations conducted by Nordea Bank Finland Plc. Nordea believes that the simplified legal structure has strengthened governance and supports the Nordea Group's work to increase agility, efficiency and economies of scale.

In September 2017, the board of directors of Nordea Bank AB (publ) decided to initiate the Re-domiciliation, that is, the re-domiciliation of the parent company of the Nordea Group from Sweden to Finland, which is participating in the EU's banking union. The Re-domiciliation was carried out through a cross-border reverse merger by way of absorption through which Nordea Bank AB (publ), the parent company of the Nordea Group before the Re-domiciliation, was merged into its wholly owned subsidiary Nordea Bank Abp (i.e., the Merger). Nordea Bank Abp was established specifically for the purpose of the Merger and became the new parent company of the Nordea Group upon the completion of the Merger on 1 October 2018. Nordea Bank AB (publ)'s rights and obligations as well as its assets and liabilities were by operation of law transferred to Nordea Bank Abp on the completion of the Merger by way of universal succession in accordance with relevant Finnish and Swedish corporate law. The Re-domiciliation process is discussed in more detail below.

Overview of the Merger

The merger plan (the "Merger Plan"), which set out the terms and conditions and related procedures for the Merger, was signed by the boards of directors of Nordea Bank AB (publ) and Nordea Bank Abp in October 2017. Pursuant to the Merger Plan, Nordea Bank AB (publ) was to be merged into Nordea Bank Abp through the Merger, which was executed as a cross-border reversed merger by way of absorption pursuant to the provisions of Chapter 16, Sections 19–28 of the Finnish Companies Act and, as applicable, Chapter 2 of the Finnish Commercial Banking Act (*Fi: laki liikepankeista ja muista osakeyhtiömuotoisista luottolaitoksista* (1501/2001)) as well as Chapter 23, Section 36 (with further reference) of the Swedish Companies Act and Chapter 10, Sections 18–25 b of the Swedish Banking and Financing Business Act. Nordea Bank AB (publ) was automatically dissolved on 1 October 2018, which was the date on which the Merger was registered with the Finnish Trade Register (i.e., the Completion Date). For accounting and legal purposes, Nordea Bank AB (publ)'s rights and obligations as well as its assets and liabilities were by operation of law transferred to Nordea Bank Abp on the Completion Date by way of universal succession in accordance with relevant Finnish and Swedish corporate law and the transactions of Nordea Bank AB were treated as being those of Nordea Bank Abp.

Nordea Bank AB (publ)'s shareholders received as merger consideration one new share in Nordea Bank Abp for each share in Nordea Bank AB (publ) that they owned as of the Completion Date (the "**Merger Consideration**"), meaning that the Merger Consideration was issued to the shareholders of Nordea Bank AB (publ) in proportion to their existing shareholding with an exchange ratio of 1:1.

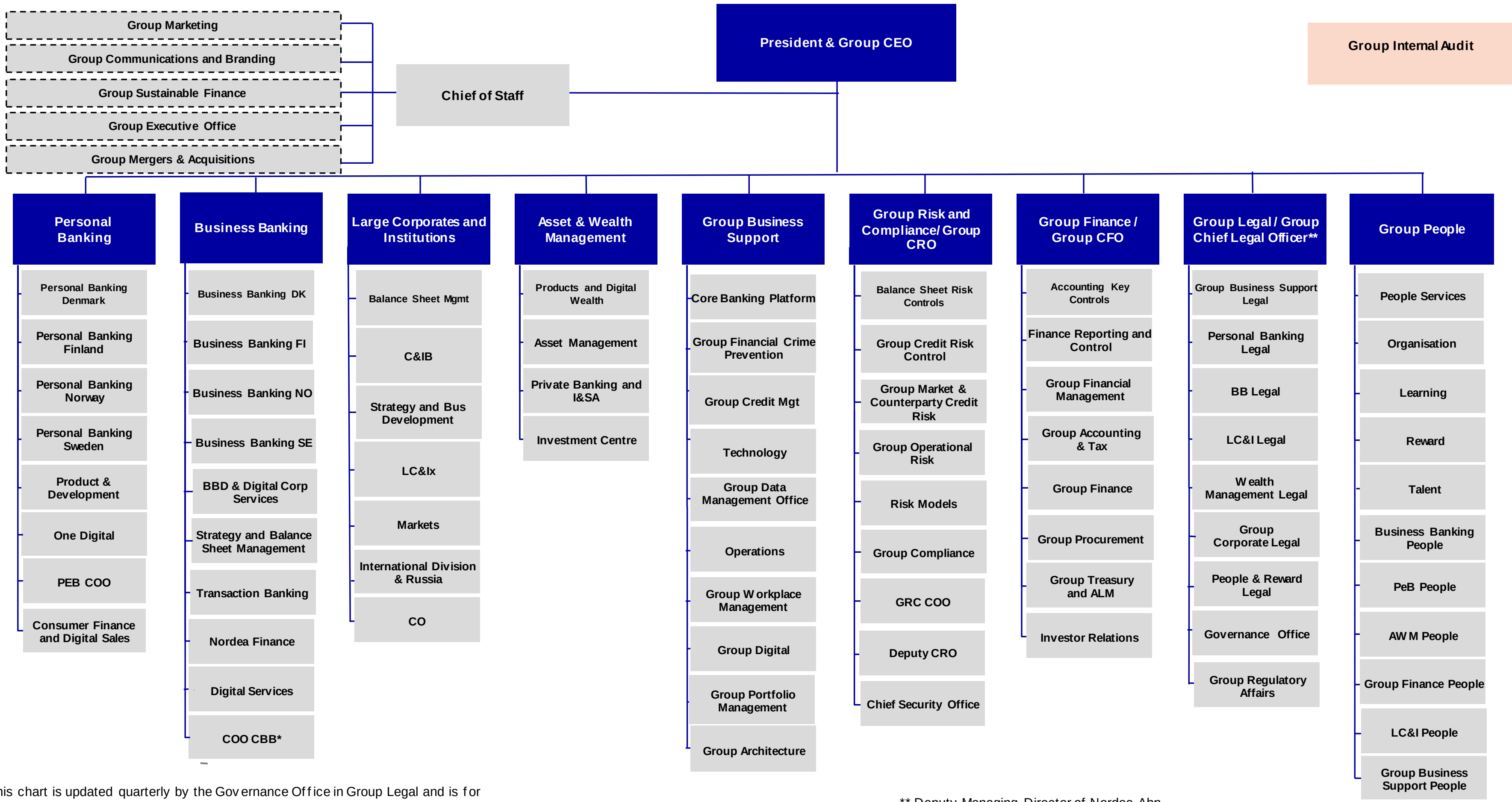
Nordea Group's Organisation

Overview

The Nordea Group's organisational structure is built around four main business areas: Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management. In addition to the business areas, the Nordea Group's organisation includes Group Functions and Other, which covers the following six Group functions: Group Business Support, Group Finance, Group Risk & Compliance, Chief of Staff Office, Group Legal and Group People.

Business Areas

The following chart sets forth the Nordea Group's organisation as of the date of this Base Prospectus:



* This chart is updated quarterly by the Governance Office in Group Legal and is for illustrative purposes only

** Deputy Managing Director of Nordea Abp

Personal Banking

The Personal Banking business area serves the Nordea Group's household customers through various channels offering a full range of financial services and solutions. The Nordea Group's aim is for Personal Banking customers to entrust Nordea with all their banking business.

Within Personal Banking, the Nordea Group operates a multi-channel distribution strategy in the household customer segment to ensure that household customers can access the bank where, when and how it suits them. The three core channels of Personal Banking's distribution strategy are branches, remote channels (e.g., contact centre, e-branches) and digital channels (e.g., internet bank, mobile bank). Through the Nordea Group's common customer relationship system, the three distribution channels are integrated so that recording of customer interaction in one channel is simultaneously available in all other channels.

Personal Banking comprises the customer units (Personal Banking Denmark, Personal Banking Finland, Personal Banking Norway, Personal Banking Sweden), Products & Development, One Digital and Personal Banking COO Organisation. The Products & Development unit is responsible for lending and deposit products and related product offerings for household customers. The mortgage companies in all four Nordic countries also belong to the Products & Development unit. One Digital develops and delivers digital services, solutions and experiences for all customers within Nordea, even though the unit is anchored in Personal Banking. Deliveries primarily cover mobile banking, Nordea's netbanks, Nora and Nova, the platform for digital sales, digital design and digital customer experience. The Personal Banking COO Organisation provides internal support to all Personal Banking units by maintaining and developing the core Personal Banking systems and the banking platforms.

Business Banking

Business Banking (up to December 2019 named Commercial & Business Banking) serves, advices and partners with corporate customers, covering all their business needs through a full range of services, including payments, cash management, cards, working capital management and finance solutions. The customers of the business area are serviced out of physical and online branches across the Nordic region.

In the second quarter of 2018, Nordea merged the divisions Commercial Banking and Business Banking into one customer responsible division, Nordea Business Banking. Nordea Business Banking is the customer responsible unit within Business Banking serving small and mid- to large corporate customers. The division comprises four Business Banking units in each of the four main markets serving mid- to large corporate customers, a Nordic Real Estate organisation, a Business Banking Direct organisation serving small corporate customers and a Strategy & Support unit developing solutions and supporting the segments to reach their targets.

The customers serviced by Business Banking are small, mid-sized and large corporates, with a range of different needs. Therefore, the customer base is segmented into two main customer clusters such that each segment has similar business needs. Business Banking's organisation is divided into the following parts: Business Banking, Transaction Banking, Nordea Finance, Digital Services Corporate & Business Banking Direct, Business Banking COO Organisation and Business Banking Strategy & Support and Balance Sheet Management.

Transaction organisation provides services to all personal and corporate customers across the Nordic region. Services include payments, cards, point of sale financing, and working capital management. Nordea Finance provides sales financing, equipment investment financing and asset-based financing solutions to customers. Balance Sheet Management is, together with Group units, responsible for developing and maintaining the risk exposure amount (REA) and funding position in Business Banking. The Business Banking COO Organisation has the responsibility across a number of key functions, service development, data management and operations that support Business Banking, Transaction Banking and Nordea Finance. In addition, to strengthen the focus on digital development, Business Banking has established a new digital area, Digital Services Corporate, with the aim of enabling increased customer services and enhance efficiency as well as quality in our digital services.

The primary strategic objective of Business Banking is to transform the way it services customers in order to remain relevant to them, while at the same time structuring the Nordea Group's operations in a way that generates cost efficiencies and quality gains. To achieve this objective, the strategic focus areas of Business Banking support existing targets and strategies, including (i) best-in-class advisory – tailored to customer needs and preferences; (ii) best-in-class digital experience – anywhere and anytime; (iii) efficiency and scale – one Nordic model; and (iv) future capabilities in a disruptive market – sustainable competitiveness.

Large Corporates & Institutions

Large Corporates & Institutions (up to December 2019 named Wholesale Banking) provides financial solutions to large Nordic and international corporate and institutional customers. The offering includes a diverse range of financing, cash management and payment services, investment banking, capital markets products and securities services. The Large Corporates & Institutions business area includes the business units Corporates, Institutions & Investment Banking ("**CI&IB**"), Markets, Balance Sheet Management, International Division & Russia, Large Corporates & Institutions COO Organisation, Strategy & Business Development and LC&Ix.

By combining the entire value chain from customer units through product units to operations, Large Corporates & Institutions can leverage from the scale and quality of its franchise and create great customer experiences for Nordic as well as designated international customers. Value-adding solutions provide the Nordea Group's customers with access to financing in the capital markets and with tailored financial tools to optimise their business and manage their risks.

Corporates, Institutions & Investment Banking is a customer-responsible organisation serving the largest corporate and institutional customers and offers a full range of banking services, providing customers with integrated advisory and competitive financial solutions within mergers and acquisitions, equity capital markets, debt capital markets, cash management, leveraged finance, project finance, export and trade finance and custody services. Corporates, Institutions & Investment Banking performs client coordination and loan coverage through four units, covering each of the Nordic countries (CI&IB Denmark, CI&IB Finland, CI&IB Norway and CI&IB Sweden). The CI&IB units serve corporate and institutional customers with a strong customer centric focus through the Nordea Group's Large Corporates & Institutions Customer Service Model. Shipping, Offshore & Oil Services is the customer unit responsible for serving customers in the shipping, offshore, oil services, and cruise and ferries industries worldwide.

Debt & Risk Solutions delivers holistic, integrated advice and solutions to the corporate and institutional segment across the spectrum of financing and risk management. Debt & Risk Solutions advises large corporate clients on all aspects of their capital structure, including debt capacity, credit metrics, ratings and market related funding capacity.

Markets covers all product areas within fixed income, currencies, and commodities ("**FICC**") and equities in which Markets specialists advise customers or execute customer trades. Sales and distribution of fixed income, foreign exchange, equities and associated derivatives. The unit is also responsible for the Nordea Group's institutional clients. FICC provides fixed income products, currency products and other risk management products including intermediation of credit and capital. Equities provides a complete brokerage solution and offers research and equity sales for buy-side clients as well as stock borrowing and lending and equity financing.

The International Division includes the five Nordea branches in New York, London, Singapore, Frankfurt and Shanghai. The division offers a comprehensive range of products and services to Corporates, Institutions & Investment Banking customers and Business Banking customers. In recent years, primarily due to a challenging geopolitical environment, the strategy for the Nordea Group's Russian operations has been sharpened with focus on the largest Russian and Nordic international companies.

Asset & Wealth Management

Asset & Wealth Management provides investment, savings and risk management solutions to high net worth individuals and institutional investors and delivers savings solutions to all Nordea customer segments. The results of the Nordea Group's asset and wealth management operations were reported under the business area Wealth Management up to the second quarter of 2018, after which the Nordea Group reorganised the business area and renamed it Asset & Wealth Management. Asset & Wealth Management consists of the following units: Asset Management, Private Banking & Investment and Securities Advisory, Products & Digital Wealth, Investment Center and Asset & Wealth Management COO.

Asset Management, which is responsible for actively managed investment funds and discretionary mandates for institutional clients. The division includes Equities and Fixed Income, Multi Asset, Operations & Technology, Product Offices, Institutional and Wholesale Distribution, Finance, Governance and Management Support.

Private Banking & Investment and Securities Advisory provides customers with private banking services and investment advice from over 60 branches in the Nordic region. The Nordea Group operates its Private Banking business through an integrated model with Personal Banking. The Nordea Group believes that this integrated operating model enables it to fully leverage the distribution capabilities and customer base of the whole Group as well as to utilise the investment and product development competencies in Nordea. 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. In January 2018, Nordea announced that it had entered into an agreement with UBS Europe regarding the acquisition by UBS Europe of part of Nordea's Luxembourg-based private banking business and its integration onto UBS Europe's advisory platform. Assets under management for the divested private banking business as of 31 December 2017 amounted to EUR 13 billion. On 15 October 2018, Nordea announced that the transaction had been completed.

Products & Digital Wealth, which consists of Life & Pensions serving both the individual and the corporate customers segments with traditional as well as unit-linked products and providing life insurance, pensions products and services, Nordea Funds providing funds to the Nordea distribution network and Digital Wealth responsible for developing digital savings offerings. Life & Pensions is an insurance group and a leading provider of 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 customers are served through banking branches, Life & Pensions' own sales force or via tied agents, brokers and to a small extent other financial institutions. The operations are conducted through legal entities, most of which are wholly owned by Nordea Life Holding AB.

Investment Center supports all customer segments in Nordea with advisory concepts, asset allocation, product portfolios, processes, tools and savings support.

Asset & Wealth Management COO aims to secure efficient operations and solutions for Asset & Wealth Management with an even stronger focus on customers and business, including within business risk management. This is conducted by Asset & Wealth Management COO as a key interface between the supporting group function units and operation units in Asset & Wealth Management.

Group Functions and Other

Group Functions and Other consists of Group Business Support and Group Finance.

Group Business Support provides the business areas with the services, data and technology infrastructure, and three largest processes (lending operations, credit process and anti-money laundering processes needed) and drives optimisation of operational efficiencies. Group Corporate Centre, a part of Group Business Support, includes the units Technology, Group Data Management Office, Operations, Group Digital, Group Credit Management an Group Financial Crime Prevention. The organisation is responsible for ensuring one operating model at Nordea by harmonising processes and services in accordance with the Nordea Group's priorities to leverage commonalities and realise synergies.

Group Finance comprises Nordea's main financial management units that aim to drive financial performance management, provide high-quality and efficient financial reporting and planning across the Group, including financial and business control and analysis, to meet business needs and regulatory requirements. Group Finance works to secure optimisation and prudent management of funding, capital, liquidity and market risks in the banking book as well as one operating model and operational excellence across the Nordea Group in the finance processes. Group Finance provides the Nordea Group with Group asset and liability management, treasury operations, Group-wide reporting, controlling and procurement services and with strategic frameworks to all areas of the bank. Group Finance includes. Among others, Group Treasury & ALM, Investor Relations and the financial reporting, accounting and financial management units.

Group Risk & Compliance

Group Risk & Compliance are the second line of defence responsible for maintaining the Nordea Group's internal control framework, including its implementation across the Nordea Group. Group Risk & Compliance surveys the flow of risk related information from the business areas and the Group functions to the board of directors passes through the Nordea Group's Risk Committee and the Board Risk Committee. Reporting from Group Compliance is presented directly to the board of directors as well as discussed in the Board Operations and Sustainability Committee.

Group Compliance consists of central units as well as business area specific divisions, facilitating and overseeing the effectiveness and integrity of Nordea's compliance risk management. Group Compliance advises and supports the first line of defence on ways to effectively and efficiently manage compliance obligations.

Group People and Group Legal

Group People provides strategic partnering, support and service in all people matters. Group Legal provides legal services and advice applying Nordic rules and regulations in core legal areas as well as directly applicable EU rules in the corresponding areas.

Legal and Administrative Proceedings

During the ordinary course of business, the Nordea Group and the Issuer are subject to threatened or actual legal- and administrative proceedings and regulatory reviews and investigations, including proceedings in which the Nordea Group or the Issuer, as the case may be, is acting as plaintiff seeking to recover unpaid debts owed by defaulting borrowers and other customers, or as respondent in other cases. The Nordea Group and the Issuer are also subject to administrative claims and tax proceedings from time to time. These types of claims, disputes, legal proceedings and investigations expose the Nordea Group and/or the Issuer, as the case may be, to monetary damages, direct or indirect costs (including legal costs) direct or indirect financial loss, civil and criminal penalties, loss of licences or authorisations, or loss of reputation, criticism or penalties by supervisory authorities, as well as the potential for regulatory restrictions on its businesses. See also "*Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—Legal and regulatory claims arise in the conduct of the Nordea Group's business*". As of the date of this Base Prospectus, the Issuer is not and has not 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 preceding the date of this Base Prospectus which may have, or have had in such period, significant effects on the financial position or profitability of the Issuer and none of the governmental, administrative, legal or arbitration proceedings to which the Nordea Group is party (including any such proceedings which are pending or threatened of which the board of directors of the Issuer is aware) have had in the previous 12 months or are considered likely to have any significant adverse effect on the Issuer or its financial position.

Capital Adequacy and Regulatory Considerations

General

As a result of the global financial crisis that extended from August 2007 through the early part of 2009, and following a review of the existing regulatory framework, a number of initiatives aimed at tightening the regulatory standards applicable to financial institutions, in particular those deemed to be systemically important, were introduced. One of the most important regulatory initiatives following the crisis was Basel III, which was a comprehensive proposal by the BCBS for reforms to the regulatory capital and liquidity framework for internationally active banks. The Basel III framework has been transposed into law in the EU by way of the Capital Requirements Directive and the CRR. The CRR applies in all EU Member States without further national implementation. Finnish legislation implementing the Capital Requirements Directive entered into force in 2014.

On 7 June 2019, the banking package that comprises of revisions to CRR, the Capital Requirements Directive, SRM Regulation as well as BRRD was published in the Official Journal. The banking package also included (i) the Creditor Hierarchy Directive and (ii) phase-in arrangements for the regulatory capital impact of "*IFRS 9 – Financial Instruments*" and the ongoing interaction of "*IFRS 9 – Financial Instruments*" with the regulatory framework. The banking package covers multiple areas, including the pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities and macro-prudential tools, the framework for MREL and the integration of the FSB TLAC standard into EU legislation. The initial elements entered into force on 27 June 2019. Subject to several exceptions, the main elements of the Capital Requirements Directive will become applicable on 29 December 2020 and CRR II (as defined below) on 28 June 2021. It is not yet entirely clear what the exact effect of the banking package will be on Nordea or the Nordea Group. The Creditor Hierarchy Directive created a new category of "non-preferred" senior debt and has been implemented as a matter of domestic law in Finland primarily through the introduction of updates to the Finnish Act on Credit Institutions that took effect as of 15 November 2018 and that regulate, among others, the ranking of "non-preferred" senior debt in the bankruptcy of a credit institution.

Capital Requirements

Under the CRR, institutions are required to hold a minimum amount of regulatory capital of 8.0 per cent. of the risk exposure amount (REA) and, under Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (the "**CRR II**"), institutions will also be subject to a leverage ratio requirement of 3 per cent. from the second quarter of 2021 to be met with tier 1 capital. In addition to this minimum requirement, supervisors may add extra capital to cover other risks (thereby increasing the regulatory minimum required under CRD) and the Nordea Group may also decide to hold an additional amount of capital. The Capital Requirements Directive also imposes capital buffer requirements that are in addition to the minimum capital requirement and required to be met with common equity tier 1 (CET1) capital. The Capital Requirements Directive imposes certain restrictions, among others, on institutions that fail to meet the combined buffer requirement, as described in further detail below.

The Nordea Group was identified by the FSB as a globally systemically important bank, or "**G-SIB**", from November 2011 to November 2018 but has not since the FSB list of G-SIBs published in November 2018 been identified as a G-SIB. The Nordea Group was, on 29 June 2018 and until 20 December 2018, identified as a G-SII by the Finnish Financial Supervisory Authority ("**FFSA**"). While the identification of G-SIIs by national competent authorities (such as the FFSA) is based on the disclosure of global denominators and the results of the FSB's annual G-SIB assessment, the determination as to an institution's G-SII status is made independently by the competent authorities. In any case, the Nordea Group continues to be identified as an Other Systemically Important Institution ("**O-SII**"). As of the date of this Base Prospectus, Nordea does not expect Nordea Group's ceasing to be a G-SIB or G-SII to have an effect on its capital requirements. Pursuant to the Finnish Act on Credit Institutions (Fi: *laki luottolaitostoiminnasta (610/2014)*) (the "**Finnish Act on Credit Institutions**"), the buffer for G-SIIs is to be set at a level between 1.0 per cent. and 3.5 per cent. and at a level between 0 per cent. and 2 per cent. for O-SIIs. Furthermore, a systemic risk buffer within the meaning of Article 133 of the Capital Requirements Directive has been implemented into Finnish law through amendments to the Finnish Act on Credit Institutions pursuant to which the FFSA may impose a systemic risk buffer of 1 per cent. to 5 per cent. on Finnish credit institutions which has been applicable since 1 January 2019. A buffer requirement in excess of 3 per cent. requires the approval of the European Commission.

On 29 June 2018, the FFSA decided to activate the systemic risk buffer in Finland. When the applicable capital requirements are determined, only the higher of the systemic risk buffer and G-SII/O-SII buffer is applicable. The systemic risk buffer requirement set by the FFSA is 3 per cent. to be met by common equity tier 1 (CET1) capital and has been applicable from 1 July 2019. The O-SII buffer for the Nordea Group is set at 2 per cent. to be met by common equity tier 1 (CET1) capital and has been applicable from 1 January 2019. Therefore, from 1 January to 30 June 2019, the applicable buffer was 2 per cent. (based on the O-SII buffer) and, from 1 July 2019, the buffer has been increased to 3 per cent. since the systemic risk buffer is now the higher of the buffers. The Nordea Group's leverage ratio requirement is expected to remain at 3 per cent. and not to increase to 3.5 per cent. (which would have been the requirement set for the Nordea Group if it was still identified as a G-SIB).

Following its removal from the list of G-SIBs, the Nordea Group is no longer subject to the TLAC standard issued by the FSB, although as an O-SII, the Nordea Group is subject to SRB subordination requirement. In addition, the SRB will assess the "no creditor worse off than in liquidation" risks and address such risks with a potential bank-specific add-on for the subordination requirement. The SRB has also proposed that the resolution authorities have flexibility to impose a subordination requirement higher than TLAC for G-SIIs and O-SIIs subject to certain conditions.

Temporary COVID-19 Measures

In March 2020, the ECB announced a number of temporary measures to ensure that its directly supervised banks can continue to support the wider economy as the effects of the COVID-19 pandemic become clear. Amongst other measures, the ECB will allow banks to operate temporarily below the level of capital required by the Pillar 2 Guidance, the capital conservation buffer and the liquidity coverage ratio. The ECB proposed that these measures should also be enhanced by the appropriate relaxation of the countercyclical capital buffer by the national macroprudential authorities. Banks will also be allowed to partially use capital instruments that do not qualify as CET1 capital, to meet the Pillar Requirements. This brings forward a measure that was initially scheduled to come into effect in January 2021.

In March 2020, the FFSA took measures to lower Finnish credit institutions' capital requirements. The reduction is implemented by removing the systemic risk buffer and by adjusting credit institution-specific requirements so that the structural buffer requirements of all credit institutions will fall by 1 percentage point. As at the date of this Base Prospectus, the FFSA has for the time being decided not to set a countercyclical capital buffer requirement for banks and other credit institutions and the loan cap for residential mortgage loans other than first-home loans will remain at 85 per cent. in line with the FFSA Board's previous decision. The FFSA assesses these measures on a quarterly basis, and there can therefore be no certainty as to how long either the FFSA or the ECB's relief measures will continue in force. See "*Risks Relating to the Nordea Group and its Business— Risks Relating to Macroeconomic Conditions — Impact of COVID-19 on financial and economic conditions*" for more information regarding the COVID-19 pandemic.

The ECB can also assess the adequacy of the systemic risk buffer set by the FFSA and, should the ECB at a later stage consider this buffer not to be adequate, it may set a higher systemic risk buffer requirement.

Under Article 141 (Restrictions on distributions) of the Capital Requirements Directive (the "**Article 141 Restrictions**"), member states of the EU must require that institutions that fail to meet the combined buffer requirement (broadly, the combination of the capital conservation buffer, the institution specific countercyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the G-SII buffer and the O-SII buffer, in each case as applicable to the institution) will be subject to restricted "discretionary payments" (which are defined broadly as payments relating to common equity tier 1 (CET1) capital, variable remuneration and payments on additional tier 1 instruments) in certain circumstances, including a shortfall in meeting its capital buffer requirements or, following full implementation of the banking package, a failure to meet the minimum requirement for own funds and eligible liabilities.

The restrictions on "discretionary payments" will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the profits of the institution since the most recent decision on distribution of profits or "discretionary payment". Such calculation will result in a maximum distributable amount ("**MDA**") for the relevant period. As an example, the scaling is such that if the level of a bank's total common equity tier 1 (CET1) capital falls within the bottom quartile of the combined buffer requirement, no "discretionary payments" will be permitted to be paid. As a consequence, in the event of a breach of the combined buffer requirement it may be necessary for Nordea to reduce "discretionary payments", including dividend payments on its shares and payments on its additional tier 1 instruments.

Nordea will, similar to all other banks supervised by the SSM, be allocated pillar 2 add-ons that are split between a pillar 2 requirement and pillar 2 guidance. The level of both of these add-ons will be communicated by the ECB and the FFSA as part of the formal Supervisory Review and Evaluation Process ("**SREP**") by the EU Supervisory College process. On 10 December 2019, Nordea received the results of the most recent SREP which included a proposed pillar 2 requirement of 1.75 per cent. applicable from 1 January 2020. This implies a common equity tier 1 (CET1) capital ratio requirement of approximately 13.1 per cent., including a minimum common equity tier 1 (CET1) capital requirement of 4.5 per cent., a capital conservation buffer of 2.5 per cent., a systemic risk buffer of 3 per cent. and a countercyclical buffer of approximately 1.4 per cent.

Under the banking package, a firm will be deemed not to have met its combined buffer requirement, and will become subject to the Article 141 Restrictions, where it does not have own funds and eligible liabilities in an amount and quality to meet: (i) its combined buffer requirement, (ii) its 4.5 per cent. pillar 1 common equity tier 1 (CET1) capital requirement, (iii) its 6.0 per cent. pillar 1 tier 1 capital requirement, (iv) its 8.0 per cent. pillar 1 capital requirement, and (v) its MREL requirements . Separately, the banking package also states that where an institution fails to meet or exceed its combined buffer requirement, in making distributions within the MDA, it must not make distributions relating to common equity tier 1 (CET1) capital or variable remuneration payments before having made payments on its additional tier 1 instruments.

Additionally, under the banking package, a new Article 141a is introduced to better clarify, for the purposes of restrictions on distributions, the relationship between the additional own funds requirements, the minimum own funds requirements and the combined buffer requirement (the so-called "**stacking order**"), with Article 141 of the Capital Requirements Directive to be amended to reflect the stacking order in the calculation of the "maximum distributable amount". Under this new provision, an institution such as Nordea will be considered as failing to meet the combined buffer requirement for the purposes of Article 141 of the Capital Requirements Directive where it does not have own funds and eligible liabilities in an amount and of the quality needed to meet at the same time the requirement defined in Article 128(6) of the Capital Requirements Directive (i.e., the combined buffer requirement) as well as each of the minimum own funds requirements and the additional own funds requirements. In addition, the new Article 16a of the BRRD is introduced to better clarify the stacking order between the combined buffer requirement and the MREL requirement. Pursuant to this new provision, a resolution authority will have the power to prohibit an entity from distributing more than the "maximum distributable amount" for own funds and eligible liabilities (calculated in accordance with the proposed Article 16a(4) of the BRRD (the "**M-MDA**")) where the combined buffer requirement and the MREL requirement are not met. The initial elements of the revisions to the Capital Requirements Directive and the BRRD entered into force on 27 June 2019. The majority of the amendments apply from 18 months after that date, although the amendments relating to Article 141b, Article 141c and Article 142(1) of the Capital Requirements Directive apply from 1 January 2022.

MREL and TLAC

On 9 November 2015, the Financial Stability Board (the "**FSB**") published its final principles for Total Loss Absorbing Capacity ("**TLAC**"), which set a standard for G-SIBs that conceptually overlap with the MREL requirements. The FSB's standard seeks to ensure that G-SIBs will have sufficient loss-absorbing capacity available in a resolution of such an entity in order to minimise any impact on financial stability, ensure the continuity of critical functions and avoid exposing taxpayers to loss. The FSB's standard also includes a specific term sheet for total loss-absorbing capacity, which attempts to define an internationally agreed standard. As part of the banking package, the FSB TLAC standard has been incorporated into the capital requirements framework as an extension to the own funds' requirements.

The FSB's standard requires all G-SIBs to meet a TLAC requirement of at least 16 per cent. of risk-weighted assets as from 1 January 2019 and at least 18 per cent. from 1 January 2022. This does not include any applicable Basel III regulatory capital buffers which must be met in addition to the TLAC minimum. The minimum TLAC must be at least 6 per cent. of the Basel III leverage ratio denominator as from 1 January 2019 and 6.75 per cent. as from 1 January 2022. The standard also requires that G-SIBs pre-position some of such loss-absorbing capacity amongst material subsidiaries on an intra-group basis. Nordea was identified as a G-SIB up to November 2018 but, based on the most recently updated FSB lists of G-SIBs published in November 2018 and 2019, it is no longer identified as a G-SIB and, therefore, will not be subject to the FSB's TLAC requirement. Within the framework for MREL for banks (the "**MREL Framework**"), the SRB requires G-SIIs to meet the FSB TLAC requirement by TLAC eligible instruments. On 20 December 2018, the FFSA announced that given that the Nordea Group was no longer identified by the FSB as a G-SIB, the FFSA had decided that the Nordea Group will not be identified as a G-SII as of 1 January 2020. This decision, which entered into force as of 1 January 2020, replaced the FFSA's decision of 29 June 2018, in which the FFSA had identified the Nordea Group as a G-SII. The Nordea Group is not therefore subject to the SRB's requirement that G-SIIs meet the TLAC requirement.

Risk Exposure Amounts

On 7 December 2017, the BCBS announced that its oversight body, the Group of Central Bank Governors and Heads of Supervision, had endorsed the outstanding Basel III post-crisis regulatory reforms proposed by the BCBS. As part of the reform process, the BCBS conducted a review of the standardised approaches and internal models of the capital requirement frameworks for credit and operational risk with a view to, among other things, reducing mechanistic reliance on external ratings. In addition, the role of internal models was reviewed by the BCBS with the aim of improving comparability and addressing excessive variability in the capital requirements for credit risk. The BCBS also worked on the design of a capital floor framework based on the revised standardised approaches for all risk types. This framework has replaced the capital floor for credit institutions using internal models, which was based on the Basel I standard. The BCBS also calibrated the floor alongside its other work on revising the risk-based capital framework. In addition, the BCBS also conducted a review of trading book capital standards, resulting in new minimum capital requirements for market risk. The revised standards, which require implementation in the EU prior to being applicable to the Nordea Group, will take effect from 1 January 2022 and the capital floor will be phased in over five years. The CRR II does not include the changes to the finalised Basel III as announced by BCBS in December 2017, however, the revised market risk framework, as agreed by the BCBS in 2016 has been included in the CRR II. The market risk framework has been revised by the BCBS in January 2019 and the full market risk framework is, therefore, expected to be implemented with the other BCBS changes at a later stage. Given the various regulatory initiatives that are ongoing, it is currently not possible to determine the impact on the potential future capital requirements and how they will affect the capital position and capital requirements for Nordea or the Nordea Group.

SRM

As a result of the re-domiciliation of the parent company of the Nordea Group from Sweden to Finland, the SRM Regulation is applicable to the Nordea Group. The SRM Regulation establishes the SRB that has resolution powers over the institutions that are subject to the SRM Regulation and, thereby, replaces the national authorities as the relevant resolution authority with respect to such institutions. Where the SRB performs its duties and exercises powers under the SRM Regulation, the SRB is considered to operate as the relevant authority under the BRRD. The SRB will prepare and adopt a resolution plan for the entities subject to its powers, including the Nordea Group. It will also determine, after consulting competent authorities including the ECB, an MREL requirement subject to write-down and conversion powers which Nordea will be required to meet at all times. The default MREL requirement consists of two elements: (i) a default loss-absorption amount, which reflects the losses that the bank will incur in resolution, and (ii) a recapitalisation amount, which reflects the capital needed to meet ongoing prudential requirements after resolution. The latter component is complemented by a market confidence charge necessary to ensure market confidence post-resolution. Both elements are based on the bank's capital requirements using the supervisory data of the previous year. The SRB also expects larger EU banks to meet a minimum subordination requirement. G-SIIs are required to meet a minimum subordination level equal to 16 per cent. of risk exposure amount (REA) plus the combined buffer requirement, pending further assessment by the SRB of NCWOL risks and the final implementation of the banking package. The banking package currently prescribes a minimum subordination requirement of 8.0 per cent. of total liabilities (including own funds) subject to a discretion for the relevant resolution authority to agree a lower threshold in certain circumstances. The SRB also intends to issue targets for loss-absorbing capacity to individual subsidiaries within a banking group.

In order to improve resolvability, the SRB assesses NCWOL risks and can address such risks by setting a potential bank-specific add-on for the subordination requirement. The subordination requirement should generally be met by own funds and subordinated MREL eligible liabilities. According to the SRB's MREL policy paper published on 16 January 2019, subordination levels will be set based on a combination of a general level, applicable buffer requirements and a metric, taking account of the bank specific nature of the assessment of NCWOL risk in the senior layer. A floor of 14 per cent. of risk exposure amount (REA) plus the combined buffer requirement will apply for O-SIIs. As an O-SII, the Nordea Group is subject to the SRB subordination requirement.

As part of the SRM, the EU-wide SRF managed by the SRB was established. The SRF commenced its operations as of 1 January 2016. The SRF is a pool of funds provided by the banking sector which will be set up to ensure that medium-term funding support is available while a credit institution is being restructured. The SRB can use the SRF only for the purpose of ensuring the efficient application of the resolution tools and exercise of the resolution powers referred to in the SRM Regulation and in accordance with the resolution objectives and the principles governing the resolution referred to in the SRM Regulation. The budget of the EU or the national budgets cannot be used to cover expenses or losses of the SRF. Banks, including Nordea, will have to make annual contributions to the SRF. The SRM Regulation lays down the basic rules on how to calculate the contributions of individual banks to the SRF.

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 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 in the Nordic countries for institutional lending, for all exposures in the other Nordic finance companies, Nordea Bank Russia and the Baltic branches as well as derivative and securities lending procedure. Nordea uses the standardised approach primarily to calculate risk exposure amount (REA) for sovereign exposures and for 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 2019, 88 per cent of the Nordea Group's credit risk exposure amount (REA) was covered by IRB approaches. The Nordea Group is also approved to use its own internal Value-at-Risk models to calculate capital requirements for the major parts of the market risk in the trading books. In August 2018, the ECB granted Nordea temporary use of internal models for calculation of risk exposure amount (REA) following the Re-domiciliation. The permission implies a migration of pillar 2 capital add-ons into pillar 1 risk exposure amount (REA).

The Nordea Group's common equity tier 1 (CET1) capital was strengthened in 2019. In 2018, the Nordea Group's common equity tier 1 (CET1) capital strength was unchanged and the nominal common equity tier 1 (CET1) capital was largely unchanged, but the common equity tier 1 (CET1) capital ratio decreased due to the change to ECB supervision in connection with the Re-domiciliation and the introduction of IRB floors, which increased risk exposure amounts by approximately EUR 36 billion.

In March 2019, Nordea issued USD 1.25 billion perpetual seven-year non-call additional tier 1 conversion notes, which had no impact on the common equity tier 1 (CET1) capital ratio as compared to 31 December 2018. In September 2018, Nordea issued USD 500 million 10-year non-call subordinated reset notes and SEK 1,750 million and NOK 500 million 10-year non-call five-year tier 2 subordinated notes. Nordea also issued EUR 750 million additional tier 1 notes in November 2017. The Nordea Group's common equity tier 1 (CET1) capital ratio was 16.3 per cent as of 31 December 2019, compared to 15.5 per cent as of 31 December 2018.

In January 2020, Nordea completed a synthetic securitisation transaction related to EUR 5.1 billion of the Nordea Group's loans as originator of a portfolio with corporate and small and medium-sized enterprise loans. As part of the transaction, investors purchased credit-linked notes referencing the first loss tranche of the portfolio. The investors share the risk of credit losses of the reference portfolio up to a pre-agreed amount. No assets were derecognised from Nordea Group's balance sheet and the Nordea Group continues to service the loans. The transaction improved Nordea Group's common equity tier 1 (CET1) capital ratio by approximately 20 basis points. See also "*Risk Factors—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*" and "*—The Capital Requirements Directive imposes restrictions on discretionary payments if certain capital requirements or loss absorbing capacity requirements are not met*".

ECB Comprehensive Assessment

On 18 July 2019, the ECB published the results of its comprehensive assessment of the Nordea Group, consisting of an Asset Quality Review ("**AQR**"), the outcome of which presents a prudential assessment by the ECB of the carrying values of a bank's assets on a specific date, and a stress test that analyses how a bank's capital position would evolve under a baseline scenario and an adverse scenario over a three-year period (in the case of the Nordea Group, 2018-2021). The comprehensive assessment, which is standard practice for banks that have recently become subject to the direct supervision of the ECB, was conducted based on the Nordea Group's capital ratios as of 30 June 2018 and incorporated the effect of the implementation of "*IFRS 9 – Financial Instruments*".

According to the results of the comprehensive assessment, the Nordea Group does not face capital shortfalls as its capital levels did not fall below the relevant thresholds used in the AQR and the stress test. The Nordea Group's AQR-adjusted common equity tier 1 (CET1) capital ratio in the baseline stress scenario amounted to 14.21 per cent, which is above the 8.00 per cent. threshold set by the ECB. Under the adverse stress scenario, the AQR-adjusted common equity tier 1 (CET1) capital ratio of the Nordea Group amounted to 9.23 per cent, which exceeded the 5.50 per cent. adverse stress scenario threshold.

Following the AQR and subsequent discussions with the ECB, Nordea recorded loan loss provisions of EUR 282 million in the third quarter of 2019 due to model updates and changes after a dialogue with the ECB reflecting a more subdued outlook in certain sectors. As of the date of this Base Prospectus, Nordea continues the review of its collective loan loss provisioning model, which review may have some impact on provisions. Nordea also has ongoing discussions with its supervisors regarding regulatory expectations including the introduction of new non-performing loan coverage requirement that will guide prudential expectations on adequate coverage of dated non-performing loans.

Recent Regulatory Developments

On 13 December 2018, The Norwegian Ministry of Finance decided to raise the countercyclical buffer rate from 2 per cent to 2.5 per cent. The increased buffer rate entered into force on 31 December 2019.

On 28 June 2019, the FFSA decided to maintain the systemic risk buffer at 3 per cent for Nordea. On 4 July 2019, the Danish Ministry of Business decided to increase the countercyclical buffer rate in Denmark to 1.5 per cent. The amended buffer enters into force in the second quarter of 2020.

To mitigate the effect of the Norwegian implementation of the CRD in December 2019, the Norwegian Ministry of Finance announced its intention to decide on changes in banks' capital requirements by increasing the systemic risk buffer from 3 per cent to 4.5 per cent with effect from 31 December 2020. The increase is suggested to be applicable to all banks' exposures in Norway that are currently subject to the advanced IRB approach. For all other banks, the intention is for the systemic risk buffer to enter into force on 31 December 2022. The increase is subject to notification procedures to EU bodies. In addition, a minimum 20 per cent average risk weight for residential real estate exposures and a minimum 35 per cent average risk weight for commercial real estate exposures are also suggested to be implemented in respect of banks that are subject to the IRB approach with effect from 31 December 2020.

In January 2020, the SFSA decided to impose average risk weight floors for commercial real estate in Sweden, applicable to banks with IRB permission. The floors are set at 35 per cent for exposures to commercial property companies and 25 per cent for residential property companies. The floors will be included within pillar 2 where the add-on will be the difference between the actual average risk weight and the floor.

NORDEA MORTGAGE BANK PLC

Operational overview

Nordea Mortgage Bank was incorporated to assume the Finnish mortgage credit business operations of Nordea Bank Finland Plc following the Demerger prior to the implementation of the cross border merger of Nordea Bank Finland Plc with Nordea Bank Abp which is addressed in more detail above (see "*The Nordea Group*").

Nordea Mortgage Bank operates solely as a mortgage credit bank. The objective of Nordea Mortgage Bank is to acquire residential mortgage loans and loans secured on holiday houses and these activities are primarily financed through the principal repayments and interest payments on such loans and the issuance of covered bonds. Nordea Mortgage Bank is responsible for maintaining the Covered Bond register as required by the CBA.

Legal structure and subsidiaries

Nordea Mortgage Bank is a wholly owned subsidiary of Nordea Bank Abp. Nordea Mortgage Bank was incorporated on 1 October 2016 in accordance with Finnish law. Nordea Mortgage Bank has its registered office in Helsinki, Finland and is a company with limited liability pursuant to the Finnish Companies Act (*Osakeyhtiölaki* 624/2006), as amended. Nordea Mortgage Bank is registered in the trade register with business identity code 2743219-6 and has its registered office at the following address: Satamaradankatu 5, 00020 Nordea, Helsinki. Nordea Mortgage Bank is authorised as a credit institution under the Finnish Act on Credit Institutions (*Laki luottolaitostoiminnasta* 610/2014), as amended and holds a mortgage credit bank licence under the CBA enabling it to assume the liabilities in respect of Covered Bonds previously issued by Nordea Bank Finland Plc and to issue further covered bonds under and in accordance with the CBA. Nordea Mortgage Bank is not a deposit bank and does not engage in any activities other than mortgage credit business operations.

Nordea Mortgage Bank has no subsidiaries of its own, nor does it have any shares in other Nordea Group companies. Nordea Mortgage Bank conducts its activities in close cooperation with Nordea Bank Abp and its sales offices and branches in Finland. Among other things, Nordea Bank Abp originates the mortgage loans and thus handles the credit processes and is solely responsible for decisions regarding the mortgage loans contained in the Cover Pool until they are transferred to Nordea Mortgage Bank and once transferred, manages the mortgage loans and performs certain accounting and reporting tasks for Nordea Mortgage Bank. Nordea Bank Abp also handles Nordea Mortgage Bank's funding and risk control.

Share and shareholder information

Nordea Mortgage Bank's share capital as at 31 December 2019 was EUR 250,000,000, made up of 257,700,000 ordinary shares, having no nominal value. The entire issued share capital is owned by Nordea Bank Abp.

Board of Directors

At the date of this Base Prospectus, Nordea Mortgage Bank's Board of Directors consists of the following members:

Name	Year of birth/ Member since	Position	External Positions
Jani Eloranta	1974/2020	Chairman	Head of Personal Banking Finland, Nordea, Chairman of the Board of Nordea Pension Fund, Chairman of the Board of Nordea Insurance Country Committee, Member of the Board of Nordea Life Assurance Finland Ltd, Deputy Member of the Board of Automatia Pankkiautomaatit Oy, Chairman of the Delegation of Sijoittajien Korvaus-rahasto

Name	Year of birth/ Member since	Position	External Positions
Marte Kopperstad	1979/2019	Deputy Chairman	Head of Products and Business Development, Nordea, Member of the Board of Nordea Hypotek AB, Member of the Board of Gjensidige Bank ASA, Member of the Board of Nordea Eiendomskreditt AS, Member of the Board of BITS AS
Kaj Blomster	1980/2019	Member of the Board of Directors	Chief Risk Officer and Head of Investment Operations, Varma Mutual Pension Insurance Company
Hanna-Maria Heikkinen	1979/2016	Member of the Board of Directors	Vice President, Investor Relations, Cargotec; Member of the Board of Solwers Oyj
Erja Ketko	1967/2019	Member of the Board of Directors	Director, Elo Pension Insurance Company
Ola Littorin	1962/2016	Member of the Board of Directors	Head of Long Term Funding, Nordea, Member of the Board of Nordea Eiendoms-kreditt A/S
Timo Nyman	1963/2019	Member of the Board of Directors	Head of Construction and Real Estate Finance, Nordea

The Board of Directors of the Issuer has two Board committees: the Audit Committee and the Risk Committee.

The members of the Board of Directors have been appointed for an indefinite term.

The address of the members of the Board of Directors is c/o Nordea Mortgage Bank Plc, Satamaradankatu 5, 00020 Nordea, Helsinki.

To the best knowledge of Nordea Mortgage Bank, no potential conflicts of interest exist between any duties to Nordea Mortgage Bank of a member of the Board of Directors and the private interests or other duties of such persons.

Management

Jussi Pajala is the managing director of Nordea Mortgage Bank and Tarja Ikonen is the deputy managing director and COO.

Conflicts of interest

In order to avoid conflicts of interest and clarify how individuals are expected to act if conflicts of interest arise, Nordea Mortgage Bank has adopted a number of guidelines set out by the Nordea Group, including ethical guidelines, guidelines for employees' secondary jobs and guidelines for employees' private security and foreign currency transactions.

Auditors

PricewaterhouseCoopers Oy, Authorised Public Accountants, of Itämerentori 2, FI-00180 Helsinki, Finland ("**PricewaterhouseCoopers Oy**") is the independent auditor for Nordea Mortgage Bank, with Juha Wahlroos, a member of the Finnish Association of Authorised Public Accountants, as the auditor in charge as at 31 December 2019.

Dividends

The Issuer had paid EUR 110,000,000 in dividends to Nordea Bank Abp in relation to the financial year ended 31 December 2018. In addition, anticipated dividends of EUR 89,777,243, corresponding to 75 per cent of 2019 year-end profits, were booked at the financial year ended 31 December 2019 and paid to Nordea Bank Abp on 12 March 2020.

Articles of Association

The objects of Nordea Mortgage Bank can be found in its Articles of Association. The objects of Nordea Mortgage Bank are to engage in mortgage credit bank operations.

Corporate governance

All the operations of Nordea Mortgage Bank are integrated into the operations of Nordea Group. The Nordea Group has established a corporate governance framework at group level and the framework is reviewed on a continuous basis, and is adopted *mutatis mutandis* by Nordea Mortgage Bank.

Covered Bond issuances

The Covered Bonds issued by Nordea Mortgage Bank are unsubordinated obligations of Nordea Mortgage Bank and rank *pari passu* among themselves, with Nordea Mortgage Bank's relevant derivative contracts and with all other obligations of Nordea Mortgage Bank that have been provided the same priority as debt instruments issued pursuant to the CBA.

All Covered Bonds issued by Nordea Mortgage Bank (which rank *pari passu* with the Nordea Mortgage Bank's relevant derivative contracts) have, and will have, the benefit of a statutory preference under the CBA on the Cover Pool assumed and maintained by Nordea Mortgage Bank. Nordea Mortgage Bank maintains only one Cover Pool in respect of the Covered Bonds it has assumed from Nordea Bank Finland through the Demerger or that it may issue under the Covered Bond Programme, and any relevant derivative contracts, and the Covered Bondholders share the benefit of the Cover Pool with all other covered bondholders, relevant derivative counterparties and providers of any bankruptcy liquidity loans.

Composition of assets in the Cover Pool

The CBA sets out the requirements for the assets that may form part of a cover pool. Nordea Mortgage Bank's Cover Pool consists primarily of housing loans, which are currently loans secured on (i) mortgageable property primarily for residential purposes or (ii) shares in housing companies or shares comparable thereto, participations and rights of occupancy. All properties that constitute security for the mortgages in the Cover Pool are located throughout Finland, with concentration in urban areas. As at 31 December 2019, 46 per cent. of the properties were in the Greater Helsinki area. As at 31 December 2019, the vast majority of these were single family homes (42 per cent.) and tenant owner units (50 per cent.), with the balance being multi-family housing (5 per cent.) and summer cottages (3 per cent). As at 31 December 2019, the notional value of the Cover Pool was EUR 21.9 billion. As at 31 December 2019, the weighted average Loan to Value of the properties in the Cover Pool was 49.8 per cent. (indexed and calculated per property) and the average loan size was EUR 66,800. The loans in the Cover Pool are originated by Nordea Bank Abp and are predominantly floating rate (98.5 per cent.), with the remainder being fixed rate loans (as at 31 December 2019). There are no substitute assets in the Cover Pool (as at 31 December 2019) and the Cover Pool is dynamic.

The amount of derivative contracts in the Cover Pool fluctuates with market conditions and hedging needs.

Material contracts relating to the management of the mortgage loans in the Cover Pool

Nordea Bank Abp and Nordea Mortgage Bank have entered into a loan transfer agreement (the "**Transfer Agreement**") pursuant to which Nordea Bank Abp will sell and assign to Nordea Mortgage Bank, and Nordea Mortgage Bank will purchase and acquire, mortgage loans with the relevant loan security for inclusion in the Cover Pool. Nordea Bank Abp and Nordea Mortgage Bank have entered into a number of service agreements (the "**Service Agreements**") pursuant to which Nordea Bank Abp has agreed to manage the loans transferred in the Demerger or sold by it to Nordea Mortgage Bank under the Transfer Agreement, and in connection therewith act as servicer to keep any documents and instruments relating to any mortgage loans and attaching loan security in custody and to receive and collect payments on behalf of Nordea Mortgage Bank. The Transfer Agreement and Service Agreements became effective at the implementation of the Demerger and were transferred to Nordea Bank Abp upon the cross-border merger being implemented.

Nordea Mortgage Bank may enter into other agreements with Nordea Bank Abp as required for the operation of Nordea Mortgage Bank's business and in relation to Nordea Group operations.

Treasury services and risk control

Nordea Mortgage Bank has entered into Service Agreements with Nordea Bank Abp regarding treasury services. Pursuant to these Service Agreements, Nordea Bank Abp on behalf of Nordea Mortgage Bank, among other things, arranges financing for the mortgage loans, manages the daily liquidity, enters into derivative transactions to hedge financial risk and arranges for the composition and size of the Cover Pool to comply with regulatory and internal requirements. In addition, Nordea Mortgage Bank and Nordea Bank Abp have entered into a Service Agreement, according to which Nordea Bank Abp handles Nordea Mortgage Bank's risk control, including daily calculation and reporting of market and credit risk as well as Nordea Mortgage Bank's business continuity planning and financial control.

Other services

Nordea Mortgage Bank has, in addition, entered into Service Agreements with Nordea Bank Abp regarding handling of certain group-wide functions such as internal audit, compliance, IT and financial reporting.

Derivative contracts

Nordea Mortgage Bank will enter into derivative arrangements with Nordea Bank Abp and potentially other parties (as authorised by the CBA) as may be required for the purpose of controlling interest rate risks, liquidity risks and currency risks in relation to Nordea Mortgage Bank's funding and lending operations.

Funding of Nordea Mortgage Bank's business

The interest payable and principal repayable by borrowers on the Cover Pool assets is Nordea Mortgage Bank's primary source of funds for the service of its payment obligations under the Covered Bonds. Pursuant to the CBA, Nordea Mortgage Bank must ensure that the total amount of interest accrued from Cover Pool assets during any 12 month period is sufficient to cover the total amount payable to Covered Bondholders as interest and to the counterparties of derivative transactions as payments under such derivate transactions. In addition, Nordea Mortgage Bank receives funding through a dedicated liquidity line provided by Nordea Bank Abp to manage daily liquidity and ensure compliance with external and internal requirements regarding liquidity management for the account of Nordea Mortgage Bank.

The loan portfolio

Nordea Mortgage Bank operates mainly in the Finnish mortgage lending market and holds mortgage loans originated and transferred to it by Nordea Bank Abp. Nordea Mortgage Bank may also issue further covered bonds under and in accordance with the CBA. The purpose of such lending is primarily to finance single family homes and for terraced houses or flats (which are commonly owned by housing companies) and summer cottages. Although the central emphasis is on housing financing, financing for business and commercial property is also provided. The collateral granted to Nordea Mortgage Bank in relation to its lending consists mainly of mortgages on residential property and pledges over housing company shares. The average repayment period of a mortgage loan is approximately 20 years in Finland. A majority of Nordea Mortgage Bank's customers in Finland choose interest rates for interest periods of up to 12 months where the interest base is EURIBOR. Nordea Bank Abp's share of the Finnish mortgage market amounted to approximately 29 per cent. as at 31 December 2019.

THE FINNISH HOUSING MORTGAGE MARKET

The information provided below has been derived from publicly available information on the Finnish housing mortgage market.

Introduction

Commercial lenders are the principal originators of residential mortgage loans in Finland. Residential mortgage lending tends to be primarily secured on residential properties, although lending to municipality-owned housing companies may also be backed by municipal guarantees.

Lending for single family houses typically takes the form of one or more mortgage loans with an aggregated Loan-to-Value Ratio of up to 70 per cent.

The Finnish Act on Credit Institutions (*Laki luottolaitostoiminnasta* 610/2014), as amended, sets a cap on residential housing loans which entered into force on 1 July 2016. A credit institution may grant a residential housing loan referred to in Chapter 7a, section 3, paragraph 1 of the Finnish Consumer Protection Act (*Kuluttajansuojalaki 38/1978*), as amended, subject to a Loan-to-Value Ratio cap calculated between the loan amount and the current value of the security for the loan at the time of granting of the loan. Following a decision by the Financial Supervisory Authority of 19 March 2018, the Loan-to-Value Ratio cap is applicable to new housing loans granted as of 1 July 2018 so that a housing loan may be no more than 85 per cent. of the current value of the security provided for the loan. If a first home is involved, a housing loan granted may be no more than 95 per cent. of the current value of the security provided for the loan. When buying a home, the current value of the security usually refers to the purchase price.

Finnish mortgage loans may have a fixed or variable rate of interest, although loans with variable rates of interest are the most commonly originated at the date of this Base Prospectus. Interest rates for fixed loans are typically set for a period of 3 or 5, or occasionally 10 or 15 years. For variable rate loans, the interest is determined as a variable margin over 6-month or 12-month EURIBOR interest rates or over prime rates set by the banks. The Finnish Consumer Protection Act (*Kuluttajansuojalaki* 38/1978), as amended (see "*Regulatory Framework*" below), does not impose limitations on the margin or nominal rate of interest that may be set on a consumer loan backed by real security (*esinevakuus*). While there are no specific rules limiting rates of interest (other than in respect of default interest) of consumer loans backed by real security (such as mortgages), the general principles of equity under Finnish law also apply.

Material Legal Aspects of the Mortgage Loans

Form of the Mortgage Certificates

A mortgage loan may be secured by a pledge of one or more mortgage certificates (*kiinteistöpanttikirja*) (such mortgage certificates that have been pledged as security for a loan) (the "**Mortgage Certificates**"), evidencing a mortgage over a property (or a portion thereof) owned by a borrower or security provider as provided for in Chapter 15, sections 1 and 2 of the Finnish Land Code (*Maakaari* 540/1995), as amended. Mortgage Certificates are either physical documents or electronic records in the register of title and mortgages (*lainhuuto- ja kiinnitysrekisteri*). Since 1 June 2017, however, Mortgage Certificates for new mortgages have been issued only in electronic form. In addition, when making changes to existing mortgages, the National Land Survey of Finland will automatically convert written Mortgage Certificates into electronic form in connection with processing of the proposed change. Physical Mortgage Certificates issued before 1 June 2017 may, however, remain in use. Any mortgage security interest established by means of physical Mortgage Certificates before 1 January 2020 will remain effective until its expiry by conventional means, for instance by payment of debt. However, physical Mortgage Certificates can no longer be used to establish new security interests after 1 January 2020.

The security interest over real estate is created by executing a pledge agreement, and the effectiveness against third parties is gained (i.e. the security interest is perfected) by registering the pledgee as registered recipient of the electronic mortgage certificate (*sähköisen panttikirjan saaja*). In the event that mortgages have not been registered on the pledged property or the principal amount of registered mortgages is insufficient to cover the amount of the relevant secured obligation, an application for the registration of (additional) mortgages is submitted to the National Land Survey of Finland (*Maanmittauslaitos*) by the owner of the pledged property (or the pledgee, authorised by the owner). The National Land Survey of Finland registers the mortgage in the register of title and mortgages and issues an electronic mortgage certificate which is then registered with the pledgee as the registered recipient. The Finnish Land Code further recognises the creation of security interests by notification to a third party holder of a mortgage certificate, whether the certificate is in written or in electronic form.

Form of the Pledge over Housing Company Shares

A mortgage loan may also be secured by a pledge over shares in a housing company, i.e., a limited liability company incorporated in Finland and shares of which entitle the shareholder to possess a separate dwelling unit as referred to in Chapter 1, Section 2 (*Asunto-osakeyhtiö*) and in Chapter 28, Section 2 (*Keskinäinen kiinteistöosakeyhtiö*) of the Finnish Act on Housing Companies (*Asunto-osakeyhtiölaki* 1599/2009), as amended (such housing companies together as "**housing companies**" and shares in a housing company together as "**housing company shares**"). The regulatory framework for housing company shares was partially renewed and amended following implementation of the Finnish Act on Housing Data System (*Laki huoneistotietojärjestelmästä* 1328/2018) and related legislation on 1 January 2019. Accordingly, the shares in a housing company incorporated on or after 1 January 2019 will be issued exclusively in electronic form within the housing data system referred to in the Finnish Act on Housing Data System, which is maintained by the National Land Survey of Finland, automatically in connection with their incorporation. The new regime is also applicable to the shares in such existing housing companies that have resolved to have their shares to be incorporated in the system. In connection with incorporation of the shares in existing housing companies in the housing data system, the share certificates evidencing the existing housing company shares will be nullified. Moreover, existing housing companies referred to in Chapter 1, Section 2 of the Finnish Act on Housing Companies are subject to a transition period during of which all the shares in such housing companies will be incorporated in the housing data system.

In respect of the housing company shares not incorporated in the housing data system, a pledge over housing company shares is established by executing a pledge agreement, delivering the share certificate evidencing such shares to the pledgee (or a third party sufficiently remote from the pledgor and acting on behalf of the pledgee) and the retention of such share certificate by the pledgee or the third party throughout the security period. Similar to the establishment of a security interest of mortgage certificates, a pledge over a housing share certificate may be perfected by way of notice to a third party holder.

In respect of the housing company shares incorporated in the housing data system, a pledge is created by executing a pledge agreement and perfected through registration with the housing data system. The National Land Survey of Finland registers the pledge with the housing data system and the entry in the system will indicate details of the pledgees and their respective hierarchy ranking.

Enforcement Procedures

Introduction and general principles of Finnish law in respect of enforcement

Enforcement of obligations, including receivables such as the mortgage loans, under Finnish law typically requires that the creditor first obtains a judgment or arbitral award ordering the particular obligations to be satisfied (for example, for a debt to be paid) after which the actual enforcement is carried out by a district bailiff in a procedure regulated by Finnish law.

The principles of equity and statutory limitation may restrict the creditor from obtaining a judgment or arbitral award. Pursuant to the Finnish Contracts Act (*Laki varallisuusoikeudellisista oikeustoimista* 228/1929), as amended and the Consumer Protection Act, if a contract term is unfair or its application would lead to an unfair outcome, the term may be adjusted or set aside. Consequently, enforcement of obligations may be limited by general principles of equity; in particular, equitable remedies (such as an order for specific performance or an injunction) are discretionary remedies and may not be available under the laws of Finland where damages are considered to be an adequate remedy. For a more detailed description of the provisions of the Consumer Protection Act, see the section "*Regulatory Framework*" below.

Under the Finnish Act on Barring of Debts by the Statute of Limitations (*Laki velan vanhentumisesta* 728/2003), as amended, debt obligations are subject to statutory limitation, which become effective on the earlier of:

(a) the date falling 3 years as of the date when the payment obligation becomes due and payable;

(b) the date falling 3 years from the date on which the relevant non-breaching contracting party became or should have become aware of a breach of contract; or

(c) the date falling 10 years from the date on which such breach occurred.

Where a creditor has been granted a security interest to secure its receivable, the enforcement procedure depends on the type of the asset securing the receivable.

Enforcement of a Pledge over Receivables

Under Finnish law, the pledgor and pledgee may freely agree on the method of enforcement. In the case of receivables, these methods may include collecting payment from the debtor or selling the receivable to a third party. However, mandatory legislation requires that the pledgee must act diligently and give due consideration to the pledgor's justified interests when liquidating the asset, which in practice means that the asset may not be sold at clearly less than its market value. Regardless of the method of liquidation, any proceeds in excess of the amount of the creditor's receivable shall be returned to the pledgor.

Enforcement of a Pledge of Mortgage Certificates

Enforcement of a pledge of mortgage certificates must be carried out through an enforcement procedure in accordance with the Finnish Execution Code (*Ulosottokaari* 705/2007), as amended.

A creditor wishing to enforce a claim secured by a pledge of mortgage certificates can either:

(a) apply to the bailiff for enforcement of its claim without requesting enforcement against any specific assets, thereby leaving the decision concerning the target and method of the enforcement up to the bailiff, in which case the creditor's claim will have the priority described below in a sale of the property; or

(b) apply to the bailiff for enforcement action directed specifically at the property by virtue of the mortgage loan.

In the case of an application in accordance with paragraph (b) above and, to the extent that enforcement action under paragraph (a) above results in an attempt to sell the property, the bailiff may choose either to organise a public auction or, **provided that** certain requirements are met, such as it is agreed upon by all parties to the proceedings, to sell the property by other means, for example, a private sale by a real estate agent.

In the case of a public auction, the bailiff will make a public announcement that the property shall be auctioned and send invitations to all secured creditors. In doing so, the bailiff will request that the secured creditors inform the bailiff in writing whether they desire to be paid from the proceeds of the auction or whether they are satisfied with the fact that their mortgage shall continue to encumber the property after it is sold. If there is any uncertainty concerning the secured creditors, e.g. where some of them are not known to the bailiff or cannot be reached, the bailiff will typically summon a meeting to be held before the public auction. As a supplement to the information available in public registers and the debtor's obligation to provide information to the bailiff, this meeting is a way of obtaining information concerning the secured creditors. A notice to convene the meeting is sent to all known parties, including all known mortgage holders, and is published in a local newspaper and, if necessary, in the Official Gazette in Finland. As a result of this meeting, the bailiff will prepare a list of all parties involved and their respective rights and claims. Any claim of an unknown secured creditor not represented at the meeting shall be included in the list as a conditional claim with an amount corresponding to the registered amount of the relevant mortgage. This list must be delivered to all relevant parties in good time (normally, a few days) before the public auction takes place.

Based on the amount and priority of mortgages registered over the relevant property, the bailiff shall determine the lowest acceptable bid, which must be received from the property in question from its sale in the auction. To determine the lowest acceptable bid, the bailiff shall arrange the mortgages on such property in an order of priority based on the dates on which the mortgages were registered with the Finnish Title and Mortgage Register (*lainhuuto- ja kiinnitysrekisteri*). The lowest acceptable bid must cover the enforcement costs and the aggregate amount of mortgages, which rank higher in priority than the mortgage that is being enforced. The bailiff may not accept a bid if it is clearly lower than the market value of the property.

Mortgages shall terminate upon the sale unless the property has been sold encumbered or the secured debt has been otherwise assumed. If no acceptable bids are received, another auction or a sale by other means shall be organised unless the creditor requesting the first sale objects to this. Depending on the circumstances, the law also allows for a third sale to be organised. The requirement concerning the lowest acceptable bid can be set aside by agreement between all secured creditors.

If a secured creditor has not duly notified the bailiff in writing of the mortgage and made a request for payment in the above meeting held by the bailiff, the relevant mortgage will not continue to encumber the property following the auction. In such case, the bailiff will hold a certain portion of the proceeds received from the auction of the property for the benefit of such secured creditor, for up to two years from the sale of the property at the auction becoming effective. Unless that secured creditor notifies the bailiff of its claim within that period, the remaining proceeds will be disbursed to the other creditors. If the secured creditor has notified the bailiff in writing of the mortgage, the secured creditor will have priority in relation to the unsecured creditors as regards the proceeds accruing from the auction of the property. The secured creditor may also agree with the purchaser that the property is sold encumbered in which case the purchaser assumes the liabilities of the debtor towards the secured creditor and the mortgage will become effective against the purchaser and secure the assumed liabilities.

Enforcement of a Pledge over Housing Company Shares

In respect of housing company shares, the parties may generally agree to grant the creditor full discretion over the means of enforcing the security and realising the asset. Such discretion is, however, limited, *inter alia*, by the statutory invalidity of a provision providing that title to the pledged asset shall, upon default, automatically transfer to a pledgee. Furthermore, the pledgee always has a duty to ascertain that the interests of the borrower and other creditors of the borrower are not unduly jeopardised due to the actions taken by the pledgee. Under the standard terms of the pledge agreements used by the seller, a pledged object may not be realised unless the pledgor is notified that the object will be realised unless payment is received within a month (or, if the pledged object is shares, such as housing company shares entitling to the possession of the pledgor's residence, two months). If payment is not received within the given time, the pledged object may be sold by public auction, by a real estate agent or by other appropriate means. The Finnish Act on Housing Data System and related legislation had no direct effect on the enforcement of a pledge over housing company shares.

Regulatory Framework

Banking activities in Finland are subject to extensive regulation, primarily, under the Finnish Act on Credit Institutions (*Laki luottolaitostoiminnasta* 610/2014), as amended, which implements the requirements of the relevant EU directives pertaining to banking legislation. Furthermore, banking activities are governed by the regulations issued by the FIN-FSA. Activities of credit institutions (as such activities are defined in the Finnish Act on Credit Institutions) are subject to prior authorisation by the European Central Bank pursuant to the Finnish Act on Credit Institutions.

Business activity where repayable funds (e.g. deposits) are accepted from the public, credit and other financing is offered by an entity for its own account or electronic money is issued (for example, a monetary value recorded on an electronic device or system and accepted as payment by one or more enterprises), is generally referred to as credit institution activity (*luottolaitostoiminta*).

Pursuant to the Finnish Act on Credit Institutions, credit institutions and holding companies of credit institutions are supervised by the FIN-FSA. Notwithstanding this, the European Central Bank shall have the responsibilities in relation to the tasks defined in Chapters 3 and 6 through 11 of the Act on Credit Institutions for the supervision of the credit institutions which have been conferred to the European Central Bank pursuant to Council Regulation (EU) no 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. The supervision mainly consists of monitoring credit institutions' financial standing and risk management. Furthermore, the Finnish Act on Credit Institutions governs the process of applying for a licence to conduct credit institution activity, the provisions for granting the licence as well as cancelling thereof, the financial conditions to be met by the credit institution, the general procedures to be followed in conducting the business and contains the provisions on sanctions in case of a breach of its regulations.

A credit institution has to qualify for the general conditions which relate to conducting credit institution activity set out in the Finnish Act on Credit Institutions. Furthermore, the FIN-FSA will verify the trustworthiness of a founder or a major shareholder. A person is not deemed trustworthy if he/she has been convicted of a crime five years preceding the assessment or received a fine three years preceding the assessment which can be deemed to indicate, or has otherwise demonstrated, that he/she is manifestly unsuitable as a founder or a shareholder of a credit institution.

Credit institutions may only carry out the business activities listed in the Finnish Act on Credit Institutions, which for deposit banks include, receiving deposits and other repayable funds from the public, raising funds, granting or arranging credit and other financing, financial leasing and general transfer of payments. In addition, a Finnish credit institution must have its head office in Finland as well as at least one permanent place of business. In case a credit institution intends to outsource a part of its critical functions' (as defined in the Finnish Act on Credit Institutions) after receiving authorisation, the FIN-FSA must be informed in advance. A credit institution shall further ensure that no close link, such as an ownership interest of more than 20 per cent. or an equivalent degree of control, between the credit institution and another legal person or a natural person shall prevent the efficient supervision of its operations. The Finnish Act on Credit Institutions provides that certain qualifying acquisitions of shares in a credit institution require a prior filing with the FIN-FSA. If a credit institution belongs to a consolidated group not governed by Finnish law, the ability of a foreign authority to adequately supervise the group forms a prerequisite for granting the authorisation required in Finland.

The members and deputy members of the board of directors as well as the managing director and deputy managing director must be trustworthy persons who are not bankrupt and whose capacity has not been restricted.

The share capital, co-operative capital or basic capital of a deposit bank (*talletuspankki*) and a financing institution (*luottoyhteisö*) may not be less than five million euro.

A credit institution and an undertaking belonging to its consolidated group may not, in the course of their operations, incur a risk that materially jeopardises the solvency or consolidated solvency or the liquidity of the credit institution. A credit institution and an undertaking belonging to its consolidation group must have adequate internal controls and adequate risk management systems as well as adequate liquidity considering the scope and scale of its operations.

The CBA enables the issue of covered bonds (*katetut joukkolainat*) which are debt instruments secured by a cover pool of eligible assets. Covered bonds may be issued by mortgage credit banks (such as the Issuer) and credit institutions which are otherwise authorised to engage in mortgage credit business (*kiinnitysluottopankkitoiminta*). A credit institution must fulfil certain requirements prescribed in the CBA in order to obtain authorisation from the FIN-FSA to engage in mortgage credit business. The credit institution must, among other things, have in place suitable procedures and instruments for managing the risk entailed in holding the cover pool assets and in issuing covered bonds and also prove that it intends to engage in mortgage credit business on a regular and sustained basis. The issuer must have put the appropriate organisational structure and resources into place.

Consumer Protection

The European Mortgage Credit Directive (2014/17/EU) was implemented into Finnish legislation by amendments to the Finnish Consumer Protection Act which came into force on 1 January 2017. Under the Finnish Consumer Protection Act (*Kuluttajansuojalaki* 38/1978), as amended, all residential housing loan (*asuntoluotto*) agreements and other consumer credit agreements (*kuluttajaluottosopimus*) must be concluded in writing or if concluded electronically, in a manner whereby the consumer may record and reproduce the agreement unaltered. Before concluding the credit agreement the creditor must assess the consumer's creditworthiness on the basis of sufficient information taking into account the amount of the credit and other circumstances. The creditor must ensure that the information is up to date if the parties agree to change the total amount of credit or increase the credit limit after the conclusion of the credit agreement and assess the creditworthiness of the consumer again before any significant change to the total amount of credit or increase in the credit limit.

Pursuant to the Finnish Consumer Protection Act and the Governmental Decree on the information to be given to consumers in credit agreements (*Valtioneuvoston asetus luottosopimuksesta kuluttajalle annettavista tiedoista* 789/2010), issued thereunder, the consumer credit agreement must include, among others, the following information: (i) the type, amount or limit of the credit and conditions governing the drawdown; (ii) the interest rate, the basis for determining the interest rate and other conditions regarding the interest as well as other costs relating to the granting and use of the credit; (iii) the duration of the credit agreement or, if the credit is to be paid in instalments, the amount, number and frequency of payments; (iv) the aggregate amount payable by the consumer, the annual percentage rate calculated by dividing all costs, interest and charges payable on the credit during the credit period taking into account scheduled repayment instalments, and all assumptions used in order to calculate the rate at the time of concluding the credit agreement; (v) the right of early repayment, and, information concerning the creditor's possible right to compensation and the way in which that compensation will be determined as well as guidance for the use of the right of early repayment; and (vi) the interest rate applicable in the case of late payments and the arrangements for its adjustment and where applicable, any charges payable for default. The consumer must not be charged any payment, interest, fee or compensation that is not included in the terms and conditions of the consumer credit agreement.

The terms of a consumer credit agreement may stipulate that the interest rate payable on the credit shall vary in accordance with a reference rate, which shall be public and based on matters not dependent on the unilateral decisions of the creditor. The consumer must be notified of changes in the interest rate either in the account statements or otherwise in a durable medium. When notifying the consumer of such change, the consumer must also be notified of the amount of payments after any changes in the number and frequency of payments, if applicable. In respect of housing credits, the consumer must, instead of the number of payments, be notified of current information regarding the last payment date.

A consumer has the right to prepay the consumer credit in full or in part before it matures. In such case, the consumer is entitled to a reduction in the total cost of the credit attributable to the remaining duration of the credit. The creditor is, however, entitled to recover its arrangement fee in full if the fee has been specified in the agreement and is not unreasonable. The consumer has the right to decide towards which of several receivables of the same creditor his/her payment is applied. In the event of early repayment, the creditor is also entitled to compensation from the consumer, **provided that** the interest of the credit is not linked to a reference rate, *i.e.* the early repayment falls within a period for which the interest rate is fixed.

As regards housing credits, the creditor is entitled to compensation for early repayment if the amount of the credit exceeds EUR 20,000 and the interest of the credit is either fixed or, if variable in accordance with a reference rate, determined over a period of 3 years or more. Such compensation may not exceed the amount of loss resulting from a decline in the interest rate for the remaining credit period for fixed interest rate loans or the determination period of a reference rate. The FIN-FSA may issue further guidance on the method for calculating the loss.

If the creditor has a contractual right to, upon a consumer's payment default or other breach of contract, declare the credit or a part thereof prematurely due and payable or to enforce any other specific sanction, the creditor may enforce such a right only if the payment has not been made within one month from its due date and remains outstanding and if the defaulted payment constitutes at least 10 per cent. of the original principal amount of the credit or, if the payment default concerns more than one instalment, at least 5 per cent. of the original principal amount of the credit or if it concerns the total remaining balance of the credit. The creditor may also enforce such right on a material breach of contract (other than non-payment) by the consumer. Notwithstanding the aforementioned thresholds, the creditor may enforce its right if the payment has not been made within six months and remains substantially outstanding.

The creditor does not have any right to declare the credit or a part of the credit prematurely due and payable, if the payment default resulting in such right is due to the consumer's illness, unemployment or any other corresponding reason that is not attributable to him, except where this would be evidently unreasonable to the creditor taking into account the length of the delay and other circumstances (*social force majeure*).

The creditor may declare the credit or a part of the credit prematurely due and payable, subject to giving four weeks' prior written notice to the borrower or, if the borrower has already been notified of the payment default or another breach of contract, with a two-week prior notice. If the consumer pays the unpaid amount or rectifies the other breach during the said notice period, the acceleration shall lapse.

A company (including a bank) that violates the provisions of the Finnish Consumer Protection Act may, if this is necessary for consumer protection, be prevented from continuing such measures or repeating these or comparable measures.

Compliance with the provisions is supervised by the Consumer Ombudsman, the Finnish Competition and Consumer Authority and, as the district authorities subordinate to it, the Regional State Administrative

Agencies as well as by the FIN-FSA when the granting of credit falls within the activity supervised by the FIN-FSA. A company must present for inspection by the supervisory authorities the documents concerning consumer credits that are necessary for the supervision of such credits.

Further, the Finnish Act on Credit Institutions contains provisions on the contractual terms that a credit institution such as the Issuer may use. According to the Finnish Act on Credit Institutions, a credit institution may not use contractual provisions that are unreasonable toward the borrower. Credit institutions are required to submit their standard terms and conditions to the FIN-FSA.

Tax Framework

The Finnish Income Tax Act (*Tuloverolaki 1535/1992*), as amended, provides certain tax reliefs to borrowers in respect of loans used to finance the purchase of a residence. In respect of such a loan, 100 per cent. of the interest payable has previously (until 2011) been deductible from a borrower's capital income. According to the new amended rules, this deduction right has been cut to 15 per cent. of the amount of interests paid as of 2020. The deductible part of the interests is, however, 45 per cent. in 2017, 35 per cent. in 2018 and 25 per cent. in 2019. If the borrower has no such capital income or the interest (and other deductible expenses) exceeds the income, the Finnish Income Tax Act provides that the loss may be deductible from the income tax payable on earned income (i.e., salary), depending on certain criteria such as, inter alia, on the number of children in the household and whether the residence is the first residence owned by the borrower.

Pursuant to the Transfer Tax Act (*Varainsiirtoverolaki* 931/1996), as amended, the transfer of property or housing company shares is exempt from transfer tax if the residence is the first residence owned by the buyer and is otherwise generally levied at 4 per cent. for direct transfers of real estate and 2 per cent. for transfers of housing company shares. The transfer tax base generally also includes the debts of housing companies in addition to sales price. Subject to certain conditions, capital gains from the sale of the borrower's residence are not subject to capital gains tax, which is otherwise levied at a rate of 30 per cent. For income exceeding EUR 30,000, the tax rate is 34 per cent.

TAXATION

The following is a general description of certain tax considerations relating to the Covered Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Covered Bonds, whether in those countries or elsewhere. The tax laws of an investor's Member State and of the Issuer's Member State of incorporation might have an impact on the income received from the securities. Prospective purchasers of Covered Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Covered Bonds and receiving payments of interest, principal and/or other amounts under the Covered Bonds 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.

Finnish Taxation

Interest on Covered Bonds issued by Nordea Mortgage Bank to the public in Finland constitutes income pursuant to the Income Tax Act (*Tuloverolaki* 1535/1992), as amended, for physical persons that are resident in Finland for tax purposes and for Finnish estates of deceased persons. Tax prepayment at the rate of 30 per cent. is withheld from the interest income in accordance with the Prepayment Act (*Ennakkoperintälaki* 1118/1996), as amended and the interest income is subject to final taxation at capital income tax rates (30 – 34 per cent. in 2020). Interest on certain Covered Bonds paid to a Finnish physical person or the Finnish estate of a deceased person may be in the scope of the Act on Withholding Tax for Interest Income (*Laki korkotulon lähdeverosta* 1341/1990), as amended. The withholding tax on interest income is at present 30 per cent.

Where Covered Bonds are sold by a Finnish physical person or Finnish estate of deceased person prior to the due date, any capital gains and payment of accrued interest (*jälkimarkkinahyvitys*) is taxed in at the tax rate applicable to capital income (30 – 34 per cent. in 2020). Correspondingly, the subscriber is generally entitled to deduct the paid accrued interest from the taxable income of the year of subscription. Capital gains arising from a sale of assets are, however, exempted from tax if the total amount of the sales prices of the assets sold by the holder of the covered bonds does not exceed EUR 1,000 in a tax year. Capital losses arising from the transfer of the covered bonds are deductible from capital gains and generally also from other capital income in the same year or during the following five years. The capital losses will not, however, be tax deductible if the total amount of the acquisition prices of the assets sold by the note holder does not exceed EUR 1,000 in a tax year.

The following applies to Finnish corporate entities taxed in accordance with the Business Income Tax Act (*Laki elinkeinotulon verottamisesta* 24.6.1968/360), as amended. As of tax year 2020, most Finnish corporate entities are taxed exclusively in accordance with the Business Income Tax Act.

If the recipient of the interest paid on the Covered Bonds is a corporation further defined in Income Tax Act (*Tuloverolaki* 1535/1992), as amended, residing in Finland for tax purposes, such interest is subject to taxation at a flat rate of 20 per cent.

Where Covered Bonds are sold by a Finnish resident corporation, the capital gain (as well as the capital loss) is calculated by deducting the total sum of the actual acquisition cost and selling cost from the consideration from the disposal. Confirmed losses can generally be carried forward and deducted from the taxable income for 10 years following the loss-making year, provided that no change in ownership triggering forfeiture of tax loss carry-forwards occur. Specific limitations apply to the deductibility of any capital losses incurred under the Income Tax Act prior to tax year 2020, as well as capital losses incurred from the transfer of assets belonging to the "other assets" asset class under the Business Income Tax Act, introduced as of tax year 2020.

Payments of interest in accordance with the Conditions are not subject to withholding tax in Finland provided that the recipient is not resident in Finland for tax purposes, unless the Covered Bonds relate to business carried on in Finland (through a permanent establishment in Finland). The payer is obliged to ascertain that the recipient is a not resident in Finland for tax purposes. The recipient is obliged to disclose his non-resident investor status to the payer. If a recipient fails to provide such information, the Issuer will be entitled to withhold or deduct amounts from a payment in respect of the Covered Bonds, if it is required to do so under Finnish law and the Issuer will not be required to pay the recipient any additional amounts. Investors that are not resident in Finland for tax purposes are, furthermore, not subject to Finnish tax on capital gains arising from the transfer of Covered Bonds, unless the transfer relates to business carried on in Finland through a permanent establishment.

The Holders are advised to consult their own tax advisers concerning their tax reporting obligations and the overall tax consequences of their ownership of the Covered Bonds.

Information gathering and sharing

In addition, tax authorities in various jurisdictions have their own information gathering and sharing powers which may be applicable, in addition to those described above.

SUBSCRIPTION AND SALE

Covered Bonds may be sold from time to time by the Issuer to any one or more of Barclays Bank Ireland PLC, Barclays Bank PLC, BNP Paribas, BofA Securities Europe SA, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Goldman Sachs International, HSBC France, Landesbank Baden-Württemberg, Merrill Lynch International, Natixis, NatWest Markets Plc, Norddeutsche Landesbank – Girozentrale -, Nordea Bank Abp, Société Générale, UBS Europe SE and UniCredit Bank AG (the "**Dealers**"). The arrangements under which Covered Bonds 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 2 April 2020 (as amended and/or restated from time to time, the "**Dealership Agreement**") and made between the Issuer and the Dealers. Any such agreement will *inter alia* make provision for the form and terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds 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 or United Kingdom Retail Investors

Unless the Final Terms (or Pricing Supplement, as the case may be) in respect of any Covered Bonds specifies the "Prohibition of Sales to EEA and UK 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 Covered Bonds 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 or in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

  (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

Public Offer Selling Restriction Under the Prospectus Regulation

If the Final Terms (or Pricing Supplement, as the case may be) in respect of any Covered Bonds specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable" in relation to each Member State of the European Economic Area and the United Kingdom, 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 made and will not make an offer of Covered Bonds 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 (or are the subject of the offering contemplated by a drawdown prospectus, as the case may be) to the public in that Member State and the United Kingdom except that it may make an offer of such Covered Bonds to the public in that Member State or in the United Kingdom:

(a) ***Qualified investors***: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) ***Fewer than 150 offerees***: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) ***Other exempt offers***: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Member State or the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

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 Covered Bonds directly or indirectly in the Kingdom of Denmark by way of public offering, unless in compliance with the Danish Capital Markets Act (*Kapitalmarkedsloven*), as amended or replaced from time to time, the Danish executive orders issued thereunder, and the Prospectus Regulation. For the purposes of this provision, an offer of the Covered Bonds in Denmark means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

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 directly or indirectly offer and sell the Covered Bonds or bring the Covered Bonds into general circulation in Finland other than in compliance with all applicable provisions of the laws of Finland. Covered Bonds may only be offered and sold to the public in Finland provided that either (i) a prospectus in relation to the Covered Bonds is prepared in accordance with the Finnish Securities Markets Act (*Fi: arvopaperimarkkinalaki, (746/2012*), as amended) (the "**Finnish Securities Markets Act**") and/or other applicable laws and regulations including the Prospectus Regulation, as applicable, or (ii) an exemption from the requirement to prepare a prospectus is available under the applicable laws of Finland, especially the Finnish Securities Markets Act and/or the Prospectus Regulation, as applicable. Notwithstanding the above, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that Covered Bonds may not be offered or sold to individuals or estates of deceased individuals that are resident in Finland for taxation purposes.

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, Covered Bonds 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 Pricing Supplement or any other offering material relating to the Covered Bonds 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 Covered Bonds to the public in France will be made only in compliance with the Prospectus Regulation and the applicable laws, regulations and procedures in France. This Base Prospectus prepared in connection with the Covered Bonds has not been submitted to the clearance procedures of the French *Autorité des marchés financiers*.

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 Covered Bonds, otherwise than in conformity with the provisions of the European Union (Markets in Financial Instruments) Regulations 2017 (as amended, the "**MiFID II Regulations**"), including, without limitation, Regulation 5 thereof or any codes of conduct made under the MiFID II Regulations and the provisions of the Investor Compensation Act 1998 (as amended);

(b) it will not underwrite the issue of, or place, the Covered Bonds, otherwise than in conformity with the provisions of the Companies Act 2014 (as amended), the Central Bank Acts 1942 to 2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);

(c) it will not underwrite the issue of, place or otherwise act in Ireland in respect of any Covered Bonds otherwise than in conformity with the provisions of Regulation (EU) 2017/1129 and any rules issued by the Central Bank under Section 1363 of the Companies Act; and

(d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Covered Bonds, otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued under Section 1370 of the Companies Act 2014 by the Central Bank.

Republic of Italy

The offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Covered Bonds in the Republic of Italy in an offer to the public and that sales of the Covered Bonds in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each Dealer has represented and agreed that it will not offer, sell or deliver any Covered Bonds or distribute copies of this Base Prospectus and any other document relating to the Covered Bonds 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 Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds 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. 20307 of 15 February 2018, 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.

Provisions relating to the secondary market in the Republic of Italy

Investors should also note that, in any subsequent distribution of the Covered Bonds in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Covered Bonds are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Covered Bonds who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Covered Bonds were purchased, unless an exemption provided for under Decree No. 58 applies.

Lithuania

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Covered Bonds have not been offered and will not be offered in Lithuania by way of a public offering, unless in compliance with the Law on Securities of the Republic of Lithuania of 18 January 2007 No X-1023 (as amended) and any other laws and regulations applicable in Lithuania.

Luxembourg

The Covered Bonds may not be offered or sold to the public within the territory of the Grand Duchy of Luxembourg unless:

(a) a prospectus has been duly approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") pursuant to (i) part II of the Luxembourg law dated 10 July 2005 on prospectuses for securities, as amended, which implements the Prospectus Regulation or (ii) any Luxembourg law applying the Prospectus Regulation (as applicable, the "**Luxembourg Prospectus Law"),** if Luxembourg is the home Member State as defined under the Luxembourg Prospectus Law; or

(b) if Luxembourg is not the home Member State as defined under the Luxembourg Prospectus Law, the CSSF and the European Securities Markets Authority have been provided by the competent authority in the home Member State with a certificate of approval attesting that a prospectus in relation to the Covered Bonds has been duly approved in accordance with the Prospectus Regulation, as applicable, and with a copy of that prospectus; or

(c) the offer of Covered Bonds benefits from an exemption from, or constitutes a transaction not subject to, the requirement to publish a prospectus under the Luxembourg Prospectus Law.

The Netherlands

For selling restrictions in respect of The Netherlands, see "*Public Offer Selling Restriction Under the Prospectus Regulation*" above 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 Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or Pricing Supplement in relation thereto to the public in The Netherlands and in reliance on Article 1(4) of the Prospectus Regulation, 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 or Pricing Supplement 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 Covered Bonds shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 1 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

    For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in The Netherlands has the meaning given it in the paragraph headed "*Public Offer Selling Restriction Under the Prospectus Regulation*" above.

(b) *Compliance with Dutch Savings Certificates Act*: Zero Coupon Covered Bonds (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 Covered Bond in global form, or (b) in respect of the initial issue of Zero Coupon Covered Bonds in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Covered Bonds 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 Covered Bonds within, from or into The Netherlands if all Zero Coupon Covered Bonds (either in definitive form or as rights representing an interest in a Zero Coupon Covered Bond 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 Covered Bonds**" are Covered Bonds 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."

Norway

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 Covered Bonds 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 Covered Bonds 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 (the "**Portuguese Securities Code**") (or under any legislation which may replace or complement it in this respect 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 (or under any legislation which may replace or complement it in this respect from time to time), the **Prospectus Regulation** 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 Covered Bonds 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 Covered Bonds in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code (or under any legislation which may replace or complement it in this respect from time to time), 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 this Base Prospectus or any other offering material relating to the Covered Bonds to the public in Portugal; and (iii) any such distribution or placement of the Covered Bonds shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

Spain

Covered Bonds 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*), as amended and restated (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 Covered Bonds 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 Covered Bonds has been approved by the competent authority in Sweden or, where appropriate, approved in another Member State and such competent authority has notified the competent authority in Sweden, all in accordance with the Prospectus Regulation; or (B) an exemption from the requirement to prepare a prospectus is available under the Prospectus Regulation.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) **No deposit-taking**: in relation to any Covered Bonds having a maturity of less than one year:

  (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:

  (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons:

    (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

    (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

  where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) **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 Covered Bonds in circumstances in which section 21(1) of the FSMA does not, or would not, apply to the Issuer; and

(c) **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 Covered Bonds in, from or otherwise involving the UK.

The United States of America

The Covered Bonds 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 Covered Bonds 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 promulgated 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 Covered Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Covered Bonds 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 Covered Bonds to or through more than one Dealer, by each of such Dealers as to the Covered Bonds 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 Covered Bonds during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds 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 Covered Bonds comprising any Tranche, any offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Japan

Each Dealer has confirmed and each further Dealer appointed under the Programme will be required to confirm, its understanding that the Covered Bonds 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 Covered Bonds, in Japan or to, or for the benefit of, a resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) 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, regulations and ministerial guidelines of Japan.

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 registered as a prospectus with the Monetary Authority of Singapore. 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 Covered Bonds or caused the Covered Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Covered Bonds or cause the Covered Bonds to be made the subject of an invitation for subscription or purchase, and it has not 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 the Covered Bonds, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of 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 Covered Bonds 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 or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Covered Bonds pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person 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 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

General

Each Dealer has acknowledged that:

(a) with the exception of the approval by the Central Bank of this Base Prospectus as a base prospectus issued in compliance with the Prospectus Regulation and other than with respect to the admission of the Covered Bonds 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 Covered Bonds, 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 or Pricing Supplement 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 Covered Bonds or have in their possession, publish or distribute such offering material, in all cases at their own expense;

(b) 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 paragraph (a) above; and

(c) selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such additional selling restrictions in respect of a jurisdiction not set out herein will be set out in the relevant subscription agreement or dealer accession letter (in the case of an additional selling restriction in respect of a jurisdiction not set out herein relevant only to a particular Tranche of Covered Bonds) or (in case of a supplement, modification or in any other case) in a supplement to this document.

GENERAL INFORMATION

1. The update of the Programme was authorised by a duly convened meeting of the Board of Directors of the Issuer held on 1 October 2016.

2. The Issuer is not nor has it 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 preceding the date of this Base Prospectus which may have, or have had in such period, significant effects on the financial position or profitability of the Issuer.

3. Since 31 December 2019, 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, except for the impact of the coronavirus outbreak referred to in the Risk Factor headed "*Impact of COVID-19 on financial and economic conditions*" on page 7 of this Base Prospectus. Since 31 December 2019, the date to which the latest published financial statements of the Issuer were prepared, there has been no significant change in the financial performance or the financial position of the Issuer, except for the impact of the coronavirus outbreak referred to in the Risk Factor headed "*Impact of COVID-19 on financial and economic conditions*" on page 7 of this Base Prospectus.

4. The financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018 were audited by PricewaterhouseCoopers Oy. PricewaterhouseCoopers Oy is an independent auditor in accordance with laws, regulations and auditing standards and practices generally accepted in Finland. The auditor of the Issuer has no material interest in the Issuer. The financial statements of the Issuer and the audit report of PricewaterhouseCoopers Oy are included in Annex 1 and Annex 2 of this Base Prospectus.

5. 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 and at https://www.nordea.com:

   (a) the certificate of Registration and Articles of Association of the Issuer (as the same may be updated from time to time);

   (b) the Fiscal Agency Agreement (as amended from time to time) (which contains the forms of the Covered Bonds);

   (c) the Deed of Covenant (as supplemented from time to time);

   (d) the audited financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018, including the audit reports relating thereto;

   (e) this Base Prospectus, together with any supplements thereto;

   (f) the Final Terms or Pricing Supplement for issues listed on any stock exchange and issued pursuant to this Base Prospectus; and

   (g) the Issuer-ICSDs Agreement.

   Translations into English of any document listed above which is not in the English language are accurate and direct translations of the relevant document. In the event of any discrepancy between the English language version and the original language version of any such document, the original language version shall prevail.

   For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the websites referred to in this Base Prospectus do not form part of this Base Prospectus.

6. The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg, or, in the case of Finnish Covered Bonds, Euroclear Finland. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Tranche will be specified in the relevant Final Terms or Pricing Supplement. The

relevant Final Terms or Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

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

8. It is expected that each Series of Covered Bonds which is to be admitted to listing on the Official List of the Euronext Dublin and to trading on its regulated market will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond initially representing the Covered Bonds of such Series or, as the case may be, the relevant Registered Covered Bonds and the approval of the Programme in respect of such Covered Bond(s) will be granted on or about 2 April 2020.

9. Each Tranche of Covered Bonds will be allocated an International Securities Identification Number ("**ISIN**"), Common Code, Financial Instrument Short Name ("**FISN**"), Classification of Financial Instruments ("**CFI**") code and/or other securities identifier, which will be contained in the Final Terms relating thereto. Covered Bonds issued in Series comprising more than one Tranche may be assigned a temporary ISIN and Common Code or other securities identifier on issue.

10. The Legal Entity Identifier code of the Issuer is 7437001LESKGLAEOEU84.

11. The Issuer's website is https://www.nordea.com. Unless specifically incorporated by reference into this Base Prospectus, information contained on the website does not form part of this Base Prospectus.

12. 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.

13. There are no material contracts having been entered into outside the ordinary course of the Issuer's business and which could result in any Nordea Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Holders in respect of the Covered Bonds being issued.

14. The price and amount of Covered Bonds 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.

15. Where Covered Bonds have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the UK or (b) the activity of issuing the Covered Bonds is carried on from an establishment maintained by the Issuer in the UK, such Covered Bonds must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

16. 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 Covered Bonds 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 of 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 Covered Bonds issued under the Programme. Any such positions could adversely affect future trading prices of Covered Bonds 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.

17. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period.

18. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Covered Bonds and is not itself seeking admission of the Covered Bonds to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.

ANNEX 1 — AUDITED FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2019, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO

Nordea Mortgage Bank Plc

Financial statements

Income statement

EURm	Note	2019	2018
Operating income			
Interest income	4	267.0	269.3
Interest expense	4	-47.3	-49.5
Net interest income	4	**219.7**	**219.8**
Fee and commission income	5	9.3	7.8
Fee and commission expense	5	-16.9	-17.3
Net fee and commission income	5	**-7.6**	**-9.5**
Net result from items at fair value	6	0.6	-1.8
Other operating income		0.1	0.0
Total operating income		**212.8**	**208.5**
Operating expenses			
General administrative expenses:			
Staff costs	7	-1.9	-1.9
Other expenses	8	-66.4	-52.2
Depreciation of tangible assets		0.0	-
Total operating expenses		**-68.3**	**-54.1**
Profit before loan losses		**144.5**	**154.4**
Net loan losses	9	10.3	-11.4
Operating profit		**154.8**	**143.0**
Income tax expense	10	-35.1	-29.6
Net profit for the year		**119.7**	**113.4**
Attributable to:			
Shareholders of Nordea Mortgage Bank Plc		119.7	113.4
Non-controlling interests		-	-
Total		**119.7**	**113.4**

Statement of comprehensive income

EURm	2019	2018
Net profit for the year	**119.7**	**113.4**
Items that may be reclassified subsequently to the income statement		
Cash flow hedges:		
- Valuation gains/losses during the year	19.3	15.7
- Tax on valuation gains/losses during the year	-3.9	-3.1
- Transferred to the Income statement during the year	-5.0	-7.8
- Tax on transfers to the income statement during the year	1.0	1.6
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
- Remeasurement of defined benefit plans during the year	0.0	0.0
- Tax on remeasurement of defined benefit plans during the year	0.0	0.0
Other comprehensive income, net of tax	**11.4**	**6.3**
Total comprehensive income	**131.1**	**119.7**
Attributable to:		
Shareholders of Nordea Mortgage Bank Plc	131.1	119.7
Non-controlling interests	-	-
Total	**131.1**	**119.7**

Balance sheet

EURm	Note	31 Dec 2019	31 Dec 2018
Assets			
Cash and balances with central banks		1,694.4	1,696.4
Loans to credit institutions	11	666.1	899.5
Loans to the public	11	26,719.9	23,106.7
Derivatives	12	711.5	509.9
Fair value changes of the hedged items in portfolio hedge of interest rate risk		174.5	93.2
Property and equipment	13	0.0	-
Deferred tax assets	10	9.2	11.9
Current tax assets		-	4.3
Other assets	14	2.6	37.8
Prepaid expenses and accrued income	15	43.4	32.0
Total assets		**30,021.6**	**26,391.7**
Liabilities			
Deposits by credit institutions	16	11,560.4	7,667.6
Debt securities in issue	17	16,111.7	16,760.5
Derivatives	12	199.0	125.6
Fair value changes of the hedged items in portfolio hedge of interest rate risk		544.8	320.7
Current tax liabilities		9.4	-
Other liabilities	18	92.1	4.4
Accrued expenses and prepaid income	19	168.8	134.2
Provisions	20	0.1	0.2
Retirement benefit liabilities	21	0.2	0.1
Subordinated liabilities	22	200.5	200.6
Total liabilities		**28,887.0**	**25,213.9**
Equity			
Share capital		250.0	250.0
Other reserves		814.6	803.2
Retained earnings		70.0	124.6
Total equity		**1,134.6**	**1,177.8**
Total liabilities and equity		**30,021.6**	**26,391.7**
Assets pledged as security for own liabilities	23	21,943.2	19,759.8
Credit commitments	24	334.4	196.8

Other notes

Note 1 Accounting policies
Note 2 Risk and liquidity management
Note 3 Segment reporting
Note 25 Classification of financial instruments
Note 26 Assets and liabilities at fair value
Note 27 Financial instruments set off on balance or subject to netting agreements
Note 28 Maturity analysis for assets and liabilities
Note 29 Related-party transactions

Statement of changes in equity

EURm	Share capital[1]	Cash flow hedges	Other reserves	Defined benefit plans	Retained earnings	Total equity
	Attributable to the shareholders of Nordea Mortgage Bank Plc	Other reserves				
Balance at 1 Jan 2019	**250.0**	**3.2**	**800.0**	**0.0**	**124.6**	**1,177.8**
Change of parameters of statistical models for loan loss provisions	-	-	-	-	25.5	25.5
Restated opening balance	**250.0**	**3.2**	**800.0**	**0.0**	**150.1**	**1,203.3**
Net profit for the year	-	-	-	-	119.7	119.7
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:						
- Valuation gains/losses during the year	-	19.3	-	-	-	19.3
- Tax on valuation gains/losses during the year	-	-3.9	-	-	-	-3.9
- Transferred to the income statement during the year	-	-5.0	-	-	-	-5.0
- Tax on transfers to the income statement during the year	-	1.0	-	-	-	1.0
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
- Remeasurement of defined benefit plans during the year	-	-	-	0.0	-	0.0
- Tax on remeasurement of defined benefit plans during the year	-	-	-	0.0	-	0.0
Other comprehensive income, net of tax	-	11.4	-	0.0	-	11.4
Total comprehensive income	-	11.4	-	0.0	119.7	131.1
Dividend for 2018	-	-	-	-	-110.0	-110.0
Anticipated dividend	-	-	-	-	-89.8	-89.8
Other changes	-	-	-	-	0.0	0.0
Balance at 31 Dec 2019	**250.0**	**14.6**	**800.0**	**0.0**	**70.0**	**1,134.6**

[1] Total shares registered were 257.7 million. All the shares in Nordea Mortgage Bank Plc are held by Nordea Bank Abp. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 5m and maximum share capital EUR 500m.

No decision was made during the financial year to issue equity warrants or convertible bonds entitling to subscription of shares in the NMB. At the end of 2019, NMB held no authorisations given by the General Meeting for issuance or buybacks of shares, equity warrants or convertible bonds.

Statement of changes in equity, cont.

EURm	Attributable to the shareholders of Nordea Mortgage Bank Plc					
		Other reserves				
	Share capital[1]	Cash flow hedges	Other reserves	Defined benefit plans	Retained earnings	**Total equity**
Balance at 1 Jan 2018	**250.0**	**-3.1**	**800.0**	**0.0**	**133.6**	**1,180.5**
Effect from changed accounting policies, net of tax	-	-	-	-	-20.4	-20.4
Restated opening balance	**250.0**	**-3.1**	**800.0**	**0.0**	**113.2**	**1,160.1**
Net profit for the year	-	-	-	-	113.4	113.4
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:						
- Valuation gains/losses during the year	-	15.7	-	-	-	15.7
- Tax on valuation gains/losses during the year	-	-3.1	-	-	-	-3.1
- Transferred to the income statement during the year	-	-7.8	-	-	-	-7.8
- Tax on transfers to the income statement during the year	-	1.6	-	-	-	1.6
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
- Remeasurement of defined benefit plans during the year	-	-	-	0.0	-	0.0
- Tax on remeasurement of defined benefit plans during the year	-	-	-	0.0	-	0.0
Other comprehensive income, net of tax	-	6.3	-	0.0	-	6.3
Total comprehensive income	-	6.3	-	-	113.4	119.7
Dividend for 2017	-	-	-	-	-102.0	-102.0
Balance at 31 Dec 2018	**250.0**	**3.2**	**800.0**	**0.0**	**124.6**	**1,177.8**

[1] Total shares registered were 257.7 million. All the shares in Nordea Mortgage Bank Plc are held by Nordea Bank Abp. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 5m and maximum share capital EUR 500m.

No decision was made during the financial year to issue equity warrants or convertible bonds entitling to subscription of shares in the NMB. At the end of 2018, NMB held no authorisations given by the General Meeting for issuance or buybacks of shares, equity warrants or convertible bonds.

Cash flow statement

EURm	2019	2018
Operating activities		
Operating profit	154.9	143.0
Adjustments for items not included in cash flow	158.4	57.7
Income taxes paid	-26.8	-32.8
Tax refund	5.3	-
Cash flow from operating activities before changes in operating assets and liabilities	**291.8**	**167.9**
Changes in operating assets		
Change in loans to the public	-3,577.4	411.9
Change in derivatives, net	-128.0	-11.5
Change in other assets	35.0	-37.7
Changes in operating liabilities		
Change in deposits by credit institutions	3,892.8	110.0
Change in debt securities in issue	-648.8	1,290.9
Change in other liabilities	-2.1	-65.3
Cash flow from operating activities	**-136.7**	**1,866.2**
Financing activities		
Issued subordinated liabilities	-	-
Dividend paid	-110.0	-102.0
Other changes	11.3	-14.1
Cash flow from financing activities	**-98.7**	**-116.1**
Cash flow for the year	**-235.4**	**1,750.1**
Cash and cash equivalents at the beginning of year	2,035.9	285.8
Cash and cash equivalents at the end of year	1,800.5	2,035.9
Change	**-235.4**	**1,750.1**

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 Mortgage Bank'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 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	2019	2018
Loan losses	-10.3	11.4
Unrealised gains/losses	-0.1	2.4
Change in accruals and provisions	25.9	60.1
Other	142.9	-16.2
Total	**158.4**	**57.7**

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	2019	2018
Interest payments received	266.4	276.3
Interest expenses paid	-42.4	-55.2

Cash flow statement, cont.

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 2019	31 Dec 2018
Cash and balances with central banks	1,694.4	1,696.4
Loans to credit institutions, payable on demand	106.1	339.5
Total	**1,800.5**	**2,035.9**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;
- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1 Accounting policies

1. Basis for presentation

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

The disclosures, required in the standards, recommendations and legislation above, have been included in the Capital management section of the Board of Director's report as well as in the notes or other parts of the "Financial statements".

On 17 February 2020 NMB's Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 19 February 2020.

Nordea's accounting policies, basis for calculations and presentations are unchanged in comparison with the Annual Report 2018, except from changed accounting policies and presentation described below in the section "Changed accounting policies and presentation".

2. Changed accounting policies and presentation

The new accounting requirements implemented during 2019 and their impact on Nordea Group's financial statements are described below.

IFRS 16 "Leases"
The new standard IFRS 16 "Leases" changed the accounting requirements for lessees. All leases (except for short term- and small ticket leases) are accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments are recognised as amortisation and interest expense. The accounting requirements for lessors are mostly unchanged. Additional disclosures are also required. IFRS 16 were implemented by Nordea as from 1 January 2019. Nordea has applied the modified retrospective approach, which means that IFRS 16 has been applied from 1 January 2019 with no restatement of comparative figures. The right of use asset was recognised as the amount of the lease liability adjusted for any prepaid expensed and accrued lease payments.

The main impact on Nordea's financial statements comes from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than under the earlier requirements. NMB has only an insignificant amount of leasing contracts regarding cars. The right of use asset, that is presented as "Properties and equipment" in the balance sheet is insignificant. Respectively, the increase of total assets is minor considering also a reclassification of already existing prepaid lease expenses. There was no impact on equity at transition. At transition, the standard was implemented based on a single discount rate applied on a portfolio of leases with similar characteristics. The future cash flows have been discounted using the incremental borrowing rate, and the weighted average incremental borrowing rate applied to the lease liabilities at transition was approximately 1%. The assessment of onerous leases according to IAS 37 has been applied as an alternative to performing an impairment review of the right-of-use assets. Initial direct costs have been excluded from the right-of use-asset and the right to use hindsight when determining the lease term has been used.

Amendments to IAS 39 and IFRS 7 "Interest rate benchmark reform"
In September 2019, IASB published amendments to IAS 39, IFRS 9 and IFRS 7 as a consequence of the coming reform of benchmark interest rates. The amendments give some relief in relation to hedge accounting. Under the amendments, the hedge accounting requirements should be evaluated assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate

benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Early application is permitted, and Nordea has exercised this option. The amendments have resulted in Nordea's hedge relationships passing the effectiveness test and hedge accounting can thus continue as before during the relief period.

Change in presentation of resolution fees
NMB recognises resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents the expense as "Other expenses". The earlier policy was to present the expense as "Interest expense".

Comparative figures have been restated accordingly and the impact, together with the impact on 2019, can be found in the table below.

	Full year 2019			Full year 2018		
EURm	Old policy	Change	New policy	Old policy	Change	New policy
Interest expenses	-51.5	4.2	-47.3	-55.2	5.7	-49.5
Other expenses	-62.1	-4.2	-66.3	-46.5	-5.7	-52.2

Other amended requirements
The following new or amended standards and interpretations were implemented by Nordea 1 January 2019 but have not had any significant impact on Nordea Group's or NMB's financial statements:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

3. Changes in IFRSs not yet applied

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contributions of assets between an investor and its associated undertaking or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any impact on Nordea Group's or NMB'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.

Other changes in IFRS
The IASB has published the following new or amended standards that are assessed to have no significant impact on Nordea Group's or NMB's financial statements, capital adequacy or large exposures in the period of initial application:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of business
- Amendments to IAS 1 and IAS 8: Definitions of Material

4. Critical judgements and estimation uncertainty

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

- the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant 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 classification of financial assets
- the derecognition of financial assets
- the impairment testing of loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the assessment of expected lease terms and classification of leases
- the valuation of deferred tax assets
- claims in civil lawsuits and possible fines.

Fair value measurement of certain financial instruments
Nordea Group's and NMB's accounting policy for determining the fair value of financial instruments is described in section 9 "Determination of fair value of financial instruments" and Note 26 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial

instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea Group's accounting and valuation policies.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note 26 "Assets and liabilities at fair value".

Impairment testing of loans to the public/credit institutions
Nordea Group's accounting policy for impairment testing of loans is described in section 12 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. For more information, see Note 11 "Loans and impairment".

When calculating allowances for individually significant impaired loans, judgement is exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, including the valuation of any collateral received. Judgement is also applied when assigning the likelihood of the different scenarios occurring.

Judgement is exercised to assess when an exposure has experienced a significant increase in credit risk. If this is the case, the provision should reflect the lifetime expected losses, as opposed to a 12-month expected loss for exposures not having increased significantly in credit risk. Judgement is also exercised in the choice of modelling approaches covering other parameters used when calculating the expected losses, such as the expected lifetime used in stage 2, as well as in the assessment of whether the parameters based on historical experience are relevant for estimating future losses.

The statistical model used to calculate provisions are based on macro-economic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of the extent to which the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses.

Effectiveness testing of cash flow hedges
Nordea Group's accounting policies for cash flow hedges are described in section 8 "Hedge accounting".

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

Where Nordea Group 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 Group's accounting policy for post-employment benefits is described in section 17 "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 related to whether corporate bond markets are deep enough, of high quality and also in connection with the extrapolation of yield curves to relevant maturities. In Finland the discount rate is determined with reference to high-quality corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note 21 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions.

Assessment of expected lease terms and classification of leases
Nordea's accounting policies for leases are described in section 13 "Leasing".

Critical judgement has to be exercised as a lessee when estimating the expected lease term by considering all facts and circumstances that create an economic incentive to exercise and extension or termination option. The expected lease term for contracts with no end date is estimated in the same way.

For a lessor, critical judgement has to be exercised when classifying lease contracts. A lease is classified as 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.

More information on lease contracts can be found in Note 13 "Property and equipment".

Valuation of deferred tax assets
Nordea's accounting policy for the recognition of deferred tax assets is described in section 15 "Taxes" and Note 10 "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 9.2m (EUR 11.9m) at the end of the year.

5. Recognition of operating income and impairment

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

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

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 NMB's funding, where such components are classified as "Net interest income".

Net fee and commission income
NMB 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.

Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time.

Expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission expense" respectively.

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

Net result from items at fair value
Realised and unrealised gains and losses on financial instruments 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:

- Interest-bearing securities and other interest-related instruments
- Foreign exchange gains/losses
- Other financial instruments.

The ineffective portion of cash flow hedges is 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" also includes losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss. Impairment losses from instruments within other categories are recognised in the item "Net loan losses".

Other operating income and other expenses
Other operating income, not related to any other income line, is generally recognised when it is probable that the benefits associated with the transaction will flow to NMB and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

Resolution fees are presented as "Other expenses" in the income statement. The earlier policy was to present the expense as "Interest expense".

Net loan losses
Impairment losses from financial assets classified into the category Amortised cost (see section 11 "Financial instruments"), in the items "Loans to credit institutions" and "Loans to the public" on the balance sheet, are reported as "Net loan losses". Losses are reported net of any collateral and other credit enhancements. NMB's accounting policies for the calculation of impairment losses on loans can be found in section 12 "Loans to the public/credit institutions".

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, are reported under "Net result from items at fair value".

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

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (and an asset or a liability is recognised as "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

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

Loans and other financial assets where cash flows are modified or part of a restructuring are derecognised, and a new loan recognised, if the terms and conditions of the new loan are substantially different from the old loan. This is normally the case if the present value of the cash flows of the new loan discounted by the original interest rate differs more than 10% from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities. The terms and conditions are also considered to be significantly different for financial assets where the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when NMB performs, for example when NMB repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognised as "Other liabilities" on the balance sheet on trade date.

7. Translation of assets and liabilities denominated in foreign currencies

The functional currency of NMB is euro (EUR). Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

8. Hedge accounting

As a part of Nordea's risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in Note 2 "Risk and liquidity management" (the Market risk section) and Note 12 "Derivatives and hedge accounting".

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea applies one of three types of hedge accounting:

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

Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39.

The EU carve out version enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

At inception, NMB formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item, as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

Transactions that are entered into in accordance with Nordea's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

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

Fair value hedge accounting
Fair value hedge accounting is applied when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk in accordance with NMB's risk management policies set out in the Note 2 "Risk and liquidity management" (the Market risk section) and Note 12 "Derivatives and hedge accounting". The risk of changes in fair value of assets and liabilities in NMB's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

Fair value hedge accounting in NMB 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 Group consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments
The hedging instruments used in NMB are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value.

Hedge effectiveness
When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

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

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The effect of changes in Nordea's or a counterparty's credit risk on the fair value of the hedging instrument or hedged items
- Disparity between expected and actual prepayments of the loan portfolio

Cash flow hedge accounting
In accordance with NMB's risk management policies set out in Note 2 "Risk and liquidity management" (the Market risk section) and Note 12 "Derivatives and hedge accounting", cash flow hedge accounting is applied when hedging the variability in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

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

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

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

rate risk in lending with floating interest rates NMB uses interest rate derivatives as hedging instruments, which are always held at fair value.

Hedge effectiveness
The hypothetical derivative method is used when measuring the effectiveness retrospectively of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is discontinued. 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 is no longer expected to occur.

If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

9. Determination of fair value of financial instruments

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

- Interest-bearing securities
- Derivatives (listed).

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

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

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

- Interest-bearing securities (when quoted prices in an active market are not available)
- 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, the Group 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 26 “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 Group 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 26 “Assets and liabilities at fair value”.

10. Cash and balances with central banks

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

- The central bank or the postal giro system is domiciled in the country where the institutions is established
- The balance is readily available at any time.

11. Financial instruments

Classification of financial instruments

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

Financial assets:
- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial assets at fair value through other comprehensive income

Financial liabilities:
- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)

The classification of a financial asset is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is to both keep the instruments to collect the contractual cash flows and sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to assess the business model, Nordea Group 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 Group has taken the current business area structure into account. When determining the business model for each portfolio, the Group has analysed the objective with the financial assets, as well as, for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see Note 1 section 5, “Net interest income”. For information about impairment under IFRS 9, see section 12 below.

Interest on assets and liabilities classified at amortised cost is recognised in the items “Interest income” and “Interest expense” in the income statement.

This category consists of mainly loans to credit institutions and public.

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

The category consists of two sub-categories: mandatorily measured at fair value through profit and loss and designated at fair value through profit or loss (fair value option).

The sub-category mandatorily measured at fair value through profit and loss contains interest-bearing securities included in the liquidity buffer and derivative instruments.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income are measured at fair value plus transaction costs. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item “Interest income”, foreign exchange effects in “Net result from items at fair value” and impairment losses in the item “Net loan losses” in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item “Net result from items at fair value”. For information about impairment under IFRS 9, see section 12 below.

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
NMB 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 default, bankruptcy and insolvency of NMB and the counterparties, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms.

Issued debt and equity instruments
A financial instrument issued by NMB is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in NMB 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.

12. Loans to the public/credit institutions

Scope
Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as “Loans to credit institutions” and “Loans to the public”. These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 11 above and Note 25 on “Classification of financial instruments”.

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation
Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as “Net loan losses”.

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

Provisions for off-balance sheet exposures are classified as “Provisions” on the balance sheet, with changes in provisions classified as “Net loan losses”.

Assets classified as Fair value through other comprehensive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as “Net result from items at fair value”. Any fair value adjustments are recognised in “Other comprehensive income”.

Impairment testing

NMB classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. NMB monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in Note 2 “Risk and liquidity management”. Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the impairment loss is measured using the collective model described below but based on the fact that the exposures are already in default.

Model-based allowance calculation

For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

NMB uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) are used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, NMB uses a mix of absolute and relative changes in PD as the transfer criterion:

- Retail customers with an initial 12-month PD below 1%:

  Exposures with a relative increase in lifetime PD above 100% and an absolute increase in 12-month PD above 45 bps are transferred to stage 2.
- Retail customers with an initial 12-month PD above or equal to 1%:

  Exposures with a relative increase in lifetime PD above 100% or an absolute increase in 12-month PD above 300 bps are transferred to stage 2.
- Non-Retail customers with an initial 12-month PD below 0.5%:

  Exposures with a relative increase in lifetime PD above 150% and an absolute increase in 12-month PD above 20 bps are transferred to stage 2.
- Non-Retail customers with an initial 12-month PD above or equal to 0.5%:

  Exposures with a relative increase in lifetime PD above 150% or an absolute increase in 12-month PD above 400 bps are transferred to stage 2.

For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence that the customer is not in default. Such exposures will be classified as stage 2.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea applies three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions. The model is based on data collected before the reporting date, which require Nordea to identify events that should affect the provisions after the data is sourced to the model calculation. Management evaluates these events and adjusts the provisions if deemed necessary.

Write-offs
A write-off is a de-recognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written-off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (list not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written-off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

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

Restructured loans and modifications
In this context a restructured loan is defined as a loan where NMB has granted concessions to the obligor due to its financial difficulties and where this concession has resulted in an impairment loss for NMB. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial distress (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

13. Leasing

NMB as lessee
At inception NMB assesses whether a contract is or contains a lease. A lease is a contract that conveys the user the right to control the use of an asset for a period of time in exchange for consideration.

The right to use an asset in a lease contract is recognised on the commencement date as a right-of-use (ROU) asset and the obligation to pay lease payments is recognised as a lease liability. The ROU asset is initially measured as the present value of the lease payments, plus initial direct costs and the cost of obligations to refurbish the asset less any lease incentives received. Non-lease components are separated. The discount rate used to calculate the lease liability for each contract is the incremental borrowing rate at commencement of the contract.

The ROU assets are presented as similar owned assets and the lease liabilities as “Other liabilities” on the balance sheet. The depreciation policy is consistent with that of similar owned assets, but the depreciation period is normally capped at the end of the lease term. Impairment testing of the right-of-use assets is performed following the same principles as for similar owned assets. Interest expense on lease liabilities is presented as “Interest expense” in the income statement.

The assets are classified as Land and buildings and Equipment. Equipment comprise mainly vehicles and IT hardware. Nordea applies the practical expedient of short-term contracts (with a contract term of 12 months or less), both for Land and buildings and for Equipment. The practical expedient of low value assets is applied on Equipment. Short term and low value contracts are not recognised on the balance sheet and the payments are recognised as expenses in the income statement as “Other expenses” on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea’s benefit.

In NMB leases are related to to company cars. The lease payments generally include fixed payments. Residual value guarantees, or purchase options are generally not used.

The lease term is the expected lease term. This comprises the non-cancellable period of lease contracts and any options that NMB is reasonably certain to exercise. The length of contracts with no end date is estimated by considering all facts and circumstances.

14. Properties and equipment

In NMB the balance sheet item Properties and equipment includes leased company cars.

15. 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 that the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings and associated undertakings to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and 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 offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

Tax positions are regularly reviewed to identify situations where it is not probable that the relevant tax authorities will accept the treatment used in the tax filings. Uncertain tax positions are considered independently or as a group, depending on which approach better predicts the resolution of the uncertainty. If Nordea concludes that it is not probable that the taxation authority will accept an uncertain tax treatment the effect of uncertainty is reflected when determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. This is done by using either the most likely amount or the expected value, depending on which method better predicts the outcome of the uncertainty. Uncertain tax treatment can affect both current tax and deferred tax.

16. Provisions

Provision (which are presented as a liability) are recognised when Nordea has a present obligation (legal or constructive) as a result of a past event if it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provisions relating to Employee benefits are further described in section 17.

17. Employee benefits

All forms of consideration given by NMB 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 were performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits at NMB consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if the 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 performed their services to Nordea Mortgage Bank. Nordea has also issued share-based payment programmes, which are further described in section 20 "Share-based payment".

More information can be found in Note 7 "Staff costs".

Post-employment benefits
Pension plans
The companies within Nordea Group 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 the Group operates. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit obligation"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit obligations ".

Most pensions are based on defined contribution arrangements that hold no pension liability for Nordea Group. All defined benefit pension plans are closed for new employees. The Group 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 these services becomes due. NMB's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that the employee has 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 21 "Retirement benefit obligations").

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

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

Discount rate in defined benefit pension plans
The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. 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 Finland the discount rate is determined with reference to corporate bonds.

Termination benefits
As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if the 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 NMB 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 it is without not a realistic possibility for NMB to withdraw, 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 payments, 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 7 "Staff costs".

18. Equity

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 and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

Retained earnings
Retained earnings include the undistributed profit from previous years.

19. Credit commitments

The contractual amount of irrevocable credit commitments is recognised off-balance in the item “Commitments”.

20. Share-based payment

Cash-settled programmes
NMB has to defer payment of variable salaries under the 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 7 “Staff costs”.

21. Related party transactions

NMB defines related parties as:

- Shareholders with control over NMB
- Group 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 ´7 “Staff costs”.

Shareholders with control over NMB
Nordea Bank Abp is the sole shareholder, having 100% ownership and control over NMB.

Group undertakings
Nordea Group undertakings means the subsidiaries of the parent company Nordea Bank Abp.

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.

Key management personnel
Key management personnel include the following positions:

- The Board of Directors of Nordea Mortgage Bank Plc and Nordea Bank Abp
- The Chief Executive Officer (CEO) of Nordea Mortgage Bank Plc and the deputy to the CEO
- Management Group of Nordea Mortgage Bank Plc.

For information about compensation, pensions and other transactions with key management personnel, see Note 7 “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 NMB as well as companies significantly controlled by close family members to these key management personnel.

Information concerning transactions between NMB and other related parties is found in Note 29 “Related party transactions”.

22. Exchange rates

End of year rates as at 31 December 2019

EUR	1.00000	USD	1.12195
GBP	0.84900	CHF	1.08500
DKK	7.47170	SEK	10.45625
NOK	9.84625		

Note 2 Risk and liquidity management

Maintaining risk awareness in the organisation is engrained in the business strategies. Nordea has defined clear risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and capital structure.

Risk management

Risk management at the Nordea Group

The risks to which the Nordea Group is exposed shall reflect the business strategy and the Group's long-term financial interests. They shall be consistent with the Group's capacity for risk-taking and remain within the risk profile established by the Board of Directors of Nordea Bank Abp through its risk appetite.

The objective of the risk management in the Group is the efficient monitoring of risk exposure and verifying that the exposure is kept within the limits set by the risk appetite. Risk appetite and risk exposure shall be kept at a level that takes account of the Group's ability to absorb losses and is therefore closely linked to the capital structure management of the Group.

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

The Board of Directors of Nordea Bank Abp has chosen to organise the Group's risk management into three lines of defence, with all business areas and group-wide functions making up the first line of defence. Group Risk & Compliance (GRC) constitutes the second line of defence and are the Group's control functions. Group Internal Audit (GIA) is the third line of defence, independent of the others.

The first line of defence is responsible for its own risk and for remaining within its risk limits and is working in accordance with the Group's internal control and risk management framework. The second line of defence, which is independent of the first line, is responsible for preparing the internal control and risk management framework. This task includes ensuring that the business functions efficiently and that the information and controls in place are sufficient and appropriate for identifying and managing the risks in the business. The third line of defence, which is independent of the first and second line, has the task of protecting the Group's assets, reputation and viability by verifying that all risks in the business are identified and reported to the management and the Group's risk control functions.

Risk management at Nordea Mortgage Bank

The majority of NMB's business is conducted by Nordea and its branch network, so it is inevitable that the majority of NMB's risk management is integrated with that of the Group. NMB's risk management has the same purpose and follows the same Nordea Internal Rules as the Group in general.

The Chief Executive Officer (CEO) of Nordea Mortgage Bank is responsible for the daily operations. NMB's Chief Risk Officer (CRO) and Management Group have the task of ensuring that the proposed risk exposures and the risk appetite proposed in the Group are neither harmful nor inappropriate for NMB's specific business, and of taking sufficient measures if they are assessed as being harmful or inappropriate. Group Board Directives/Group CEO Instructions are adjusted to NMB level in order to comply with all applicable requirements under EU and national regulations and proportionality considerations.

NMB's Board of Directors has the ultimate and overall responsibility for the company and defines, oversees and is accountable for the implementation of the governance arrangements within NMB that ensure effective and prudent management of the institution. Furthermore, NMB's Board of Directors approve capital injections, the risk strategy and the most significant risk limits, following proposals put forward by the company management and applicable committees in Nordea.

Board Risk Committee (BRIC) was established during Q1 2019 in NMB. BRIC shall assist the Board in fulfilling its oversight responsibilities concerning management and control of the risks, risk frameworks, controls and processes associated with NMB's operations, including credit, market, liquidity, business, operational risk, conduct and compliance, as well as related frameworks and processes.

The company operates in three lines of defence. The second line of defence consists of the CRO function responsible for the risk management framework and processes; and Compliance responsible for monitoring compliance with internal and external rules. The third line of defence consists of Internal Audit. All other functions in the company belong to the first line of defence.

The second line of defence is independent of and controls the first line of defence. The third line of defence is independent of and controls the first and second lines. Together, the second and third lines of defence form the internal control functions, which have access and provide reporting directly to NMB's Board of Directors. The CRO function is headed by the Chief Risk Officer and seconded by the Senior Operational Risk Officer. The services of the appointed Compliance Officer and the appointed Internal Auditor are purchased from the Nordea Bank Abp.

Since the majority of the company's business is conducted by Nordea's other units, NMB's risk management is strongly supported by the three lines of defence in the Nordea Group.

Risks associated with Nordea Mortgage Bank's business

All companies that conduct business are exposed to various risks. In this business, a number of critical risks have been identified, and must be managed efficiently. Several risks cannot be eliminated; they are inherent in the very business and are fundamental to the ability to conduct the business operations. For NMB, the most significant financial risks are credit, market and liquidity risks, while the most significant non-financial risks are operational risks, including compliance risks.

Note 2 Risk and liquidity management, cont.

Credit risk

The risks in NMB's business are mainly attributable to credit risk. Credit risk occurs when a counterparty cannot or will not honour its payment obligations and pledged collateral does not suffice to cover the liability. Risks related to changes in the company's prospects of getting back funds invested in loans and other receivables from counterparties are risks which are inherent in the business operations. Negative changes to the credit quality of the company's borrowers and counterparties due to a general economic decline or systemic risks in the financial system, or due to declining collateral values, have a negative impact on the value of the company's assets. In such a situation, a necessary increase to the company's provisions for expected loan losses and realised loan losses, beyond provisioning already made, would have a considerable negative impact on the company's business, financial position and earnings.

Business areas have, together with Group Credit Risk Management, the primary responsibility for managing the credit risks in its operations within the established framework and limits, including risk identification, control and reporting. The responsibility is regulated in outsourcing agreements between Nordea Mortgage Bank and Nordea Bank Abp.

Group Risk & Compliance (GRC), as a second line of defence unit, is responsible for the overarching credit process í.e. guidelines, instructions and Nordea Internal Rules. GRC is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

Within NMB, credit quality and adherence to guidelines, instructions and directives is monitored based on reporting from the Nordea Group and supplemented with controls performed by NMB's own staff. Reports are provided to the Management Group, BRIC and to the Board of Directors.

The classification, measurement and impairment requirements in IFRS 9 were implemented by Nordea as from 1 January 2018. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in Note 1 section 8 Hedge accounting).

Impairment testing

NMB continuously reviews the quality of the credit exposures based on reporting from the Nordea Group and NMB internal controls. Weak and impaired exposures are closely and continuously monitored and reviewed by Business areas at least on a quarterly basis in terms of current performance, business outlook, future debt servicing capacity and the possible need for provisions.

Exposures with provisions are considered as impaired. The size of the provision is equal to the estimated loss, being the difference between the book value of the outstanding exposure and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either servicing or non-servicing.

Forbearance is negotiated terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortisation profile, repayment schedule or customer margin as well as ease of financial covenants.

Forbearance is undertaken on a selective and individual basis and followed by impairment testing. Loan loss provisions are recognised if necessary. Forborne rated customers without impairment charges are fully covered by either collateral and/or the net present value of future cash flows.

From 1 Jan 2018 Nordea has adhered to IFRS 9 for impairment of financial instruments. The impairment requirements in IFRS 9 are based on an expected credit loss model and replaced the IAS 39 incurred loss model. IFRS 9 introduces a three-stage model for impairment where Stage 1 is considered as the good book, Stage 2 as the deteriorated book, and Stage 3 as the bad book. Collective and individual credit loss provisions will be based on three scenarios. These scenarios will be probability weighted and forward looking.

Customer classification

Rating and scoring are the main components in the risk management system for credit risk. The common denominator for the rating/scoring models is the ability to rank customers and predict insolvency. While the rating models are used for corporate customers, scoring models are used for household customers and smaller companies. Ratings are normally assigned in connection with limit/credit proposals or annual reviews and are approved by the credit committees. Scoring models are purely statistical methods used to predict the probability of default among customers.

Note 2 Risk and liquidity management, cont.

Maximum exposure to credit risk

		31 Dec 2019		31 Dec 2018	
EURm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to central banks and credit institutions	11	666.1	-	899.5	-
Loans to the public	11	26,719.9	-	23,106.7	-
Derivatives	12	-	711.5	-	509.9
Off balance sheet items	24	334.4	-	196.8	-
Total		**27,720.4**	**711.5**	**24,203.0**	**509.9**

Allowances for credit risk

EURm	Note	31 Dec 2019	31 Dec 2018
Loans to central banks and credit institutions	11	-	-
Loans to the public	11	-11.7	-47.8
Off balance sheet items	20	-0.1	-0.2
Total		**-11.8**	**-48.0**

Collaterals and guarantees
A crucial factor in the ability to avoid loan losses in the event of the counterparty failing to honour its payment obligations is that the value of pledged collateral and/or guarantees cover the claim of Nordea Mortgage Bank on the counterparty. For the purposes of calculating capital requirements and expected losses, the risk of loss is measured using various Credit Risk Models. Most such models account for risk protection methods, such as collateral and guarantees. Different collateral types have different Loss Given Default factors, which in turn impact the required capital. Collateral valuation processes are performed at the time of origination and periodically.

Collateral distribution
The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows residential real estate to constitute a major share of eligible collateral items.

	31 Dec 2019	31 Dec 2018
Financial Collateral	1.3 %	1.8 %
Residential Real Estate	97.5 %	97.1 %
Commercial Real Estate	0.8 %	0.7 %
Other Physical Collateral	0.5 %	0.4 %
Total	**100.0 %**	**100.0 %**

Credit risk in figures
NMB’s lending to the public increased 16% during 2019 and amounted to EUR 26.7bn (23.1). Out of lending to the public, corporate customers accounted for 7% (8) of the exposure and household customers for 93% (92). The distribution of lending on maturities is shown in Note 28. NMB only mortgages properties in Finland. Credit commitments amounted to 334.4m (196.8).

As in the previous year, NMB did not have any assets in the form of bonds or other interest-bearing securities. Lending to credit institutions amounted at the end of the year to 0.7bn (0.9), all of which was placed in Group companies.

Impaired loans, gross, amounted to EUR 240.9m (193.6) of which 96% refers to private individuals. Following a deduction of EUR 5.3m (16.2) for provisioning for individually valued impaired loans, the net amount was EUR 235.6m (177.4), equalling 86bps (74) of loans to the public before allowances. Allowances for collectively assessed loans amounted to EUR 6.4m (31.6). For more information, see also Note 11 “Loans and impairment”.

Note 2 Risk and liquidity management, cont.

Impaired loans and ratios

	2019	2018
Gross impaired loans, EURm	240.9	193.6
- of which servicing	29.4	24.9
- of which non-servicing	211.5	168.7
Impairment rate, (stage 3) gross, basis points[1]	88	80
Impairment rate (stage 3), net, basis points[2]	86	74
Allowances in relation to loans in stage 1 and 2, basis points[3]	2	13
Total allowance rate (stage 1, 2 and 3), basis points[4]	4	20
Allowances in relation to impaired loans (stage 3), %[5]	2	8

[1] Impaired loans (stage 3) before allowances divided by total loans measured at amortised cost before allowances
[2] Impaired loans (stage 3) after allowances divided by total loans measured at amortised cost before allowances
[3] Allowances for impaired loans (stage 1 and 2) divided by loans measured at amortised cost, not impaired (stage 1 and 2)
[4] Total allowances divided by total loans measured at amortised cost before allowances.
[5] Allowances for impaired loans (stage 3) divided by impaired loans (stage 3)

Loan-to-value
At year end, the cover pool's unindexed weighted average loan-to-value was 51.1% (50.0), entailing that collateral covers roughly the double of lending.

Loan-to-value[1]

	31 Dec 2019		31 Dec 2018	
Retail mortgage exposure	EURm	%	EURm	%
<40%	16,710.2	62.5	15,260.1	66.0
40–50%	2,346.1	8.8	2,053.5	8.9
50–60%	1,745.6	6.5	1,497.8	6.5
60–70%	1,141.4	4.3	948.5	4.1
70-100%	4,776.6	17.9	3,346.9	14.5
Total	**26,719.9**	**100.0**	**23,106.7**	**100.0**

[1] Loan-to-value is calculated using market values. The residential collaterals in NMB's Cover Pool are capped at loans up to 70% of the market value.

Forbearance

EURm	31 Dec 2019	31 Dec 2018
Forborne loans	177.5	111.9
- of which defaulted	47.2	30.5
Allowances for individually assessed impaired and forborne loans	-1.1	-3.0
- of which defaulted	-0.8	-1.7

Key ratios	31 Dec 2019	31 Dec 2018
Forbearance ratio[1]	0.7 %	0.5 %
Forbearance coverage ratio[2]	0.2 %	0.1 %
- of which defaulted	0.1 %	0.2 %

[1] Forborne loans/Loans before allowances.
[2] Individual allowances/Forborne loans.

Note 2 Risk and liquidity management, cont.

Rating/scoring information for loans measured at amortised cost

EURm	Nominal amount 31 Dec 2019				
Rating/scoring grade	Stage 1	Stage 2	Stage 3	**Total**	**Provisions**
7	-	-	-	-	-
6 / A	11,027.4	20.2	0.1	11,047.7	-0.2
5 / B	8,562.3	202.4	0.1	8,764.8	-0.7
4 / C	2,956.8	441.1	1.4	3,399.3	-1.2
3 / D	1,363.6	434.8	3.9	1,802.3	-1.5
2 / E	458.3	249.6	1.8	709.7	-1.0
1 / F	351.8	308.7	22.0	682.5	-2.0
Standardised / Unrated	-	-	-	-	-0.4
0+ / 0 / 0- (default)	51.6	64.9	211.6	328.1	-4.7
Internal[1]	663.3	-	-	663.3	-
Total	**25,435.1**	**1,721.7**	**240.9**	**27,397.7**	**-11.7**

[1] Exposures towards Nordea entities

EURm	Nominal amount 31 Dec 2018				
Rating/scoring grade	Stage 1	Stage 2	Stage 3	**Total**	**Provisions**
7	-	-	-	-	-
6 / A	9,312.2	102.6	-	9,414.8	-2.9
5 / B	7,107.9	441.8	0.0	7,549.7	-6.6
4 / C	2,551.5	524.0	2.7	3,078.2	-6.4
3 / D	1,034.6	462.4	2.5	1,499.5	-5.4
2 / E	376.4	273.6	2.8	652.8	-3.5
1 / F	307.6	355.2	16.2	679.0	-8.0
Standardised / Unrated	-	-	-	-	-0.2
0+ / 0 / 0- (default)	45.8	65.3	169.4	280.5	-14.8
Internal[1]	899.5	-	-	899.5	-
Total	**21,635.5**	**2,224.9**	**193.6**	**24,054.0**	**-47.8**

[1] Exposures towards Nordea entities

Rating/scoring information for off balance sheet items

EURm	Nominal amount 31 Dec 2019				
Rating/scoring grade	Stage 1	Stage 2	Stage 3	**Total**	**Provisions**
7	-	-	-	-	-
6 / A	156.0	-	-	156.0	0.0
5 / B	93.1	0.3	-	93.4	0.0
4 / C	45.3	1.5	-	46.8	-0.1
3 / D	27.2	2.1	-	29.3	0.0
2 / E	3.0	0.9	-	3.9	0.0
1 / F	0.8	1.3	-	2.1	0.0
Standardised / Unrated	1.9	0.3	-	2.2	-
0+ / 0 / 0- (default)	-	-	0.7	0.7	-
Total	**327.3**	**6.4**	**0.7**	**334.4**	**-0.1**

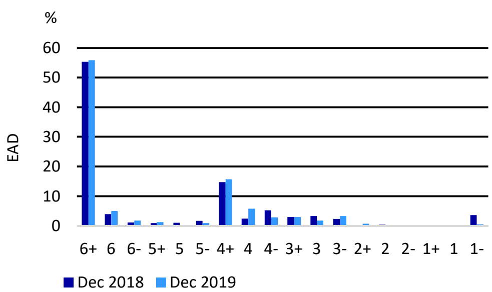
Note 2 Risk and liquidity management, cont.

Rating/scoring information for off balance sheet items

EURm	Nominal amount 31 Dec 2018				
Rating/scoring grade	Stage 1	Stage 2	Stage 3	**Total**	**Provisions**
7	-	-	-	-	-
6 / A	88.6	0.9	-	89.5	0.0
5 / B	48.2	9.4	-	57.6	-0.1
4 / C	24.5	5.3	-	29.8	-0.1
3 / D	7.9	3.4	-	11.3	0.0
2 / E	1.0	1.0	-	2.0	0.0
1 / F	1.1	1.5	-	2.6	0.0
Standardised / Unrated	3.2	0.8	-	4.0	0.0
0+ / 0 / 0- (default)	-	-	-	-	-
Total	**174.5**	**22.3**	**-**	**196.8**	**-0.2**

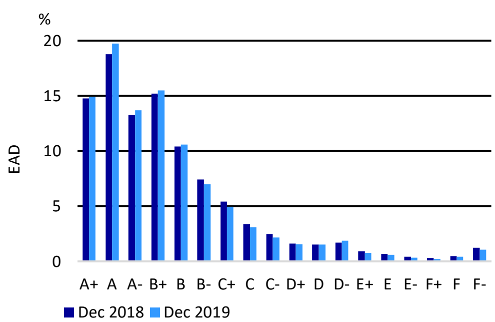
Rating distribution, IRB Corporate customers

Out of corporate customers, 90% (87) were rated 4- or better (on a scale of 6+ to 1- where 6+ is the highest and 1- is the lowest rating). 1% (4) of corporate customers were rated 1+ or poorer.



Risk grade distribution, IRB Retail customers

Out of household customers, 48% (47) had a score of A- or better (on a scale of A+ to F- where A+ is the highest and F- the lowest score). 2% (2) of household customers had a score of F+ or lower.



Past due loans

The table below shows loans past due 6 days or more, split by corporate and household customers, totalling EUR 287.7m (238.1). Past due loans to corporate customers were 15.7m (14.1). Past due loans for households increased to EUR 272.0m (224.0) at the end of 2019.

	31 Dec 2019		31 Dec 2018[1]	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	5.4	121.5	7.2	99.4
31-60 days	3.5	41.1	4.5	38.7
61-90 days	0.7	14.9	0.8	19.3
>90 days	6.1	94.5	1.5	66.6
Total	**15.7**	**272.0**	**14.1**	**224.0**
Past due loans divided by loans to the public after allowances, %	0.8	1.1	0.7	1.1

[1] Based on IFRS 9 regulation past due loans 2018 include impaired loans

Note 2 Risk and liquidity management, cont.

Net loan losses

Net loan losses totalled EUR 10.3m (-11.4) due to allowance reversals triggered by recalibration of IFRS 9 collective provision model. In total, loan loss provisions of EUR 35.8m were reversed, of which 25.5m was recognised through equity and the residual through the income statement.

Net loan losses and loan loss ratios

	2019	2018
Net loan losses, EURm	10.3	-11.4
Loan loss ratio, basis points	-3.9	4.9
- of which (Stage 3)	-1.3	2.6
- of which (Stage 1 & 2)	-2.6	2.3

Movements in risks and allowances

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**899.5**	**-**	**-**	**899.5**	**20,736.0**	**2,224.9**	**193.6**	**23,154.5**
Origination and acquisition	-	-	-	-	6,701.7	279.7	17.0	6,998.4
Transfers between stage 1 and stage 2, (net)	-	-	-	-	412.6	-412.6	-	-
Transfers between stage 2 and stage 3, (net)	-	-	-	-	-	-40.5	40.5	-
Transfers between stage 1 and stage 3, (net)	-	-	-	-	-25.7	-	25.7	-
Repayments and disposals	-233.4	-	-	-233.4	-3,232.6	-314.7	-34.2	-3,581.5
Write-offs	-	-	-	-	-	-	-0.4	-0.4
Other changes	-	-	-	-	177.0	-15.1	-1.3	160.6
Translation differences	-	-	-	-	-	-	-	-
Closing balance at 31 Dec 2019	**666.1**	**-**	**-**	**666.1**	**24,769.0**	**1,721.7**	**240.9**	**26,731.6**

	Total			
EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**21,635.5**	**2,224.9**	**193.6**	**24,054.0**
Origination and acquisition	6,701.7	279.7	17.0	6,998.4
Transfers between stage 1 and stage 2, (net)	412.6	-412.6	-	-
Transfers between stage 2 and stage 3, (net)	-	-40.5	40.5	-
Transfers between stage 1 and stage 3, (net)	-25.7	0.0	25.7	-
Repayments and disposals	-3,466.0	-314.7	-34.2	-3,814.9
Write-offs	-	-	-0.4	-0.4
Other changes	177.0	-15.1	-1.3	160.6
Translation differences	-	-	-	-
Closing balance at 31 Dec 2019	**25,435.1**	**1,721.7**	**240.9**	**27,397.7**

Note 2 Risk and liquidity management, cont.

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**647.6**	**-**	**-**	**647.6**	**21,785.7**	**1,610.9**	**144.6**	**23,541.2**
Origination and acquisition	-	-	-	-	2,606.6	380.0	12.1	2,998.7
Transfers between stage 1 and stage 2, (net)	-	-	-	-	-266.4	269.1	-	2.7
Transfers between stage 2 and stage 3, (net)	-	-	-	-	-	-33.5	33.7	0.2
Transfers between stage 1 and stage 3, (net)	-	-	-	-	-25.1	-	25.6	0.5
Repayments and disposals	-	-	-	-	-3,517.4	-280.0	-24.3	-3,821.7
Write-offs	-	-	-	-	-	-	-0.1	-0.1
Other changes	251.9	-	-	251.9	152.6	278.4	2.0	433.0
Translation differences	-	-	-	-	-	-	-	-
Closing balance at 31 Dec 2018	**899.5**	**-**	**-**	**899.5**	**20,736.0**	**2,224.9**	**193.6**	**23,154.5**

	Total			
EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**22,433.3**	**1,610.9**	**144.6**	**24,188.8**
Origination and acquisition	2,606.6	380.0	12.1	2,998.7
Transfers between stage 1 and stage 2, (net)	-266.4	269.1	-	2.7
Transfers between stage 2 and stage 3, (net)	-	-33.5	33.7	0.2
Transfers between stage 1 and stage 3, (net)	-25.1	-	25.6	0.5
Repayments and disposals	-3,517.4	-280.0	-24.3	-3,821.7
Write-offs	-	-	-0.1	-0.1
Other changes	404.5	278.4	2.0	684.9
Translation differences	-	-	-	-
Closing balance at 31 Dec 2018	**21,635.5**	**2,224.9**	**193.6**	**24,054.0**

Note 2 Risk and liquidity management, cont.

Movement of allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	-	-	-	-	**-5.5**	**-26.1**	**-16.2**	**-47.8**
Origination and acquisition	-	-	-	-	-3.9	-4.2	-1.5	-9.6
Transfers from stage 1 to stage 2	-	-	-	-	0.6	-10.5	-	-9.9
Transfers from stage 1 to stage 3	-	-	-	-	0.1	-	-2.8	-2.7
Transfers from stage 2 to stage 1	-	-	-	-	-1.2	11.9	-	10.7
Transfers from stage 2 to stage 3	-	-	-	-	-	1.7	-5.2	-3.5
Transfers from stage 3 to stage 1	-	-	-	-	-0.1	-	1.4	1.3
Transfers from stage 3 to stage 2	-	-	-	-	-	-0.6	2.2	1.6
Changes in credit risk without stage transfer	-	-	-	-	-0.1	-1.0	-0.6	-1.7
Repayments and disposals	-	-	-	-	0.4	2.5	1.9	4.8
Write-off through decrease in allowance account	-	-	-	-	-	-	-	-
Changes due to changes in credit risk without stage transfer	-	-	-	-	7.6	22.0	15.8	45.4
Other changes	-	-	-	-	0.0	0.0	-0.3	-0.3
Translation differences	-	-	-	-	-	-	-	-
Closing balance at 31 Dec 2019	-	-	-	-	**-2.1**	**-4.3**	**-5.3**	**-11.7**

	Total			
EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**-5.5**	**-26.1**	**-16.2**	**-47.8**
Origination and acquisition	-3.9	-4.2	-1.5	-9.6
Transfers from stage 1 to stage 2	0.6	-10.5	-	-9.9
Transfers from stage 1 to stage 3	0.1	-	-2.8	-2.7
Transfers from stage 2 to stage 1	-1.2	11.9	-	10.7
Transfers from stage 2 to stage 3	-	1.7	-5.2	-3.5
Transfers from stage 3 to stage 1	-0.1	-	1.4	1.3
Transfers from stage 3 to stage 2	-	-0.6	2.2	1.6
Changes in credit risk without stage transfer	-0.1	-1.0	-0.6	-1.7
Repayments and disposals	0.4	2.5	1.9	4.8
Write-off through decrease in allowance account	-	-	-	-
Changes due to changes in credit risk without stage transfer	7.6	22.0	15.8	45.4
Other changes	0.0	0.0	-0.3	-0.3
Translation differences	-	-	-	-
Closing balance at 31 Dec 2019	**-2.1**	**-4.3**	**-5.3**	**-11.7**

Note 2 Risk and liquidity management, cont.

Movement of allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**0.0**	**-**	**-**	**0.0**	**-5.8**	**-20.6**	**-10.0**	**-36.4**
Origination and acquisition	-	-	-	-	-1.1	-2.7	-1.0	-4.8
Transfers from stage 1 to stage 2	-	-	-	-	0.5	-11.9	-	-11.4
Transfers from stage 1 to stage 3	-	-	-	-	0.1	0.0	-3.3	-3.2
Transfers from stage 2 to stage 1	-	-	-	-	-0.5	6.7	-	6.2
Transfers from stage 2 to stage 3	-	-	-	-	-	1.1	-4.4	-3.3
Transfers from stage 3 to stage 1	-	-	-	-	-0.1	0.0	0.8	0.7
Transfers from stage 3 to stage 2	-	-	-	-	-	-0.5	1.4	0.9
Changes in credit risk without stage transfer	-	-	-	-	1.0	0.4	-0.6	0.8
Repayments and disposals	0.0	-	-	0.0	0.4	1.4	0.9	2.7
Write-off through decrease in allowance account	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-	-	-
Closing balance at 31 Dec 2018	**-**	**-**	**-**	**-**	**-5.5**	**-26.1**	**-16.2**	**-47.8**

	Total			
EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**-5.8**	**-20.6**	**-10.0**	**-36.4**
Origination and acquisition	-1.1	-2.7	-1.0	-4.8
Transfers from stage 1 to stage 2	0.5	-11.9	-	-11.4
Transfers from stage 1 to stage 3	0.1	-	-3.3	-3.2
Transfers from stage 2 to stage 1	-0.5	6.7	-	6.2
Transfers from stage 2 to stage 3	0.0	1.1	-4.4	-3.3
Transfers from stage 3 to stage 1	-0.1	-	0.8	0.7
Transfers from stage 3 to stage 2	0.0	-0.5	1.4	0.9
Changes in credit risk without stage transfer	1.0	0.4	-0.6	0.8
Repayments and disposals	0.4	1.4	0.9	2.7
Write-off through decrease in allowance account	-	-	-	-
Other changes	-	-	-	-
Translation differences	-	-	-	-
Closing balance at 31 Dec 2018	**-5.5**	**-26.1**	**-16.2**	**-47.8**

Note 2 Risk and liquidity management, cont.

Movements in provisions for off balance sheet items

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**0.0**	**-0.2**	**-**	**-0.2**
Origination and acquisition	0.0	-0.1	-	-0.1
Transfers from stage 1 to stage 2	0.0	0.0	-	0.0
Transfers from stage 1 to stage 3	-	-	-	-
Transfers from stage 2 to stage 1	0.0	0.1	-	0.1
Transfers from stage 2 to stage 3	-	0.0	-	0.0
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 3 to stage 2	-	-	-	-
Changes in credit risk without stage transfer	0.0	0.1	-	0.1
Repayments and disposals	0.0	0.0	-	0.0
Write-off through decrease in allowance account	-	-	-	-
Other changes	0.0	-	-	0.0
Translation differences	-	-	-	-
Closing balance at 31 Dec 2019	**0.0**	**-0.1**	**-**	**-0.1**

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**-0.1**	**-0.1**	**-**	**-0.2**
Origination and acquisition	0.0	-0.1	-	-0.1
Transfers from stage 1 to stage 2	0.0	0.0	-	0.0
Transfers from stage 1 to stage 3	0.0	-	-	0.0
Transfers from stage 2 to stage 1	0.0	0.0	-	0.0
Transfers from stage 2 to stage 3	-	0.0	-	0.0
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 3 to stage 2	-	-	-	-
Changes in credit risk without stage transfer	0.1	0.0	-	0.1
Repayments and disposals	0.0	0.0	-	0.0
Write-off through decrease in allowance account	-	-	-	-
Other changes	-	-	-	-
Translation differences	-	-	-	-
Closing balance at 31 Dec 2018	**0.0**	**-0.2**	**-**	**-0.2**

Market risk

Market risk is defined as the risk of losses related to NMB's financial exposures resulting from changes in market rates and related assumptions that affect the market value. These include changes to interest rates, foreign exchange rates and credit spreads. Market risk in NMB is mainly in the form of interest rate risk inherent in loans granted, and in the form of funding from the market and Nordea Bank Abp.

Group Treasury & Asset Liability Management (TALM) is responsible for managing market risk on NMB's behalf, within the Group Internal Rules and risk strategy and risk limits established by NMB. The responsibility is regulated through outsourcing agreements. The business is largely integrated into the Group's risk management so as to attain the most efficient management of market risk within the Group as a whole. TALM and GRC are responsible for identifying, controlling and reporting the progression of risks.

Market-risk-related risk appetite and risk limits are based on co-operation between the CRO function and GRC. Risk appetite limits are approved by NMB's Board of Directors.

Structural Interest Income Risk (SIIR)

SIIR is the amount by which NMB's accumulated net interest income would change during the next 12 months if all interest rates were to change by +/-50 basis points. SIIR reflects the mismatches in the balance sheet and the off-balance sheet items due to differences in the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives.

NMB's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios and the base net interest income expectation. Several interest rate scenarios are applied. The Board of Directors has set a risk limit for two parallel rate shift SIIR scenarios (increasing rates and decreasing rates). These scenarios measure the effect on the company's net interest income for a 12-month period of a +/-50 basis point change in all interest rates where the balance sheet is assumed to be constant. Significant elements of customer behaviour and Nordea's decision-making process concerning Nordea's own rates are taken into account.

A SIIR limit has been set aiming to optimise financial structure, balanced risk taking and reliable earnings growth. TALM has the responsibility for the operational management of SIIR. At the end of the year, the SIIR for increasing market rates was EUR -15m (-16) and the SIIR for decreasing market rates was EUR 40m (44). These figures imply that the net interest income would decrease if interest rates rise and increase if interest rates fall.

Note 2 Risk and liquidity management, cont.

Economic value Stress test (EV stress test)
EV stress loss was introduced in NMB in June 2019 within RAF 2019 update replacing as IR delta as market risk measurement.

Economic value (EV) stress tests look at the change in economic value of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independently of the accounting classification and ignoring margins. These are measured as the changes in the Economic Value of the Equity of the banking book under the 6 standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS). The exposure limit under this metric is the greatest of these values.

Using the same 6 BCBS scenarios as for the EV stress tests, the earnings metric measures the change in net interest income relative to a base scenario, creating a Structural Interest Income Risk (SIIR) value over a one-year horizon. The model uses a constant balance sheet assumption and realized forward curves with behavioural modelling for the non-maturing deposits and prepayments.

Operational risk
Operational Risk is defined in Nordea as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. The risk of loss includes direct or indirect financial loss, which includes but is not limited to impacts from regulatory sanctions, legal exposure, reputational damage and critical business process disruption.

The management of operational risk includes all activities aimed at identifying, assessing, mitigating, monitoring and reporting risks. Risk exposures are governed by limits set within the boundaries of the risk appetite. Operational risks are mainly identified during incident reporting, during the risk management of proposed changes and as well as during regular risk assessments.

In the Nordea Group the business areas and units are responsible for the management and limitation of the operational risks in their business activity. Likewise, NMB is responsible for the management and limitation of the operational risks that arise in its own business, and for monitoring the risk management in relevant business units in Nordea Bank Abp.

NMB has implemented Nordea Group’s Operational Risks Management framework. NMB’s operational risk is largely attributable to the Nordea Bank Abp’s operational risk since most of the business activities are outsourced there. NMB performs its own assessment of the most important risks that must be managed and regulates the management thereof in the service agreements with service providing units.

NMB has in 2LoD CRO function an in-house Operational Risk Officer (ORO), responsible for identifying, monitoring and reporting of operational risks. ORO also has a role for supporting 1LoD. ORO reports to NMB CRO.

Risks are identified in accordance with the Group’s operational risk policy with an emphasis on two primary activities, Risk and Control Self-Assessment (RCSA) and Business Impact Analysis (BIA). RCSA is performed annually. In the 2019 RCSA process, business-relevant operational and compliance risks were identified and prioritised, and several mitigating actions for managing them were launched.

BIA is conducted at minimum annually, aiming at identifying the most critical processes for the satisfactory functioning of NMB’s business. Because a large part of NMB’s processes are conducted by Nordea Bank Abp, identification processes is done in consultation between NMB, Nordea’s service providing units and GRC. Besides these two primary activities, the following are also performed: Change Risk Management and Approval (CRMA) and Quality and Risk Analysis (QRA), follow-up of incidents and Third-Party Risk Assessment.

The outcomes of operational risk management activities are reported to NMB’s Board quarterly or instantly when deemed necessary.

Intra-group dependence
NMB’s business is conducted in close integration with Nordea Bank Abp and its service providing units. The most significant operational risk is this very dependence. If e.g. Nordea Bank Abp were to cease to conduct these services or otherwise neglect to fulfil its obligations towards NMB, this would have a negative effect on NMB’s business. This risk has been addressed through continuous effort to develop more rigid control of, and reporting for, the services rendered by Nordea Bank Abp.

Critical processes
Through Business Impact Analyses, five critical processes have been identified in NMB and these have been addressed through Business Continuity Plans (BCP) for each process. These plans include responsibilities and instructions to guide the organisation on how to respond, recover, resume and restore to a predefined level of operation following a disruption. Testing of plans has been done annually to secure credibility and to discover prioritised development needs. NMB has also been controlling that other units responsible for critical processes have up-to-date, high-quality continuity plans in place.

Losses related to operational risks remain very low and in 2019 no incidents occurred that materially affected NMB.

Money laundering
Nordea Mortgage Bank Plc is dependent on Nordea Bank Abp in money laundering activities. Monitoring of Nordea Bank Abp’s performance in Anti-Money Laundering (AML), Counter Terrorism Financing (CTF) and sanctions screening obligations are key control measures for NMB. To secure fit for purpose in-house competencies NMB has been during 2019 running enhanced AML training activities per job description for its personnel. During 2019 NMB has also driven enhancements to Financial Crime Risk Management related to mortgage loans in NMB’s balance sheet, including reporting of High Risk customers and transaction monitoring of mortgage repayments.

AML/FC -risk level of NMB is assessed by the Company annually.

Note 2 Risk and liquidity management, cont.

Compliance risk
Compliance risk is defined as the risk of failure to comply with applicable laws, regulations, standards, supervisory requirements and related internal rules governing Nordea's activities in any jurisdiction where Nordea operates.

The key principle for the management of compliance risk is the adherence to three lines of defence. The first line of defence represented by the Business Areas, Legal Entities and Group Functions are risk owners, and are responsible for their own daily risk management and control of compliance risks. Management on all levels are responsible for operating their business within defined limits for risk exposure and in accordance with decided directives, instructions and risk management processes. Group Internal Audit constitutes the third line of defence and performs audits and provides assurance to stakeholders on internal controls and risk management processes.

Group Compliance (GC) is a second line of defence risk control function in the Group, coordinating, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance provides an independent view on compliance to relevant rules and regulations and advises, supports and trains first line on ways to effectively and efficiently handle compliance obligations. On a quarterly basis, GC reports on all significant compliance risks to the Management and the Board of Nordea Mortgage Bank (NMB) to inform about NMB`s current risk exposure in relation to the predefined risk appetite and tolerance level. The quarterly report covers also GC findings about the effectiveness of the risk management and control framework in NMB. Risk reporting from the control functions enables efficient and risk-based decision-making procedures and approach for the Board of NMB and the Audit Committee.

Group Compliance has nominated company Compliance Officer (CO) to support and advice the NMB in compliance related issues. CO is dedicated to NMB and is supported by the resources of the GC function. The company CO is responsible for the overall compliance action planning for NMB and align actions with the consolidated Group Compliance planning. In addition, Nordea is continuing to invest in enhanced compliance standards, processes, and to adequately resource compliance. NMB as a subsidiary in the Nordea Group will benefit from the work done in the Group.

Liquidity risk
Liquidity risk is the risk of NMB being able to meet liquidity commitments only at increased costs or, ultimately, being unable to meet obligations as they fall due. Liquidity risk in NMB is mainly associated with funding the operations through borrowings from the market and Nordea Bank Abp.

According to outsourcing agreements TALM is responsible for managing NMB's liquidity. TALM performs this according to the Group Internal Rules and the risk strategy and risk limits set by NMB. The responsibility is regulated through outsourcing agreements. Liquidity risk management is integrated into the Group's liquidity risk management so as to create efficiency for the Group as a whole. Policy statements stipulate that the company's liquidity management reflects a conservative attitude towards liquidity risk.

TALM and GRC are responsible for identifying, controlling and reporting the progression of risks. Liquidity-risk-related risk appetite limits are approved by the Board of Directors of NMB. To ensure funding in situations where the company is in urgent need of cash and the normal funding sources do not suffice, NMB holds a liquidity buffer. NMB's liquid assets consist of central bank deposits.

NMB's cash flows are very predictable due to the nature of the business. The main short-term liquidity risk relates to covered bond maturities. Internal survival horizon metric is monitored, which shows the survival horizon in days or months, given the current liquidity buffer. The main sources for liquidity are covered bonds issued by the company and funding from the Nordea Group.

The liquidity coverage ratio is a legal requirement, which in principle is calculated by dividing cash inflow within the liquidity window by cash outflow. A liquidity coverage ratio above 100% means the company holds excess liquidity. The liquidity coverage ratio limit is set, which ensures the liquidity buffer is increased prior to bond maturity entering the liquidity window.

The target for the net balance of stable funding (NBSF) is to ensure long-term assets are funded by long-term liabilities. For NMB, long-term liabilities mainly consist of funding from the Nordea Group, bonds and equity, while long-term assets mainly consist of lending to the public.

At the end of 2019 the internal survival horizon for NMB was 406 days (122), liquidity coverage ratio was 158% (151) and the net balance of stable funding was EUR -0.3bn (-0.8).

Note 3 Segment reporting

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM). In NMB the CODM has been defined as Group Leadership Team.

Operating segments

The financial results of Nordea Mortgage Bank are presented as a single entity. All the operations of Nordea Mortgage Bank relate to the issuance of covered bonds. All the material operative decisions of Nordea Mortgage Bank are prepared by the Chief Executive Officer and decided by the Board of Directors. Due to the business model of Nordea Mortgage Bank, the nature of its operations and its governance structure, the entity as a whole is the relevant operating segment to be reported.

Income statement

	Mortgage Banking	
EURm	2019	2018
Net interest income	219.7	219.8
Net fee and commission income	-7.6	-9.5
Net result from items at fair value	0.6	-1.8
Other income	0.1	0.0
Total operating income	**212.8**	**208.5**
Staff costs	-1.9	-1.9
Other expenses	-66.4	-52.2
Depreciation of tangible assets	0.0	-
Total operating expenses	**-68.3**	**-54.1**
Profit before loan losses	**144.5**	**154.4**
Net loan losses	10.3	-11.4
Operating profit	**154.8**	**143.0**
Income tax expense	-35.1	-29.6
Net profit for the year	**119.7**	**113.4**

Balance sheet

EURm	31 Dec 2019	31 Dec 2018
Loans to the public	26,719.9	23,106.7
Debt securities in issues	16,111.7	16,760.5

Total operating income split on product groups

EURm	2019	2018
Mortgage Banking products	212.8	208.5
Total	**212.8**	**208.5**

Geographical information

	Total operating income		Assets	
EURm	2019	2018	31 Dec 2019	31 Dec 2018
Finland	212.8	208.5	30,021.6	26,391.7
Total	**212.8**	**208.5**	**30,021.6**	**26,391.7**

Note 4 Net interest income

EURm	2019	2018
Interest income		
Loans to credit institutions	2.6	2.2
Loans to the public	249.8	244.6
Other interest income	14.6	22.5
Interest income	**267.0**	**269.3**
Interest expense		
Deposits by credit institutions	-5.4	-8.7
Debt securities in issue	-170.5	-218.9
Subordinated liabilities	-2.2	-2.2
Other interest expenses[1]	130.8	180.4
Interest expense	**-47.3**	**-49.5**
Net interest income	**219.7**	**219.8**

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

Interest income from financial instruments not measured at fair value through profit and loss amounted to EUR 267.0m (269.3). Interest expenses from financial instruments not measured at fair value through profit and loss amounted to EUR -182.9m (-229.8).

All interest income is calculated using the effective interest rate method amounted.

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

Note 5 Net fee and commission income

EURm	2019	2018
Brokerage, securities issues and corporate finance	-0.4	-0.3
- of which income	-	-
- of which expense	-0.4	-0.3
Custody and issuer services	-	-
- of which income	-	-
- of which expense	-	-
Lending Products	9.0	7.8
- of which income	9.0	7.8
- of which expense	-	-
Guarantees	-16.5	-17.0
- of which income	-	-
- of which expense	-16.5	-17.0
Other	0.3	0.0
- of which income	0.3	0.0
- of which expense	0.0	0.0
Total	**-7.6**	**-9.5**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounted to EUR 9.0m (7.8).

Note 6 Net result from items at fair value

EURm	2019	2018
Interest related instruments and foreign exchange gains/losses	0.6	-1.8
Total	**0.6**	**-1.8**

Net result from categories of financial instruments

EURm	2019	2018
Financial assets and liabilities mandatorily at fair value through profit or loss	143.3	-18.5
Financial assets at amortised cost[1]	81.7	12.1
Financial liabilities at amortised cost	-224.4	4.6
Foreign exchange gains/losses excluding currency hedges	0.0	0.0
Non-financial assets and liabilities	0.0	0.0
Total	**0.6**	**-1.8**

[1] Gain recognised in the income statement arising from derecognition of financial assets measured at amortised cost amounts to EUR 0.4m (0.6). The reasons for derecognition is that the assets have been prepaid by the customer.

Note 7 Staff costs

EURm	2019	2018
Salaries and remuneration	-1.5	-1.6
Pension costs (specification below)	-0.3	-0.2
Social security contributions	0.0	0.0
Allocation to profit-sharing foundation	0.0	0.0
Other staff costs	-0.1	-0.1
Total	**-1.9**	**-1.9**

EURm	2019	2018
Pension costs:		
Defined benefit plans (Note 21)	0.0	0.0
Defined contribution plans	-0.3	-0.2
Total	**-0.3**	**-0.2**

Additional disclosures on remuneration under Nordic FSAs' regulation and general guidelines
The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Director's Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) no later than one week before the Annual General Meeting of Nordea on 25 March 2020.

Compensation etc. to the Board of Directors and Chief Executive Officer
As at 31 December 2019 four members of the Board of Directors of Nordea Mortgage Bank Plc were employed by Nordea Bank Abp and three members were external. Fees paid to external members of the Board amounted to 76,000 euros in 2019 (22,250). Salaries, fees and other staff related expenses to the other members of the Board were paid by Nordea Bank Abp. Salaries, fees, pensions and other staff related expenses paid to the Chief Executive Officer in 2019 are presented below.

Remuneration to the Chief Executive Officer of Nordea Mortgage Bank Plc

EUR	Fixed salary 2019	Executive Incentive Programme 2019	Benefits 2019	**Total 2019**
Deputy Chief Executive Officer of NMB[1]:				
Tarja Ikonen	18,375	-	1,070	19,445
Former Chief Executive Officer of NMB:				
Thomas Miller	130,514	-	18,060	148,573

[1] Deputy CEO Tarja Ikonen was appointed as interim CEO in November 2019. The reported figures are based on the salary from November and December 2019

Note 7 Staff costs, cont.

Remuneration to the Chief Executive Officer of Nordea Mortgage Bank Plc

EUR	Fixed salary 2018	Executive Incentive Programme 2018	Benefits 2018	**Total 2018**
Chief Executive Officer of NMB:				
Thomas Miller	133,521	23,975	5,820	**163,316**

There was no pension obligation for the Chief Executive Officer of Nordea Mortgage Bank Plc at the year-end 2019 or 2018.

Loans granted to the Chief Executive Officer of Nordea Mortgage Bank Plc and members of the Board of Directors of Nordea Mortgage Bank Plc

EUR	Loans in the balance sheet of Nordea Mortgage Bank Plc 2019	Paid interest to Nordea Mortgage Bank Plc 2019	Loans in the balance sheet of Nordea Mortgage Bank Plc 2018	Paid interest to Nordea Mortgage Bank Plc 2018
Chief Executive Officer of NMB:				
Tarja Ikonen	141,339	297	n/a	n/a
Former Chief Executive Officer of NMB:				
Thomas Miller	-	-	-	-
To members of the Board of Directors of NMB	965,556	5,642	1,470,093	6,071
Total	**1,106,895**	**5,939**	**1,470,093**	**6,071**

Loans to key management personnel as defined in Note 1 section 21 amounted to EUR 1,692,197 in 2019 (1,854,412). Interest income on these loans amounted to EUR 7,638 in 2019 (7,372).

Loans to other related parties amounted to EUR 817,434 in 2019 (952,263). Interest on these loans amounted to EUR 4,863 in 2019 (4,952).

In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 30 basis points.

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.

Guarantees and other off-balance-sheet commitments
NMB has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any key management personnel or auditors.

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

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. As the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year relates to variable compensation earned the previous year.

In addition, Nordea introduced in 2013 the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have 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. Participation in the programme is offered to up to 400 managers and key employees, except GLT who are instead offered a GLT EIP (further information about the GLT EIP can be found in the Annual Report of Nordea Bank Abp), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. 80% of the allocated amount will be subject to TSR-indexation.

Number of employees

Average number of employees	31 Dec 2019	31 Dec 2018
Full-time employees	20	19
Part-time employees	-	-
Total	**20**	**19**
Total number of employees (FTEs), end of period	**18**	**17**

Note 8 Other expenses

EURm	2019	2018
Resolution fees	-4.2	-5.7
Information technology	0.0	0.0
Marketing and representation	-0.1	0.0
Postage, transportation, telephone and office expenses	0.0	0.0
Rents, premises and real estate	0.0	0.0
Other[1]	-62.1	-46.5
Total	**-66.4**	**-52.2**

[1] Relates mainly to services bought from Nordea Group companies.

Auditor's fees

EURm	2019	2018
PricewaterhouseCoopers Oy		
Auditing assignments	-0.2	-0.2
Audit-related services	-0.0	-0.0
Tax advisory services	-	-
Other assignments	-0.0	-0.0
Total	**-0.2**	**-0.2**

Note 9 Net loan losses

2019, EURm	Loans to the public[2]	Off balance sheet items[3]	**Total**
Net loan losses, stage 1	-0.6	-0.1	-0.7
Net loan losses, stage 2	7.4	0.1	7.5
Net loan losses, non-defaulted	**6.8**	**0.0**	**6.8**
Stage 3, defaulted			
Net loan losses, individually assessed, model-based[1]	4.3	-	4.3
Realised loan losses	-0.4	-	-0.4
Decrease of provisions to cover realised loan losses	-	-	-
Recoveries on previous realised loan losses	0.0	-	0.0
New/increase in provisions	-0.4	-	-0.4
Reversals of provisions	-	-	-
Net loan losses, defaulted	**3.5**	**-**	**3.5**
Net loan losses	**10.3**	**0.0**	**10.3**

[1] Includes individually identified assets where the provision has been calculated based on statistical models.
[2] Provisions included in Note 11 "Loans and impairment".
[3] Provisions included in Note 20 "Provisions"

2019, EURm	Net loan losses, individually assessed	Net loan losses, collectively assessed	Reversals of provisions	Recoveries on previous realised loan losses	Write-offs	**Total in Income Statement**
Loans to the public	3.9	6.8	-	0.0	-0.4	**10.3**
Guarantees and other off-balance sheet items	-	0.0	-	-	-	**0.0**
Net loan losses from loans measured at amortised cost	**3.9**	**6.8**	**0.0**	**0.0**	**-0.4**	**10.3**

Note 9 Net loan losses, cont.

2018, EURm	Loans to the public[2]	Off balance sheet items[3]	**Total**
Net loan losses, stage 1	0.3	0.0	0.3
Net loan losses, stage 2	-5.5	0.0	-5.5
Net loan losses, non-defaulted	**-5.2**	**0.0**	**-5.2**
Stage 3, defaulted			
Net loan losses, individually assessed, model based[1]	-6.0	-	-6.0
Realised loan losses	-0.1	-	-0.1
Decrease of provisions to cover realised loan losses	0.0	-	0.0
New/increase in provisions	-0.1	-	-0.1
Reversals of provisions	0.0	-	0.0
Net loan losses, defaulted	**-6.2**	-	**-6.2**
Net loan losses	**-11.4**	-	**-11.4**

[1] Includes individually identified assets where the provision has been calculated based on statistical models.
[2] Provisions included in Note 11 "Loans and impairment".
[3] Provisions included in Note 20 "Provisions"

2018, EURm,	Net loan losses, individually assessed	Net loan losses, collectively assessed	Reversals of provisions	Write-offs	**Total in Income Statement**
Loans to the public	-6.1	-5.2	0.0	-0.1	**-11.4**
Guarantees and other off-balance sheet items	-	0.0	-	-	**0.0**
Net loan losses from loans measured at amortised cost	**-6.1**	**-5.2**	**0.0**	**-0.1**	**-11.4**

Note 10 Taxes

Income tax expense

EURm	2019	2018
Current tax	-35.2	-29.1
Deferred tax	0.1	-0.5
Total	**-35.1**	**-29.6**

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

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

EURm	2019	2018
Profit before tax	154.8	143.0
Tax calculated at a tax rate of 20 %	-31.0	-28.6
Non-deductible expenses	-5.1	-
Adjustments relating to prior years	0.9	-1.0
Tax charge	**-35.1**	**-29.6**
Average effective tax rate	23%	21%

Note 10 Taxes, cont.

EURm	Deferred tax assets 31 Dec 2019	Deferred tax assets 31 Dec 2018	Deferred tax liabilities 31 Dec 2019	Deferred tax liabilities 31 Dec 2018
Deferred tax related to:				
Loans to the public	12.8	12.7	3.7	0.8
Retirement benefit assets/obligations	0.1	0.0	-	-
Netting between deferred tax assets and liabilities	-3.7	-0.8	-3.7	-0.8
Total	**9.2**	**11.9**	**0.0**	**0.0**

There were no unrecognised deferred tax assets in 2019 or 2018.

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

Note 11 Loans and impairment

EURm	31 Dec 2019	31 Dec 2018
Loans measured at fair value through profit and loss	-	-
Loans measured at amortised cost, not impaired (stage 1 and 2)	27 156.8	23,860.4
Impaired loans (stage 3)	240.9	193.6
- of which servicing	29.4	24.9
- of which non-servicing	211.5	168.7
Loans before allowances	**27,397.7**	**24,054.0**
-of which credit institutions	666.1	899.5
Allowances for impaired loans (stage 3)	-5.3	-16.2
- of which servicing	-0.9	-2.3
- of which non-servicing	-4.4	-13.9
Allowances for impaired loans (stage 1 and 2)	-6.4	-31.6
Allowances	**-11.7**	**-47.8**
-of which credit institutions	-	-
Loans, carrying amount	**27 386.0**	**24,006.2**
- of which Loans to credit institutions	666.1	899.5
- of which Loans to the public	26,719.9	23,106.7

Note 12 Derivatives and hedge accounting

31 Dec 2019, EURm	Fair value Positive	Negative	Total nominal amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	6.4	9.3	18,125.0
Options			
Total	6.4	9.3	18,125.0
Total derivatives held for trading	6.4	9.3	18,125.0
Derivatives used for hedge accounting			
Interest rate derivatives	612.8	189.7	32,117.6
Foreign exchange derivatives	29.2	-	116.2
Other derivatives	63.1	-	13,277.9
Total derivatives used for hedge accounting	**705.1**	**189.7**	**45,511.7**
- of which cash flow hedges	42.2	-	656.3
- of which fair value hedges	662.9	-	44,855.4
Total derivatives	**711.5**	**199.0**	**63,636.7**

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

31 Dec 2019, EURm	<3 months	3-12 months	1-5 years	Over 5 years
Cash inflows (assets)	-	-	-	-
Cash outflows (liabilities)	1,828.8	2,648.9	22,531.8	18,502.2
Net cash outflows	**1,828.8**	**2,648.9**	**22,531.8**	**18,502.2**

31 Dec 2018, EURm	Fair value Positive	Negative	Total nominal amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	-	1.1	11,680.0
Options	17.3	17.3	9,666.6
Total	**17.3**	**18.4**	**21,346.6**
Total derivatives held for trading	**17.3**	**18.4**	**21,346.6**
Derivatives used for hedge accounting			
Interest rate derivatives	465.6	107.2	27,899.6
Foreign exchange derivatives	27.0	-	116.2
Total derivatives used for hedge accounting	**492,6**	**107,2**	**28 015,8**
- of which cash flow hedges	22.6	-	676.2
- of which fair value hedges	470.0	107.2	27,339.6
Total derivatives	**509.9**	**125.6**	**49,362.4**

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

31 Dec 2018, EURm	<3 months	3-12 months	1-5 years	Over 5 years
Cash inflows (assets)	-	-	-	-
Cash outflows (liabilities)	1,749.0	3,029.3	14,689.4	8,548.2
Net cash outflows	**1,749.0**	**3,029.3**	**14,689.4**	**8,548.2**

Note 13 Property and equipment

NMB has only an insignificant amount of leased company cars. At year-end 2019 the book value was 4 thousand euros. During the year 2019 depreciations relating to the leased assets amounted to 17 thousand euros.

Note 14 Other assets

EURm	31 Dec 2019	31 Dec 2018
Other	2.6	37.8
Total	**2.6**	**37.8**

Note 15 Prepaid expenses and accrued income

EURm	31 Dec 2019	31 Dec 2018
Accrued interest income	13.8	13.2
Other accrued income[1]	29.6	18.8
Total	**43.4**	**32.0**

[1]Unsettled debt between Nordea Bank Abp and Nordea Mortgage Bank. Consists of customer's interest payments and amortisations.

Note 16 Deposits by credit institutions

EURm	31 Dec 2019	31 Dec 2018
Banks	11,560.4	7,667.6
Total	**11,560.4**	**7,667.6**

Note 17 Debt securities in issue

EURm	31 Dec 2019	31 Dec 2018
Covered bonds	16,111.7	16,760.5
Total	**16,111.7**	**16,760.5**

Note 18 Other liabilities

EURm	31 Dec 2019	31 Dec 2018
Accounts payable	-0.8	0.0
Dividends payable	89.8	-
Other	3.1	4.4
Total	**92.1**	**4.4**

Note 19 Accrued expenses and prepaid income

EURm	31 Dec 2019	31 Dec 2018
Accrued interest	4.8	-
Other accrued expenses	97.2	70.4
Prepaid income	66.8	63.8
Total	**168.8**	**134.2**

Note 20 Provisions

EURm	31 Dec 2019	31 Dec 2018
Guarantees/commitments	0.1	0.2
Total	**0.1**	**0.2**

Loan loss provisions for individually assessed guarantees and other commitments amounts to EUR 0.1m (0.2). For further information, see Note 2.

Note 21 Retirement benefit obligations

EURm	31 Dec 2019	31 Dec 2018
Defined benefit plans. Net	0.2	0.1
Total	**0.2**	**0.1**

NMB has both defined benefit plans and defined contribution plans. Defined benefit plans are arranged in Nordea Pension Foundation. IAS 19 ensures that the pension obligations net of plan assets backing these obligations are reflected on the company's balance sheet. The defined benefit plans are closed to new employees and instead. pensions for new employees are based on defined contribution (DCP) arrangements. Defined contribution plans are not reflected on the balance sheet except when earned pension rights have not yet been paid for.

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

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

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

IAS 19 pension calculations and assumptions
Calculations on defined benefit plans are performed by external liability calculators and are based on the actuarial assumptions.

Assumptions[1]	Finland
2019	
Discount rate[2]	0.60%
Salary increase	1.75%
Inflation	1.25%
Mortality	Gompertz
Increase in income base amount	1.70%
2018	
Discount rate[2]	1.58%
Salary increase	1.75%
Inflation	1.25%
Mortality	Gompertz
Increase in income base amount	1.70%

[1] The assumptions disclosed for 2019 had an impact on the liability calculation by year-end 2019, while the assumptions disclosed for 2018 were used for calculating the pension expense in 2019.

[2] More information on the discount rate can be found in Note 1. section 17. The sensitivities to changes in discount rate are provided in the table below.

Note 21 Retirement benefit obligations, cont.

Sensitivities - Impact on Defined Benefit Obligation (DBO) %	2019	2018
Discount rate - Increase 50bps	-11.0%	-10.6 %
Discount rate - Decrease 50bps	12.9%	12.3 %
Salary increase - Increase 50bps	3.8%	4.0 %
Salary increase - Decrease 50bps	-3.7%	-3.9 %
Inflation - Increase 50bps	11.2%	10.9 %
Inflation - Decrease 50bps	-9.8%	-9.7 %
Mortality - Increase 1 year	3.7%	3.2 %
Mortality - Decrease 1 year	-3.7%	-3.1 %

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach because the actuarial assumptions are usually correlated. However, it enables isolating 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.

Net retirement benefit liabilities/assets

EURm	31 Dec 2019	31 Dec 2018
Obligations	0.6	0.5
Plan assets	0.4	0.4
Net liability(-)/asset (+)	**-0.2**	**-0.1**
- of which retirement benefit liabilities	-0.2	-0.1
- of which retirement benefit assets	-	-

Movements in the obligation

EURm	2019	2018
Opening balance	0.5	0.2
Current service cost	0.0	0.0
Interest expense	0.0	0.0
Remeasurement from changes in financial assumptions	0.1	0.0
Remeasurement from changes experience adjustments	0.0	0.3
Closing balance	**0.6**	**0.5**

The average duration of the obligation is 24 years (22). The duration is based on discounted cash flows. The fact of the defined benefit plans being closed for new entrants gives a lower duration.

Movements in the fair value of plan assets

EURm	2019	2018
Opening balance	0.4	0.2
Interest income (calculated using the discount rate)	0.0	0.0
Refund from the Pension Foundation	0.0	-
Remeasurement (actual return less interest income)	0.0	0.2
Closing balance	**0.4**	**0.4**

Note 21 Retirement benefit obligations, cont.

Asset composition
The combined return on assets in 2019 was 3%. At the end of the year, the equity exposure in pension foundation represented 26% (27) of total assets.

Asset composition in funded schemes	31 Dec 2019	31 Dec 2018
Bonds	58%	54 %
- sovereign	29%	29 %
- covered bonds	9%	5 %
- corporate bonds	20%	20 %
- of which issued by Nordea entities	-	-
- with quoted market price in an active market	*58%*	*54 %*
Equity	26%	27 %
- domestic	8%	7 %
- European	6%	6 %
- US	6%	8 %
- emerging	6%	6 %
- of which Nordea shares	-	-
- with quoted market price in an active market	*26%*	*27 %*
Real Estate[1]	15%	15 %
- occupied by Nordea	5%	5 %
Cash and cash equivalents	1%	3 %

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

The company is not expected to pay contribution to its defined benefit plans in 2020.

Defined benefit pension cost
Only a minor pension cost related to defined benefit plans has been recognised in the income statement (as staff costs) in 2019. Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note 7).

Recognised in other comprehensive income, EURm	2019	2018
Remeasurement from changes in financial assumptions	0.1	0.0
Remeasurement from experience adjustments	0.0	0.3
Remeasurement of plan assets (actual return less interest income)	0.0	-0.2
Pension cost on defined benefit plans (expense+. income-)	**0.1**	**0.1**

Net retirement benefit asset//liability, EURm	2019	2018
Opening balance	0.1	0.0
Pension cost in the income statement	0.0	0.0
Remeasurements in other comprehensive income	0.1	0.1
Refund from the Pension Foundation	0.0	-
Closing balance	**0.2**	**0.1**

Key management personnel
As at 31 December 2019 four members of the Board of Directors of Nordea Mortgage Bank Plc were employed by Nordea Bank Abp and three members were external.

Information on salaries, loans and pension liabilities regarding the members of the Board and the Chief Executive Officer is presented in Note 7.

Note 22 Subordinated liabilities

EURm	31 Dec 2019	31 Dec 2018
Dated subordinated debenture loans	200.5	200.6
Total	**200.5**	**200.6**

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.

Issued by	Year of issue / maturity	Nominal value. EURm	Carrying amount. EURm	Interest rate (coupon)
Nordea Bank Abp[1]	2016/2026	200.0	200.5	Floating 3-month EURIBOR +1.42%

[1] Call date 1 October 2021

Note 23 Assets pledged as security for own liabilities

EURm	31 Dec 2019	31 Dec 2018
Assets pledged for own liabilities		
Loans to the public	21,943.2	19,759.8
Total	**21,943.2**	**19,759.8**
The above pledges pertain to the following liabilities		
Debt securities in issue	16,111.7	16,760.5
Total	**16,111.7**	**16,760.5**

Loans to the public amounting to EUR 21,943.2m (19,759.8) have been registered as collateral for issued Finnish covered bonds amounting to EUR 16,111.7m (16,760.5) In the event of the company's insolvency, the holders of these bonds have priority to the assets registered as collateral. Collaterals are valuated up to the first 70% of the market value of the property.

Note 24 Commitments

EURm	31 Dec 2019	31 Dec 2018
Loan commitments	334.4	196.8
Total	**334.4**	**196.8**

Note 25 Classification of financial instruments

31 Dec 2019, EURm	Amortised cost	Fair value through profit or loss: Mandatorily	Fair value through profit or loss: Derivatives used for hedging	Non-financial assets	Total
Assets					
Cash and balances with central banks	1,694.4	-	-	-	1,694.4
Loans to credit institutions	666.1	-	-	-	666.1
Loans to the public	26,719.9	-	-	-	26,719.9
Derivatives	-	6.4	705.1		711.5
Fair value changes of the hedged items in portfolio hedge of interest rate risk	174.5	-	-	-	174.5
Property and equipment	-	-	-	0.0	0.0
Deferred tax assets	-	-	-	9.2	9.2
Current tax assets	-	-	-	-	-
Other assets	-	-	-	2.6	2.6
Prepaid expenses and accrued income	13.8	-	-	29.6	43.4
Total	**29,268.7**	**6.4**	**705.1**	**41.4**	**30,021.6**

31 Dec 2019, EURm	Amortised cost	Fair value through profit or loss: Mandatorily	Fair value through profit or loss: Derivatives used for hedging	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions	11,560.4	-	-	-	11,560.4
Debt securities in issue	16,111.7	-	-	-	16,111.7
Derivatives	-	9.3	189.7	-	199.0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	544.8	-	-	-	544.8
Current tax liabilities	-	-	-	9.4	9.4
Other liabilities	-0.8	-	-	92.9	92.1
Accrued expenses and prepaid income	71.6	-	-	97.2	168.8
Provisions	-	-	-	0.1	0.1
Retirement benefit liabilities	-	-	-	0.2	0.2
Subordinated liabilities	200.5	-	-	-	200.5
Total	**28,488.2**	**9.3**	**189.7**	**199.8**	**28,887.0**

Note 25 Classification of financial instruments, cont.

31 Dec 2018, EURm	Amortised Cost	Fair value through profit or loss Mandatorily	Derivatives used for hedging	Non-financial assets	Total
Assets					
Cash and balances with central banks	1,696.4	-	-	-	1,696.4
Loans to credit institutions	899.5	-	-	-	899.5
Loans to the public	23,106.7	-	-	-	23,106.7
Derivatives	-	17.3	492.6	-	509.9
Fair value changes of the hedged items in portfolio hedge of interest rate risk	93.2	-	-	-	93.2
Deferred tax assets	-	-	-	11.9	11.9
Current tax assets	-	-	-	4.3	4.3
Other assets	-	-	-	37.8	37.8
Prepaid expenses and accrued income	13.2	-	-	18.8	32.0
Total	**25,809.0**	**17.3**	**492.6**	**72.8**	**26,391.7**

31 Dec 2018, EURm	Amortised cost	Fair value through profit or loss Mandatorily	Derivatives used for hedging	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions	7,667.6	-	-	-	7,667.6
Debt securities in issue	16,760.5	-	-	-	16,760.5
Derivatives	-	18.4	107.2		125.6
Fair value changes of the hedged items in portfolio hedge of interest rate risk	320.7	-	-	-	320.7
Other liabilities	0.0	-	-	4.4	4.4
Accrued expenses and prepaid income	63.8	-	-	70.4	134.2
Provisions	-	-	-	0.2	0.2
Retirement benefit liabilities	-	-	-	0.1	0.1
Subordinated liabilities	200.6	-	-	-	200.6
Total	**25,013.1**	**18.4**	**107.2**	**75.0**	**25,213.9**

Note 26 Assets and liabilities at fair value

Fair value of financial assets and liabilities

EURm	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value	31 Dec 2018 Carrying amount	31 Dec 2018 Fair value
Financial assets				
Cash and balances with central banks	1,694.4	1,694.4	1,696.4	1,696.4
Loans	27,560.5	28,499.2	24,099.4	24,635.8
Derivatives	711.5	711.5	509.9	509.9
Prepaid expenses and accrued income	13.8	13.8	13.2	13.2
Total financial assets	**29,980.2**	**30,918.9**	**26,318.9**	**26,855.3**
Financial liabilities				
Deposits and debt instruments	28,417.4	28,541.9	24,949.4	25,087.4
Derivatives	199.0	199.0	125.6	125.6
Other liabilities	-0.8	-0.8	0.0	0.0
Accrued expenses and prepaid income	71.6	71.6	63.8	63.8
Total financial liabilities	**28,687.2**	**28,811.7**	**25,138.8**	**25,276.8**

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

Note 26 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 2019, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Derivatives	-	711.5	-	711.5
Total	**-**	**711.5**	**-**	**711.5**
Liabilities at fair value on the balance sheet[1]	-		-	
Derivatives	-	199.0	-	199.0
Total	**-**	**199.0**	**-**	**199.0**

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

31 Dec 2018, EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Derivatives	-	509.9	-	509.9
Total	**-**	**509.9**	**-**	**509.9**
Liabilities at fair value on the balance sheet[1]				
Derivatives	-	125.6	-	125.6
Total	**-**	**125.6**	**-**	**125.6**

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

Determination of fair values for items measured at fair value on the balance sheet
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. NMB does not have any Level 1 instruments.

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 and other instruments where active markets supply the input to the valuation techniques or models.

Note 26 Assets and liabilities at fair value, cont.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. NMB does not have any Level 3 instruments.

All valuation models, both complex and simple models, make use of market prices and inputs. These markets prices and inputs comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies the interest rates are all observable, and the implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations are may also be 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.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by 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 that do not have a liquid CDS, PDs are estimated using a cross sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating region and industry.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). In addition, Nordea applies in its fair value measurement close-out-cost valuation adjustments and model risk adjustments for identified model deficiencies.

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

31 Dec 2019, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	1,694.4	1,694.4	3
Loans	27,560.5	28,499.2	3
Prepaid expenses and accrued income	13.8	13.8	3
Total	**29,268.7**	**30,207.4**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	28,417.4	28,541.9	3
Other liabilities	-0.8	-0.8	3
Accrued expenses and prepaid income	71.6	71.6	3
Total	**28,488.2**	**28,612.7**	

Note 26 Assets and liabilities at fair value, cont.

31 Dec 2018, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	1,696.4	1,696.4	3
Loans	24,099.4	24,635.8	3
Prepaid expenses and accrued income	13.2	13.2	3
Total	**25,809.0**	**26,345.4**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	24,949.4	25,087.4	3
Other liabilities	0.0	0.0	3
Accrued expenses and prepaid income	63.8	63.8	3
Total	**25,013.2**	**25,151.2**	

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

Loans
The fair value of "Loans to 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.

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

Prepaid expenses and accrued income
The balance sheet items "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", "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 the corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as a difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long-term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

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

Note 27 Financial instruments set off on balance or subject to netting agreements

31 Dec 2019, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	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	711.5	-	711.5	-96.7	-	-	614.7
Total	**711.5**	**-**	**711.5**	**-96.7**	**-**	**-**	**614.7**

31 Dec 2019, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet	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	199.0	-	199.0	-96.7	-	-	102.3
Total	**199.0**	**-**	**199.0**	**-96.7**	**-**	**-**	**102.3**

[1] All amounts are measured at fair value.

31 Dec 2018, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	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	509.9	-	509.9	-27.6	-	-	482.2
Total	**509.9**	**-**	**509.9**	**-27.6**	**-**	**-**	**482.2**

31 Dec 2018, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet	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	125.6	-	125.6	-27.6	-	-	97.9
Total	**125.6**	**-**	**125.6**	**-27.6**	**-**	**-**	**97.9**

[1] All amounts are measured at fair value.

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

Note 28 Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2019 Expected to be recovered or settled:			31 Dec 2018 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		1,694.4	-	1,694.4	1,696.4	-	1,696.4
Loans to credit institutions	11	106.1	560.0	666.1	899.5	-	899.5
Loans to the public	11	403.5	26,316.4	26,719.9	235.0	22,871.7	23,106.7
Derivatives	12	28.0	683.5	711.5	49.4	460.5	509.9
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0.9	173.6	174.5	0.2	93.0	93.2
Property and equipment	13	-	0.0	0.0	-	-	0.0
Deferred tax assets	10	-	9.2	9.2	11.9	-	11.9
Current tax assets		-	-	-	4.3	-	4.3
Other assets	14	2.6	-	2.6	37.8	-	37.8
Prepaid expenses and accrued income	15	43.4	-	43.4	32.0	-	32.0
Total assets		**2 278,9**	**27 742,7**	**30,021.6**	**2,966.5**	**23,425.2**	**26,391.7**
Deposits by credit institutions	16	-	11,560.4	11,560.4	-	7,667.6	7,667.6
Debt securities in issue	17	2,429.9	13,681.8	16,111.7	3,152.0	13,608.5	16,760.5
Derivatives	12	12.3	186.7	199.0	21.3	104.3	125.6
Fair value changes of the hedged items in portfolio hedge of interest rate risk		47.3	497.5	544.8	15.2	305.5	320.7
Current tax liabilities		9.4	-	9.4	-	-	-
Other liabilities	18	92.1	-	92.1	4.4	-	4.4
Accrued expenses and prepaid income	19	168.7	0.1	168.8	134.2	-	134.2
Provisions	20	0.0	0.1	0.1	0.0	0.2	0.2
Retirement benefit liabilities	21	-	0.2	0.2	0.1	-	0.1
Subordinated liabilities	22	-	200.5	200.5	-	200.6	200.6
Total liabilities		**2,759.7**	**26,127.3**	**28,887.0**	**3,327.2**	**21,886.7**	**25,213.9**

Contractual undiscounted cash flows

31 Dec 2019, EURm	On Demand	0-3 months	3-12 Months	1-5 years	>5 Years	**Total**
Interest bearing financial assets	1,800.5	597.0	1,895.7	8,773.9	19,128.6	**32,195.7**
Non-interest-bearing assets	-	-	-	-	188.3	**188.3**
Non-financial assets	-	-	-	-	41.5	**41.5**
Total assets	**1,800.5**	**597.0**	**1,895.7**	**8,773.9**	**19,358.4**	**32,425.5**
Interest bearing financial liabilities	-	1,384.6	1,178.2	19,159.9	6,837.0	**28,559.7**
Non-interest-bearing liabilities	-	-	4.0	-	611.5	**615.5**
Non-financial liabilities and equity	97.0	93.1	9.8	-	1,134.6	**1,334.5**
Total liabilities and equity	**97.0**	**1,477.7**	**1,192.0**	**19,159.9**	**8,583.1**	**30,509.7**
Derivatives. cash inflow	-	78.7	-6.6	480.4	177.0	**729.5**
Derivatives. cash outflow	-	-8.0	-33.7	253.8	97.8	**309.9**
Net exposure	**-**	**86.7**	**27.1**	**226.6**	**79.2**	**419.6**
Exposure	**1,703.5**	**-794.0**	**730.8**	**-10,159.4**	**10,854.5**	**2,335.4**
Cumulative exposure	**1,703.5**	**909.5**	**1,640.3**	**-8,519.1**	**2,335.4**	

Note 28 Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2018, EURm	On Demand	0-3 months	3-12 Months	1-5 years	>5 Years	**Total**
Interest bearing financial assets	2,035.9	516.7	1,645.1	8,141.8	17,366.6	**29,706.1**
Non-interest-bearing assets	-	-	-	-	106.4	**106.4**
Non-financial assets	-	-	-	-	72.8	**72.8**
Total assets	**2,035.9**	**516.7**	**1,645.1**	**8,141.8**	**17,545.9**	**29,885.3**
Interest bearing financial liabilities	-	1,633.2	1,696.8	16,633.9	5,546.8	**25,510.7**
Non-interest bearing liabilities	-	-	-	-	384.5	**384.5**
Non-financial liabilities and equity	-	-	-	-	1,253.0	**1,253.0**
Total liabilities and equity	**-**	**1,633.2**	**1,696.8**	**16,633.9**	**7,184.3**	**27,148.2**
Derivatives. cash inflow	-	98.3	56.8	543.8	224.3	**923.3**
Derivatives. cash outflow	-	3.3	-1.7	320.1	245.8	**567.5**
Net exposure	**-**	**95.0**	**58.5**	**223.7**	**-21.5**	**355.8**
Exposure	**2,035.9**	**-1,021.5**	**6.8**	**-8,268.4**	**10,340.2**	**3,093.0**
Cumulative exposure	**2,035.9**	**1,014.4**	**1,021.2**	**-7,247.2**	**3,093.0**	

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. NMB has credit commitments amounting to EUR 334.4m (196.7). which could be drawn on at any time.

Note 29 Related-party transactions

EURm	Group undertakings 31 Dec 2019	Group undertakings 31 Dec 2018
Assets		
Loans	663.3	899.5
Derivatives	712.1	511.3
Prepaid expenses and accrued income	29.9	19.1
Total assets	**1,405.3**	**1,430.0**
Liabilities		
Deposits	11,560.4	7 667.6
Debt securities in issue	0.1	20.7
Derivatives	200.2	109.9
Subordinated liabilities	200.5	200.6
Other liabilities	2.4	-28.3
Accrued expenses and deferred income	167.8	132.4
Total liabilities	**12,131.4**	**8,102.9**
Off balance[1]	**334.4**	**196.8**

[1] Excluding nominal values on derivatives.

Income statement

EURm	2019	2018
Net interest income	138.4	184.4
Net fee and commission income	-16.5	-17.0
Net result from items at fair value	139.5	-5.6
Total operating expenses	-67.2	-44.3
Profit before loan losses	**194.2**	**117.5**

Compensations and loans to Key management personnel are specified in Note 7.

The proposal of the Board of Directors to the Annual General Meeting

The distributable funds on 31 December 2019 before anticipated dividend were EUR 959,812,938.78 of which the profit for the year was EUR 119,702,988,96. The Board of Directors proposes that a dividend of EUR 89,777,242.72 equivalent to the anticipated dividend will be paid, corresponding to 75 percent of the year-end profits, whereafter the distributable funds will be EUR 870,035,696.06 of which the distributable earnings are 70,035,696.06.

No material changes have taken place in the financial position of the Company since the end of the financial period and the proposed dividend does not compromise the Company’s solvency.

Signatures of the Directors’ report and of the Financial Statements:

Helsinki, 17 February 2020

Sara Mella	Marte Kopperstad
Kaj Blomster	Hanna-Maria Heikkinen
Erja Ketko	Ola Littorin
Timo Nyman	Jussi Pajala Chief Executive Officer

The Auditor's Note

A report on the audit has been has been issued today.

Helsinki, 19 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of Nordea Mortgage Bank Plc

Report on the Audit of the Financial Statements

Opinion
In our opinion the financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, give a true and fair view of the company's financial position, financial performance and cash flows and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited
We have audited the financial statements of Nordea Mortgage Bank Plc (business identity code 2743219-6) for the year ended 31 December 2019. The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

Basis for Opinion
We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 8. Other expenses/Auditor's fees to the Financial Statements.

Our Audit Approach

Overview

- Overall materiality: € 70 million, which represents 0.24 % of total assets

- Key audit matters:
  - Impairment of loans to customers
  - Valuation of certain Level II financial instruments held at fair value
  - IT systems supporting processes over financial reporting

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall materiality	€ 70 million (previous year € 79 million)
How we determined it	0.24 % of total assets
Specific materiality	€ 7.7 million (previous year 7 million)
How we determined it	5 % of profit before tax
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, key driver of the business and determinants of the mortgage bank's profit potential are best reflected in the balance sheet. A number of key performance indicators of the bank are driven by income statement items; therefore, we have applied a specific materiality to all income statement items after Net interest income. The benchmarks determined are within the range of acceptable quantitative materiality thresholds in auditing standards.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the company	How our audit addressed the key audit matter
Impairment of loans to customers *Refer to the Note 1 Accounting policies (Critical judgements and estimation uncertainty). Note 9 Net loan losses and Note 11 Loans and impairment to the financial statements* A high level of judgement is involved in determining the appropriate impairment loss to be recognised. Expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss.	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. We obtained an understanding of the loan origination process, credit risk management and the impairment allowances for loans and advances to customers. For ECL models, we involved our modelling specialists to assess the methodology, challenge the underlying assumptions and to independently reperform the calculation for a sample of loans.

Key audit matter in the audit of the company	How our audit addressed the key audit matter
IFRS 9 categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated.	
Valuation of certain Level II financial instruments held at fair value *Refer to the Note 1 Accounting policies (Critical judgements and estimation uncertainty), Note 12 Derivatives and hedge accounting, Note 25 Classification of financial instruments and Note 26 Assets and liabilities at fair value to the financial statements.* Given the ongoing volatility and macro-economic uncertainty, valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II financial instruments utilises observable inputs for recurring fair value measurements. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Disclosures of financial instruments.	We assessed and tested the design and operating effectiveness of the controls over: • The identification, measurement and oversight of valuation of financial instruments • Fair value hierarchy, fair value adjustments and independent price verification • Model control and governance. We examined the Company's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Company's governance and reporting processes and controls. We performed an independent valuation of a sample of positions. In respect of fair value adjustments for derivatives, we assessed the methodology applied.
IT systems supporting processes over financial reporting The Company'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 properly, and they operate effectively.	We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to program and data as well as program development and changes. For logical access to program and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT-systems.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements
The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment
Our appointment represents a total period of uninterrupted engagement of 4 years.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 19 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

ANNEX 2 — AUDITED FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2018, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO

Nordea Mortgage Bank Plc

Financial statements

Income statement

EURm	Note	2018	2017
Operating income			
Interest income	3	269.3	257.2
Interest expense	3	-55.2	-65.1
Net interest income	3	**214.1**	**192.1**
Fee and commission income	4	7.8	5.1
Fee and commission expense	4	-17.3	-16.1
Net fee and commission income	4	**-9.5**	**-11.0**
Net result from items at fair value	5	-1.8	-2.4
Other operating income		0.0	0.0
Total operating income		**202.8**	**178.7**
Operating expenses			
General administrative expenses:			
Staff costs	6	-1.9	-1.9
Other expenses	7	-46.5	-45.9
Total operating expenses		**-48.4**	**-47.8**
Profit before loan losses		**154.4**	**130.9**
Net loan losses	8	-11.4	0.7
Operating profit		**143.0**	**131.6**
Income tax expense	9	-29.6	-26.3
Net profit for the year		**-113.4**	**105.3**
Attributable to:			
Shareholders of Nordea Mortgage Bank Plc		113.4	105.3
Non-controlling interests		-	-
Total		**113.4**	**105.3**

Statement of comprehensive income

EURm	2018	2017
Net profit for the year	**113.4**	**105.3**
Items that may be reclassified subsequently to the income statement		
Cash flow hedges:		
- Valuation gains/losses during the year	15.7	-4.1
- Tax on valuation gains/losses during the year	-3.1	0.8
- Transferred to the Income statement during the year	-7.8	-
- Tax on transfers to the income statement during the year	1.6	-
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
- Remeasurement of defined benefit plans during the year	0.0	0.0
- Tax on remeasurement of defined benefit plans during the year	0.0	0.0
Other comprehensive income, net of tax	**6.3**	**-3.3**
Total comprehensive income	**119.7**	**102.0**
Attributable to:		
Shareholders of Nordea Mortgage Bank Plc	119.7	102.0
Non-controlling interests	-	-
Total	**119.7**	**102.0**

Balance sheet

EURm	Note	31 Dec 2017	31 Dec 2017
Assets			
Cash and balances with central banks		1,696.4	198.2
Loans to credit institutions	10	899.5	647.6
Loans to the public	10	23,106.7	23,530.1
Derivatives	11	509.9	535.4
Fair value changes of the hedged items in portfolio hedge of interest rate risk		93.2	82.3
Deferred tax assets	9	11.9	14.1
Current tax assets	9	4.3	0.6
Other assets	12	37.8	-
Prepaid expenses and accrued income	13	32.0	16.9
Total assets		**26,391.7**	**25,025.2**
Liabilities			
Deposits by credit institutions	14	7,667.6	7,557.6
Debt securities in issue	15	16,760.5	15,469.6
Derivatives	11	125.6	160.2
Fair value changes of the hedged items in portfolio hedge of interest rate risk		320.7	326.1
Other liabilities	16	4.4	70.0
Accrued expenses and prepaid income	17	134.2	60.7
Provisions	18	0.2	-
Retirement benefit liabilities	19	0.1	0.0
Subordinated liabilities	20	200.6	200.5
Total liabilities		**25,213.9**	**23,844.7**
Equity			
Share capital		250.0	250.0
Other reserves		803.2	796.9
Retained earnings		124.6	133.6
Total equity		**1,177.8**	**1,180.5**
Total liabilities and equity		**26,391.7**	**25,025.2**
Assets pledged as security for own liabilities	21	19,759.8	20,562.5
Credit commitments	22	196.8	209.6

Other notes

Note 1	Accounting policies
Note 2	Segment reporting
Note 23	Classification of financial instruments
Note 24	Assets and liabilities at fair value
Note 25	Financial instruments set off on balance or subject to netting agreements
Note 26	Maturity analysis for assets and liabilities
Note 27	Related-party transactions
Note 28	Credit risk disclosures
Note 29	IFRS 16

Statement of changes in equity

EURm	Share capital[1]	Cash flow hedges	Other reserves	Defined benefit plans	Retained earnings	**Total equity**
	Attributable to the shareholders of Nordea Mortgage Bank Plc					
		Other reserves				
Balance at 1 Jan 2018	**250.0**	**-3.1**	**800.0**	**0.0**	**133.6**	**1,180.5**
Effect from changed accounting policies, net of tax	-	-	-	-	-20.4	-20.4
Restated opening balance	**250.0**	**-3.1**	**800.0**	**0.0**	**113.2**	**1,160.1**
Net profit for the year	-	-	-	-	113.4	113.4
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:						
- Valuation gains/losses during the year	-	15.7	-	-	-	15.7
- Tax on valuation gains/losses during the year		-3.1		-	-	-3.1
- Transferred to the income statement during the year		-7.8		-	-	-7.8
- Tax on transfers to the income statement during the year	-	1.6	-	-	-	1.6
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
- Remeasurement of defined benefit plans during the year	-	-	-	0.0	-	0.0
- Tax on remeasurement of defined benefit plans during the year	-	-	-	0.0	-	0.0
Other comprehensive income, net of tax	-	6.3	-	0.0	-	6.3
Total comprehensive income	-	6.3	-	-	113.4	119.7
Dividend for 2018	-	-	-	-	-102.0	-102.0
Balance at 31 Dec 2018	**250.0**	**3.2**	**800.0**	**0.0**	**124.6**	**1,177.8**

EURm	Share capital[1]	Cash flow hedges	Other reserves	Defined benefit plans	Retained earnings	**Total equity**
	Attributable to the shareholders of Nordea Mortgage Bank Plc					
		Other reserves				
Balance at 1 Jan 2017	**250.0**	**0.2**	**800.0**	**0.0**	**28.3**	**1,078.5**
Net profit for the year	-	-	-	-	105.3	105.3
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:						
- Valuation gains/losses during the year	-	-4.1	-	-	-	-4.1
- Tax on valuation gains/losses during the year	-	0.8	-	-	-	0.8
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
- Remeasurement of defined benefit plans during the year	-	-	-	0.0	-	0.0
- Tax on remeasurement of defined benefit plans during the year	-	-	-	0.0	-	0.0
Other comprehensive income, net of tax	-	-3.3	-	0.0	-	-3.3
Total comprehensive income	-	-3.3	-	0.0	105.3	102.0
Balance at 31 Dec 2017	**250.0**	**-3.1**	**800.0**	**0.0**	**133.6**	**1,180.5**

[1] Total shares registered were 257.7 million. All the shares in Nordea Mortgage Bank Plc are held by Nordea Bank Abp. Pursuant to the Articles of Association the Bank's minimum share capital is EUR 5m and maximum share capital EUR 500m.

No decision was made during the financial year to issue equity warrants or convertible bonds entitling to subscription of shares in the NMB. At the end of 2018, NMB held no authorisations given by the General Meeting for issuance or buybacks of shares, equity warrants or convertible bonds.

Cash flow statement

EURm	2018	2017
Operating activities		
Operating profit	143.0	131.6
Adjustments for items not included in cash flow	57.7	55.3
Income taxes paid	-32.8	-32.9
Cash flow from operating activities before changes in operating assets and liabilities	**167.9**	**154.0**
Changes in operating assets		
Change in loans to credit institutions	0.0	-560.0
Change in loans to the public	411.9	383.0
Change in derivatives, net	-11.5	42.1
Change in other assets	-37.7	0,0
Changes in operating liabilities		
Change in deposits by credit institutions	110.0	357.6
Change in debt securities in issue	1,290.9	-851.5
Change in other liabilities	-65.3	69.7
Cash flow from operating activities	**1,866.2**	**-405.2**
Financing activities		
Issued subordinated liabilities	0.0	0.0
Dividend paid	-102.0	0,0
Other changes	-14.1	-3.3
Cash flow from financing activities	**-116.1**	**-3.3**
Cash flow for the year	**1,750.1**	**-408.5**
Cash and cash equivalents at the beginning of year	285.8	694.2
Cash and cash equivalents at the end of year	2,035.9	285.8
Change	**1,750.1**	**-408.5**

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 Mortgage Bank'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 and financing activities.

Operating activities

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

EURm	2018	2017
Loan losses	11.4	-0.7
Unrealised gains/losses	2.4	245.0
Change in accruals and provisions	60.1	51.8
Other	-16.4	-240.9
Total	**57.7**	**55.3**

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

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

EURm	2018	2017
Interest payments received	276.3	256.0
Interest expenses paid	-55.2	-68.0

Cash flow statement, cont.

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2018	31 Dec 2017
Cash and balances with central banks	1,696.4	198.2
Loans to credit institutions, payable on demand	339.5	87.6
	2,035.9	**285.8**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;
- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1 Accounting policies

1. Basis for presentation

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

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

On 25 February 2019 NMB's Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 7 March 2019.

Nordea's accounting policies, basis for calculations and presentations are unchanged in comparison with the Annual Report 2017, except from changed accounting policies and presentation described below in the section "Changed accounting policies and presentation".

The comparable figures for 2017 are presented in accordance with IAS 39, for more information see Note 1 in the Annual Report 2017.

2. Changed accounting policies and presentation

The new accounting requirements implemented during 2018 and their impact on Nordea Group's financial statements are described below.

IFRS 9 "Financial instruments"

The new standard IFRS 9 "Financial instruments" covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. The classification, measurement and impairment requirements in IFRS 9 were implemented by Nordea Group as from 1 January 2018. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 8).

The total negative impact on NMB's equity from IFRS 9 amounted to EUR -20.4m after tax and was recognised as an opening balance adjustment 1 January 2018. For more information about the IFRS 9 transition impact on 1 January 2018, see below. NMB has not restated the comparative figures for 2017.

Classification and measurement

The classification and measurement requirements in IFRS 9 state that financial assets should be classified as, and measured at, amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea Group 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 Group has taken the current business area structure into account. When determining the business model for each portfolio the Group has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea Group has analysed whether the cash flows from the financial assets held per 31 December 2017 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group. For contacts signed after 1 January 2018 only restructured contracts are allowed to have SPPI non-compliant features and for restructured contracts the SPPI analysis is performed for each contact separately.

The new classification and measurement requirements in IFRS 9 have resulted in NMB in the following classification of assets and liabilities at transition per 1 January 2018:

Classification of assets and liabilities under IFRS 9

Assets		Fair value through profit or loss (FVPL)			
1 Jan 2018, EURm	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial assets	Total
Cash and balances with central banks	198.2				198.2
Loans to credit institutions	647.6				647.6
Loans to the public	23,504.7				23,504.7
Derivatives		13.8	521.6		535.4
Fair value changes of the hedged item in portfolio hedge of interest rate risk	82.3				82.3
Deferred tax assets				19.2	19.2
Current tax assets				0.6	0.6
Prepaid expenses and accrued income	16.9				16.9
Total assets	**24,449.7**	**13.8**	**521.6**	**19.8**	**25,004.9**

Liabilities		Fair value through profit or loss (FVPL)			
1 Jan 2018, EURm	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial liabilities	Total
Deposit by credit institutions	7,557.6				7,557.6
Deposits and borrowings from the public	15,469.6				15,469.6
Derivatives		15.2	145.0		160.2
Fair value changes of the hedged items in portfolio hedge of interest rate risk				326.1	326.1
Other liabilities				70.0	70.0
Accrued expenses and prepaid income	50.9			9.8	60.7
Provisions				0.1	0.1
Retirement benefit liabilities				0.0	0.0
Subordinated liabilities	200.5				200.5
Total liabilities	**23,278.6**	**15.2**	**145.0**	**406.0**	**23,844.8**

The new classification and measurement requirements in IFRS 9 have resulted in NMB in the following reclassification and remeasurement of assets and liabilities at transition per 1 January 2018:

Reclassification of assets and liabilities at transition

		Fair value through profit or loss (FVPL)			
Assets, EURm	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial assets	Total
Balance at 31 Dec 2017 under IAS 39	**24,475.1**	**13.8**	**521.6**	**14.7**	**25,025.2**
Remeasurement under IFRS 9[1]	-25.4	-	-	5.1	-20.3
Balance at 1 Jan 2018 under IFRS 9	**24,449.7**	**13.8**	**521.6**	**19.8**	**25,004.9**

		Fair value through profit or loss (FVPL)			
Liabilities, EURm	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial liabilities	Total
Balance at 31 Dec 2017 under IAS 39	**23,278.6**	**15.2**	**145.0**	**405.9**	**23,844.7**
Remeasurement under IFRS 9[2]	-	-	-	0.1	0.1
Balance at 1 Jan 2018 under IFRS 9	**23,278.6**	**15.2**	**145.0**	**406.0**	**23,844.8**

[1] Amortised cost (AC) consists of remeasurement of collective and individual provisions of EUR 25.4m. Non-financial assets consist of deferred tax assets of EUR 5.1m.
[2] Increase in provisions for off-balance sheet items of EUR 0.1m.

Impact on equity
The total impact on equity from IFRS 9 at transition amounts to EUR -20.4m.

Reclassification of provisions at transition

EURm	Loans & receivables	Amortised cost (AC)	Off balance	Total
Balance at 31 Dec 2017 under IAS 39	**11.1**	**-**	**-**	**11.1**
Reclassification to AC	-11.1	11.1	-	0.0
Remeasurement under IFRS 9, collective provisions	-	25.4	0.1	25.5
Balance at 1 Jan 2018 under IFRS 9	**-**	**36.5**	**0.1**	**36.6**

Exposures measured at amortised cost, before allowances

	%
Stage 1	92.2
Stage 2	7.2
Stage 3	0.6
Total	**100.0**

Allowances for credit losses

EURm	Stage 1	Stage 2	Stage 3	Total
Loans to the public	5.8	20.7	10.0	36.5
Off balance	0.1	0.0	-	0.1
Total	**5.9**	**20.7**	**10.0**	**36.6**

The new requirements have not had any significant impact on the capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application.

Impairment

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than in IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Under IAS 39 Nordea did not calculate collective provisions for off balance sheet exposures or the financial instruments classified into the measurement category Financial assets at fair value through other comprehensive income.

The assets to test for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 will have individually calculated provisions, while for insignificant assets the assessment is based on a statistical model. In stage 1, the provisions equal the 12 months expected loss. In stage 2 and 3, the provisions equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. For assets held at transition, Nordea has decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets recognised after transition, changes to the lifetime Probability of Default (PD) are used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2.

Nordea Group’s model for calculating collective provisions under IAS 39 defined a loss event as one notch deterioration in rating/scoring, while the triggering event for moving items from stage 1 to stage 2 under IFRS 9 requires several notches deterioration.

The provisions under IFRS 9 are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 is based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, NMB earlier, under IAS 39, held provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called “Emergence period”, while IFRS 9 requires provisions equal to the lifetime expected loss.

When calculating expected losses under IFRS 9, including the staging assessment, the calculation is based on probability weighted forward looking information. The Group has decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as a provision.

The quantitative impact from the new impairment requirements on total allowances and provisions for on- and off-balance exposures was an increase of EUR 25.5m in NMB. Equity was reduced by EUR 20.4m. The impact on the Common Equity Tier 1 capital ratio, after adjustment of the shortfall deduction and before transition rules, was insignificant. NMB has not applied the transitional rules issued by the EU allowing a phase in of the impact on common equity tier-1 capital. There was no material impact to large exposures. The impact on provisions is disclosed in the table above.

Impairment calculations under IFRS 9 requires more experienced credit judgement by the reporting entities than was required by IAS 39 and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management’s view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward-looking scenarios.

Hedge accounting
The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 10). If Nordea instead had elected to apply the new hedge accounting requirement in IFRS 9 that would not have resulted in any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures. The reason is that Nordea generally uses macro (portfolio) hedge accounting.

IFRS 15 "Revenue from Contracts with Customers"
The new standard IFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The standard does not apply to financial instruments, insurance contracts or lease contracts.

The new standard had no impact on NMB's revenue recognition. IFRS 15 had consequently no significant impact on NMB's financial statements, capital adequacy or large exposures in the period of initial application.

IAS 1 "Presentation of Financial Statements"
As a result of IFRS 9, IASB have amended IAS 1 "Presentation of Financial Statements". These amendments were implemented by Nordea as from 1 January 2018.

As a result of the amendments in IAS 1, Nordea presents interest income on two rows in the income statement, Interest income calculated using the effective interest rate method and Other interest income. On the row Interest income calculated using the effective interest method, Nordea presents interest income from financial assets measured at amortised cost and at fair value through other comprehensive income. This line item also includes the net paid or received interest on hedging instruments relating to these assets. All other interest income is presented on the income statement row Other interest income.

NMB has only Interest income calculated using the effective interest rate method.

Other amended requirements
The following new and amended standards and interpretations were implemented by Nordea 1 January 2018 but have not had any significant impact on the financial statements of Nordea:

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts
- Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions
- Amendments to IAS40: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle.

3. Changes in IFRSs not yet applied

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contributions of assets between an investor and its associated undertaking or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU-commission. Nordea Group does not currently intend to early adopt the amendments. The new requirements are not expected to have any impact on Nordea Group's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea Group's current accounting policies.

IFRS 16 "Leases"
The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The standard was endorsed by the EU-commission in 2017.

The main impact on Nordea's financial statements will come from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than today. NMB has only an insignificant amount of leasing contracts regarding cars. The right of use asset, that will be presented as "Properties and equipment" in the balance sheet is insignificant. Respectively, the increase of total assets is minor considering also a reclassification of already existing prepaid lease expenses. Impact on the income statement and equity is also insignificant, although the presentation will change in the income statement. See Note 29 "IFRS 16" for more information on the impact from IFRS 16.

Other changes in IFRS

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

- Amendments to IFRS 9: "Prepayment Features with Negative Compensation"
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of business
- Amendments to IAS 1 and IAS 8: Definitions of Material.

4. Critical judgements and estimation uncertainty

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

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

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the 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 Group's accounting policy for determining the fair value of financial instruments is described in section 9 "Determination of fair value of financial instruments" and Note 24 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea Group's accounting and valuation policies.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note 24 "Assets and liabilities at fair value".

Impairment testing of loans to the public/credit institutions

Nordea Group's accounting policy for impairment testing of loans is described in section 12 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. For more information, see Note 10 "Loans and impairment".

When calculating allowances for individually significant impaired loans, judgement is exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, including the valuation of any collateral received. Judgement is also applied when assigning the likelihood of the different scenarios occurring.

Judgement is exercised to assess when an exposure has experienced a significant increase in credit risk. If this is the case, the provision should reflect the lifetime expected losses, as opposed to a 12-month expected loss for exposures not having increased significantly in credit risk. Judgement is also exercised in the choice of modelling approaches covering other parameters used when calculating the expected losses, such as the expected lifetime used in stage 2, as well as in the assessment of whether the parameters based on historical experience are relevant for estimating future losses.

The statistical model used to calculate provisions are based on macro-economic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of to what extent the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses.

Effectiveness testing of cash flow hedges

Nordea Group's accounting policies for cash flow hedges are described in section 8 "Hedge accounting".

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

Where Nordea Group 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 Group's accounting policy for post-employment benefits is described in section 14 "Employee benefits".

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

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Finland the discount rate is determined with reference to high-quality corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note 19 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions.

5. Recognition of operating income and impairment

Net interest income

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

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

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 NMB's funding, where such components are classified as "Net interest income".

Net fee and commission income

NMB 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. Fee income is recognised either when or as performance obligations are satisfied.

Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time. The amount of loan syndication fees, as well as other transaction-based fees, received are recognised at a point when the performance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received on bilateral transactions are generally amortised as part of the effective interest of the financial instruments recognised.

Expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission expense" respectively.

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

Net result from items at fair value
Realised and unrealised gains and losses on financial instruments 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:

- Interest-bearing securities and other interest-related instruments
- Foreign exchange gains/losses
- Other financial instruments.

The ineffective portion of cash flow hedges is recognised in "Net result from items at fair value".

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

"Net result from items at fair value" includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss. Impairment losses from instruments within other categories are recognised in the item "Net loan losses".

Net loan losses
Impairment losses from financial assets classified into the category Amortised cost (see section 11 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions", "Loans to the public" and Interest-bearing securities" on the balance sheet, are reported as "Net loan losses". Losses are reported net of any collateral and other credit enhancements. NMB's accounting policies for the calculation of impairment losses on loans can be found in section 12 "Loans to the public/credit institutions".

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, are reported under "Net result from items at fair value".

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

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (and an asset or a liability is recognised as "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

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

Loans where cash flows are modified or part of a restructuring are derecognised, and a new loan recognised, if the terms and conditions of the new loan is substantially different from the old loan. This is normally the case if the present value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when NMB performs, for example when NMB repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognised as "Other liabilities" on the balance sheet on trade date.

7. Translation of assets and liabilities denominated in foreign currencies

The functional currency of NMB is euro (EUR). Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

8. Hedge accounting

As a part of Nordea's risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments.

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea applies one of three types of hedge accounting:

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

Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39.

The EU carve out version enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

At inception, NMB formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item, as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

Transactions that are entered into in accordance with Nordea's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

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

Fair value hedge accounting
Fair value hedge accounting is applied when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk in accordance with NMB's risk management policies set out in the Board of Directors' report and Note 11. The risk of changes in fair value of assets and liabilities in NMB's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

Fair value hedge accounting in NMB 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 Group consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

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

Hedge effectiveness
When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

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

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The effect of changes in Nordea's or a counterparty's credit risk on the fair value of the hedging instrument or hedged items
- Disparity between expected and actual prepayments of the loan portfolio

Cash flow hedge accounting
In accordance with NMB's risk management policies set out in the "Board of Directors' report and Note 11, cash flow hedge accounting is applied when hedging the variability in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

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

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

Hedging instruments
The hedging instruments used in NMB are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. When hedging the interest rate risk in lending with floating interest rates NMB uses interest rate swaps as hedging instruments, which are always held at fair value.

Hedge effectiveness
The hypothetical derivative method is used when measuring the effectiveness retrospectively of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is terminated. Changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to “Net result from items at fair value” in the income statement if the expected transaction no longer is expected to occur.

If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

9. Determination of fair value of financial instruments

Financial assets and liabilities classified into the categories Financial assets/liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item “Net result from 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. NMB is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Derivatives (listed).

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

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

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

- Interest-bearing securities (when quoted prices in an active market are not available)
- 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, the Group 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 24 “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 Group 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 24 “Assets and liabilities at fair value”.

10. Cash and balances with central banks

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

- The central bank or the postal giro system is domiciled in the country where the institutions is established
- The balance is readily available at any time.

11. Financial instruments

Classification of financial instruments

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

Financial assets:

- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial assets at fair value through other comprehensive income

Financial liabilities:

- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)

The classification of a financial asset is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is to both keep the instruments to collect the contractual cash flows and sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to assess the business model, Nordea Group 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 Group has taken the current business area structure into account. When determining the business model for each portfolio, the Group has analysed the objective with the financial assets, as well as, for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. The table “Classification of assets and liabilities under IFRS 9” above presents the classification of the financial instruments on NMB’s balance sheet into the different categories under IFRS 9.

Amortised cost
Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see Note 1 section 5, “Net interest income”. For information about impairment under IFRS 9, see section 12 below.

Interest on assets and liabilities classified at amortised cost is recognised in the items “Interest income” and “Interest expense” in the income statement.

This category consists of mainly loans to central banks, credit institutions and public.

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

The category consists of two sub-categories: mandatorily measured at fair value through profit and loss and designated at fair value through profit or loss (fair value option).

The sub-category mandatorily measured at fair value through profit and loss contains interest-bearing securities included in the liquidity buffer and derivative instruments.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income are measured at fair value plus transaction costs. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item ”Interest income”, foreign exchange effects in ”Net result from items at fair value” and impairment losses in the item ”Net loan losses” in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item “Net result from items at fair value”. For information about impairment under IFRS 9, see section 12 below.

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
NMB offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms.

Issued debt and equity instruments
A financial instrument issued by NMB is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in NMB 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.

12. Loans to the public/credit institutions

Scope
Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 11 above and Note 23 on "Classification of financial instruments".

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation
Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

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

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as Fair value through other comprehensive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net result from items at fair value". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing
NMB classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. NMB monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section. Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the collective model described below but based on the fact that the exposures are already in default.

Model based calculation
For exposures not impaired on an individual basis, a collective model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

NMB uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, NMB uses a mix of absolute and relative changes in PD as the transfer criterion. Assets where the relative increase in lifetime PD is more than 250 percent is considered as having a significant increase in credit risk, or if the absolute increase in lifetime PD is more than 150 basis points. For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence the customer is not in default. Such exposures will be classified as stage 2.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea applies three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions.

Write-offs
A write-off is a de-recognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written-off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (list not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written-off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

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

Restructured loans and modifications
In this context a restructured loan is defined as a loan where NMB has granted concessions to the obligor due to its financial difficulties and where this concession has resulted in an impairment loss for NMB. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial distress (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

13. Taxes

The item “Income tax expense” in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings and associated undertakings to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and 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 offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

14. Employee benefits

All forms of consideration given by NMB 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 NMB 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 Mortgage Bank. Nordea has also issued share-based payment programmes, which are further described in section 17 “Share-based payment”.

More information can be found in Note 6 “Staff costs”.

Post-employment benefits

Pension plans

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

Most pensions are based on defined contribution arrangements that hold no pension liability for Nordea Group. All defined benefit pension plans are closed for new employees. The Group 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. NMB’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 19 "Retirement benefit obligations").

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

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

Discount rate in defined benefit pension plans
The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. 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 Finland the discount rate is determined with reference to corporate bonds.

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

Termination benefits are expensed when NMB 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 NMB 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 6 "Staff costs".

15. Equity

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 and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

Retained earnings
Retained earnings include the undistributed profit from previous years.

16. Credit commitments

The contractual amount of irrevocable credit commitments is recognised off-balance in the item "Commitments".

17. Share-based payment

Cash-settled programmes
NMB 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 6 "Staff costs".

18. Related party transactions

NMB defines related parties as:

- Shareholders with control over NMB
- Group 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 6 "Staff costs".

Shareholders with control over NMB
Nordea Bank Abp is the sole shareholder, having 100% ownership and control over NMB.

Group undertakings
Nordea Group undertakings means the subsidiaries of the parent company Nordea Bank Abp.

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.

Key management personnel
Key management personnel include the following positions:

- The Board of Directors of Nordea Mortgage Bank Plc and Nordea Bank Abp
- The Chief Executive Officer (CEO) of Nordea Mortgage Bank Plc and the deputy to the CEO
- Management Group of Nordea Mortgage Bank Plc.

For information about compensation, pensions and other transactions with key management personnel, see Note 6 "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 NMB as well as companies significantly controlled by close family members to these key management personnel.

Information concerning transactions between NMB and other related parties is found in Note 27 "Related-party transactions".

19. Exchange rates

End of year rates as at 31 December 2018

EUR	1.0000	USD	1.14345
GBP	0.8933	CHF	1.12845
DKK	7.4672	SEK	10.233
NOK	9.947		

Note 2 Segment reporting

Measurement of Operating segments' performance

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

Operating segments

The financial results of Nordea Mortgage Bank are presented as a single entity. All the operations of Nordea Mortgage Bank relate to the issuance of covered bonds. All the material operative decisions of Nordea Mortgage Bank are prepared by the Chief Executive Officer and decided by the Board of Directors. Due to the business model of Nordea Mortgage Bank, the nature of its operations and its governance structure, the entity as a whole is the relevant operating segment to be reported.

Income statement

	Mortgage Banking	
EURm	2018	2017
Net interest income	214.1	192.1
Net fee and commission income	-9.5	-11.0
Net result from items at fair value	-1.8	-2.4
Other income	0.0	0.0
Total operating income	**202.8**	**178.7**
Staff costs	-1.9	-1.9
Other expenses	-46.5	-45.9
Total operating expenses	**-48.4**	**-47.8**
Profit before loan losses	**154.4**	**130.9**
Net loan losses	-11.4	0.7
Operating profit	**143.0**	**131.6**
Income tax expense	-29.6	-26.3
Net profit for the year	**113.4**	**105.3**

Balance sheet

EURm	31 Dec 2018	31 Dec 2017
Loans to the public	23,106.7	23,530.1
Debt securities in issues	16,760.5	15,469.6

Total operating income split on product groups

EURm	2018	2017
Mortgage Banking products	202.8	178.7
Total	**202.8**	**178.7**

Geographical information

	Total operating income		Assets	
EURm	2018	2017	31 Dec 2018	31 Dec 2017
Finland	202.8	178.7	26,391.7	25,025.2
Total	**202.8**	**178.7**	**26,391.7**	**25,025.2**

Note 3 Net interest income

EURm	2018	2017
Interest income		
Loans to credit institutions	2.2	-0.7
Loans to the public	244.6	249.2
Other interest income	22.5	8.7
Interest income	**269.3**	**257.2**
Interest expense		
Deposits by credit institutions	-8.7	-3.0
Debt securities in issue	-218.9	-241.5
Subordinated liabilities	-2.2	-2.2
Other interest expenses[1]	174.6	181.6
Interest expense	**-55.2**	**-65.1**
Net interest income	**214.1**	**192.1**

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

Interest income from financial instruments not measured at fair value through profit and loss amounted to EUR 269.3m (257.2). Interest expenses from financial instruments not measured at fair value through profit and loss amounted to EUR -235.5m (-251.8).

All interest income is calculated using the effective interest rate method amounted.

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

Note 4 Net fee and commission income

EURm	2018	2017
Brokerage, securities issues and corporate finance	-0.3	-0.3
- of which income	-	-
- of which expense	-0.3	-0.3
Custody and issuer services	-	-0.1
- of which income	-	-
- of which expense	-	-0.1
Lending Products	7.8	7.5
- of which income	7.8	7.5
- of which expense	-	-
Guarantees	-17.0	-15.7
- of which income	-	-
- of which expense	-17.0	-15.7
Other	0.0	-2.4
- of which income	0.0	-2.4
- of which expense	0.0	0.0
Total	**-9.5**	**-11.0**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounted to EUR 7.8m (7.5).

Note 5 Net result from items at fair value

EURm	2018	2017
Interest related instruments and foreign exchange gains/losses	-1.8	-2.4
Total	**-1.8**	**-2.4**

Net result from categories of financial instruments

EURm	2018	2017
Financial assets and liabilities mandatorily at fair value through profit or loss	-18.5	-245.2
Financial assets at amortised cost[1]	12.1	-15.5
Financial liabilities at amortised cost	4.6	258.3
Foreign exchange gains/losses excluding currency hedges	0.0	0.0
Total	**-1.8**	**-2.4**

[1]Gain or loss recognised in the income statement arising from derecognition of financial assets measured at amortised cost amounts to EUR 0.6m of which EUR 0.6m are gains. The reasons for derecognition is that the assets have been prepaid by the customer.

Note 6 Staff costs

EURm	2018	2017
Salaries and remuneration	-1.6	-1.4
Pension costs (specification below)	-0.2	-0.3
Social security contributions	0.0	-0.1
Allocation to profit-sharing foundation	0.0	0.0
Other staff costs	-0.1	-0.1
Total	**-1.9**	**-1.9**

EURm	2018	2017
Pension costs:		
Defined benefit plans (Note 19)	0.0	0.0
Defined contribution plans	-0.2	-0.3
Total	**-0.2**	**-0.3**

Additional disclosures on remuneration under Nordic FSAs' regulation and general guidelines
The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Director's Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) no later than one week before the Annual General Meeting of Nordea on 28 March 2019.

Compensation etc. to the Board of Directors and Chief Executive Officer
As at 31 December 2018, four members of the Board of Directors of Nordea Mortgage Bank Plc were employed by Nordea Bank Abp and one member was external. Fees paid to external members of the Board amounted to 22,250 euros in 2018 (7,000). Salaries, fees and other staff related expenses to the other members of the Board were paid by Nordea Bank Abp. Salaries, fees, pensions and other staff related expenses paid to the Chiet Executive Officer in 2018 are presented below.

Remuneration to the Chief Executive Officer of Nordea Mortgage Bank Plc

EUR	Fixed salary 2018	Executive Incentive Programme 2018	Benefits 2018	**Total 2018**
Chief Executive Officer of NMB:				
Thomas Miller	133,521	23,975	5,820	**163,316**

EUR	Fixed salary 2017	Executive Incentive Programme 2017	Benefits 2017	**Total 2017**
Chief Executive Officer of NMB:				
Thomas Miller	134,536	11,489	5,820	**151,845**

Note 6 Staff costs, cont.

There was no pension obligation for the Chief Executive Officer of Nordea Mortgage Bank Plc at the year-end 2018 or 2017.

Loans granted to the Chief Executive Officer of Nordea Mortgage Bank Plc and members of the Board of Directors of Nordea Mortgage Bank Plc

EUR	Loans in the balance sheet of Nordea Mortgage Bank Plc 2018	Paid interest to Nordea Mortgage Bank Plc 2018	Loans in the balance sheet of Nordea Mortgage Bank Plc 2017	Paid interest to Nordea Mortgage Bank Plc 2017
Chief Executive Officer of NMB:				
Thomas Miller	-	-	397,694	4,073
To members of the Board of Directors of NMB	1,470,093	6,071	1,419,462	4,850
Total	1,470,093	6,071	**1,817,156**	**8,923**

Loans to key management personnel as defined in Note 1 section 18 amounted to EUR 1,854,412 in 2018 (2,255,830). Interest income on these loans amounted to EUR 7,372 in 2018 (9,512).

Loans to other related parties amounted to EUR 952,263 in 2018 (1,226,894). Interest on these loans amounted to EUR 4,952 in 2018 (3,989).

In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 30 basis points up to EUR 400,000, and 60 basis points on the part that exceeds EUR 400,000.

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.

Guarantees and other off-balance-sheet commitments
NMB has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any key management personnel or auditors.

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

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. As the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year relates to variable compensation earned the previous year.

In addition, Nordea introduced in 2013 the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have 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. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Annual Report of Nordea Bank Abp), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. 80% of the allocated amount will be subject to TSR-indexation.

Number of employees

Average number of employees	31 Dec 2018	31 Dec 2017
Full-time employees	19	18
Part-time employees	-	-
Total	**19**	**18**
Total number of employees (FTEs), end of period	**17**	**20**

Note 7 Other expenses

EURm	2018	2017
Information technology	0.0	-0.1
Marketing and representation	0.0	-0.1
Postage, transportation, telephone and office expenses	-0.1	-0.1
Rents, premises and real estate	0.0	0.0
Other[1]	-46.4	-45.6
Total	**-46.5**	**-45.9**

[1] Relates mainly to services bought from Nordea Group companies.

Auditor's fees

EURm	2018	2017
PricewaterhouseCoopers		
Auditing assignments	-0.2	-0.2
Audit-related services	0.0	-0.1
Tax advisory services[2]	-	-
Other assignments[2]	-	-
Total	**-0,2**	**-0.3**

[2] Of which Tax advisory services EUR 0.0m and Other assignments EUR 0.0m refers to PricewaterhouseCoopers Oy

Note 8 Net loan losses

Based on IFRS 9

2018, EURm	Loans to the public[2]	Off balance sheet items[3]	**Total**
Net loan losses, stage 1	0.3	0.0	0.3
Net loan losses, stage 2	-5.5	0.0	-5.5
Net loan losses, non-defaulted	**-5.2**	**0.0**	**-5.2**
Stage 3, defaulted			
Net loan losses, individually assessed, model based[1]	-6.0	-	-6.0
Realised loan losses	-0.1	-	-0.1
Decrease of provisions to cover realised loan losses	0.0	-	0.0
Recoveries on previous realised loan losses	-	-	-
New/increase in provisions	-0.1	-	-0.1
Reversals of provisions	0.0	-	0.0
Net loan losses, defaulted	**-6.2**	**-**	**-6.2**
Net loan losses	**-11.4**	**0.0**	**-11.4**

Based on IFRS 9

2018, EURm	Net loan losses, individually assessed	Net loan losses, collectively assessed	Reversals of provisions	Write-offs	**Total in income statement**
Loans to the public	-6.1	-5.2	0.0	-0.1	**-11.4**
Guarantees and other off-balance sheet items	-	0.0	-	-	**0.0**
Net loan losses from loans measured at amortised cost	**-6.1**	**-5.2**	**0.0**	**-0.1**	**-11.4**

Based on IAS 39

2017, EURm	Loans to the public[2]	Off balance sheet items[3]	**Total**
Realised loan losses	0.0	-	0.0
New/increase in provisions	-2.9	-	-2.9
Reversals of provisions	3.6	-	3.6
Net loan losses	**0.7**	**-**	**0.7**

[1] Includes individually identified assets where the provision has been calculated based on statistical models.
[2] Provisions included in Note 10 "Loans and impairment".
[3] Provisions included in Note 18 "Provisions"

Note 9 Taxes

Income tax expense

EURm	2018	2017
Current tax	-29.1	-25.7
Deferred tax	-0.5	-0.6
Total	**-29.6**	**-26.3**

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

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

EURm	2018	2017
Profit before tax	143.0	131.6
Tax calculated at a tax rate of 20 %	-28.6	-26.3
Adjustments relating to prior years	-1.0	
Tax charge	**-29.6**	**-26.3**
Average effective tax rate	21%	20%

EURm	Deferred tax assets 31 Dec 2018	Deferred tax liabilities 31 Dec 2018	Deferred tax assets 31 Dec 2017
Deferred tax related to:			
Loans to the public	12.7	0.8	14.1
Retirement benefit assets/obligations	0.0	-	0.0
Netting between deferred tax assets and liabilities	-0.8	-0.8	0.0
Total	**11.9**	**0.0**	**14.1**

There were no unrecognised deferred tax assets in 2018 or 2017.

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

Note 10 Loans and impairment

EURm	31 Dec 2018[1]	31 Dec 2017[2]
Loans measured at fair value through profit and loss	-	-
Loans measured at amortised cost, not impaired (stage 1 and 2)	23,860.4	24,053.4
Impaired loans (stage 3)	193.6	135.4
- of which servicing	24.9	0.6
- of which non-servicing	168.7	134.7
Loans before allowances	**24,054.0**	**24,188.8**
-of which central banks and credit institutions	899.5	647.6
Allowances for impaired loans (stage 3)	-16.2	-2.0
- of which servicing	-2.3	-0.2
- of which non-servicing	-13.9	-1.8
Allowances for impaired loans (stage 1 and 2)	-31.6	-9.1
Allowances	**-47.8**	**-11.1**
-of which central banks and credit institutions	-	-
Loans, carrying amount	**24,006.2**	**24,177.7**

[1] Based on IFRS 9
[2] Based on IAS 39

Note 10 Loans and impairment, cont.

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**647.6**	**-**	**-**	**647.6**	**21,785.7**	**1,610.9**	**144.6**	**23,541.2**
Origination and acquisition	-	-	-	-	2,606.6	380.0	12.1	2,998.7
Transfers between stage 1 and stage 2, (net)	-	-	-	-	-266.4	269.1	-	2.7
Transfers between stage 2 and stage 3, (net)	-	-	-	-	-	-33.5	33.7	0.2
Transfers between stage 1 and stage 3, (net)	-	-	-	-	-25.1	-	25.6	0.5
Repayments and disposals	-	-	-	-	-3,517.4	-280.0	-24.3	-3,821.7
Write-offs	-	-	-	-	-	-	-0.1	-0.1
Other changes	251.9	-	-	251.9	152.6	278.4	2.0	433.0
Translation differences	-	-	-	-	-	-	0.0	0.0
Closing balance at 31 Dec 2018	**899.5**	**-**	**-**	**899.5**	**20,736.0**	**2,224.9**	**193.6**	**23,154.5**

	Total			
EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**22,433.3**	**1,610.9**	**144.6**	**24,188.8**
Origination and acquisition	2,606.6	380.0	12.1	2,998.7
Transfers between stage 1 and stage 2, (net)	-266.4	269.1	-	2.7
Transfers between stage 2 and stage 3, (net)	-	-33.5	33.7	0.2
Transfers between stage 1 and stage 3, (net)	-25.1	-	25.6	0.5
Repayments and disposals	-3,517.4	-280.0	-24.3	-3,821.7
Write-offs	-	-	-0.1	-0.1
Other changes	404.5	278.4	2.0	684.9
Translation differences	0,0	0.0	0.0	0.0
Closing balance at 31 Dec 2018	**21,635.5**	**2,224.9**	**193.6**	**24,054.0**

Movement of allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**0.0**	**0.0**	**0.0**	**0.0**	**-5.8**	**-20.6**	**-10.0**	**-36.4**
Origination and acquisition	-	-	-	-	-1.1	-2.7	-1.0	-4.8
Transfers from stage 1 to stage 2	-	-	-	-	0.5	-11.9	-	-11.4
Transfers from stage 1 to stage 3	-	-	-	-	0.1	0.0	-3.3	-3.2
Transfers from stage 2 to stage 1	-	-	-	-	-0.5	6.7	-	6.2
Transfers from stage 2 to stage 3	-	-	-	-	-	1.1	-4.4	-3.3
Transfers from stage 3 to stage 1	-	-	-	-	-0.1	0.0	0.8	0.7
Transfers from stage 3 to stage 2	-	-	-	-	-	-0.5	1.4	0.9
Changes in credit risk without stage transfer	-	-	-	-	1.0	0.4	-0.6	0.8
Repayments and disposals	0.0	-	-	0.0	0.4	1.4	0.9	2.7
Write-off through decrease in allowance account	-	-	-	-	-	-	0.0	0.0
Other changes	-	-	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-	-	-
Closing balance at 31 Dec 2018	**0.0**	**0.0**	**0.0**	**0.0**	**-5.5**	**-26.1**	**-16.2**	**-47.8**

Note 10 Loans and impairment, cont.

Movement of allowance accounts for loans measured at amortised cost

	Total			
EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**-5.8**	**-20.6**	**-10.0**	**-36.4**
Origination and acquisition	-1.1	-2.7	-1.0	-4.8
Transfers from stage 1 to stage 2	0.5	-11.9	-	-11.4
Transfers from stage 1 to stage 3	0.1	-	-3.3	-3.2
Transfers from stage 2 to stage 1	-0.5	6.7	-	6.2
Transfers from stage 2 to stage 3	0.0	1.1	-4.4	-3.3
Transfers from stage 3 to stage 1	-0.1	-	0.8	0.7
Transfers from stage 3 to stage 2	0.0	-0.5	1.4	0.9
Changes in credit risk without stage transfer	1.0	0.4	-0.6	0.8
Repayments and disposals	0.4	1.4	0.9	2.7
Write-off through decrease in allowance account	-	-	0.0	0.0
Other changes	-	-	-	-
Translation differences	-	-	-	-
Closing balance at 31 Dec 2018	**-5.5**	**-26.1**	**-16.2**	**-47.8**

Movements of allowance accounts for impaired loans[1]

	The public		
EURm	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2017	**-**	**-11.8**	**-11.8**
Provisions	-2.0	-0.9	-2.9
Reversals of previous provisions	-	3.6	3.6
Changes through the income statement	**-2.0**	**2.7**	**0.7**
Allowances used to cover realised loan losses	-	-	-
Closing balance at 31 Dec 2017	**-2.0**	**-9.1**	**-11.1**

[1]Based on IAS 39

For additional information on credit risks, see Note 28 "Credit risk disclosures".

Rating/scoring information on loans measured at amortised cost

		Gross carrying amount 31 Dec 2018			
Rating/scoring grade	Average PD, %	Stage 1	Stage 2	Stage 3	Total
6+ / A+	0.03	2,860.1	11.5	-	2,871.6
6 / A	0.05	3,649.4	29.9	-	3,679.3
6- / A-	0.09	2,802.7	61.2	-	2,863.9
5+ / B+	0.19	3,211.8	133.2	-	3,345.0
5 / B	0.40	2,267.2	148.4	-	2,415.6
5- / B-	0.66	1,628.9	160.2	0.0	1,789.1
4+ / C+	1.32	1,235.6	174.0	-	1,409.6
4 / C	2.56	730.3	174.4	2.2	906.9
4- / C-	4.16	585.6	175.5	0.5	761.6
3+ / D+	7.33	367.5	142.7	0.8	511.0
3 / D	8.95	323.2	165.9	0.8	489.9
3- / D-	9.78	343.8	153.8	0.9	498.5
2+ / E+	16.04	167.9	111.8	1.4	281.1
2 / E	19.36	136.4	95.9	1.0	233.3
2- / E-	23.66	72.1	66.0	0.4	138.5
1+ / F+	28.59	47.8	49.8	0.1	97.7
1 / F	33.05	69.6	84.0	9.7	163.3
1- / F-	47.18	190.3	221.4	6.3	418.0
0+ / 0 / 0-	100.00	45.8	65.3	169.5	280.6
Internal[1]	1.64	899.5	-	-	899.5
Total		**21,635.5**	**2,224.9**	**193.6**	**24,054.0**

[1] Exposures towards Nordea entities

Note 10 Loans and impairment, cont.

Key ratios

	31 Dec 2018[1]
Impairment rate, (stage 3) gross, basis points[2]	80
Impairment rate, (stage 3) net, basis points[3]	74
Total allowance rate (stage 1,2 and 3), basis points[4]	20
Allowances in relation to credit impaired loans (stage 3), %[5]	8
Allowances in relation to loans in stage 1 and 2, basis points[6]	13

	31 Dec 2017[7]
Impairment rate, gross, basis points[8]	56
Impairment rate, net, basis points[9]	55
Total allowance rate, basis points[10]	5
Allowances in relation to impaired loans, %[11]	1
Total allowances in relation to impaired loans, %[12]	8
Non-servicing loans, not impaired, EURm[13]	13.5

[1] Based on IFRS 9
[2] Impaired loans (stage 3) before allowances divided by total loans measured at amortised cost before allowances
[3] Impaired loans (stage 3) after allowances divided by total loans measured at amortised cost before allowances
[4] Total allowances divided by total loans measured at amortised cost before allowances.
[5] Allowances for impaired loans (stage 3) divided by impaired loans (stage 3)
[6] Allowances for impaired loans (stage 1 and 2) divided by loans measured at amortised cost, not impaired (stage 1 and 2)
[7] Based on IAS 39
[8] Individually assessed impaired loans before allowances divided by total loans before allowances.
[9] Individually assessed impaired loans after allowances divided by total loans before allowances.
[10] Total allowances divided by total loans before allowances.
[11] Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.
[12] Total allowances divided by total impaired loans before allowances.
[13] Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Note 11 Derivatives and hedge accounting

31 Dec 2018, EURm	Fair value Positive	Negative	Total nominal amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	-	1.1	11,680.0
Options	17.3	17.3	9,666.6
Total	**17.3**	**18.4**	**21,346.6**
Total derivatives held for trading	**17.3**	**18.4**	**21,346.6**
Derivatives used for hedge accounting			
Interest rate derivatives	465.6	107.2	27,899.6
Foreign exchange derivatives	27.0	-	116.2
Total derivatives used for hedge accounting	**492,6**	**107,2**	**28 015,8**
- of which cash flow hedges	22.6	-	676.2
- of which fair value hedges	470.0	107.2	27,339.6
Total derivatives	**509.9**	**125.6**	**49,362.4**

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

31 Dec 2018, EURm	<3 months	3-12 months	1-5 years	Over 5 years
Cash inflows (assets)	-	-	-	-
Cash outflows (liabilities)	1,749.0	3,029.3	14,689.4	8,548.2
Net cash outflows	**1,749.0**	**3,029.3**	**14,689.4**	**8,548.2**

31 Dec 2017, EURm	Fair value Positive	Negative	Total nominal amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	0.6	3.0	14,480.0
Options	13.2	12.2	8,898.6
Total	**13.8**	**15.2**	**23,378.6**
Total derivatives held for trading	**13.8**	**15.2**	**23,378.6**
Derivatives used for hedge accounting			
Interest rate derivatives	496.9	145.0	26,732.5
Foreign exchange derivatives	24.7	-	116.2
Total derivatives used for hedge accounting	**521.6**	**145.0**	**26,848.7**
- of which cash flow hedges	24.7	-	116.2
- of which fair value hedges	496.9	145.0	26,732.5
Total derivatives	**535.4**	**160.2**	**50,227.3**

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

31 Dec 2017, EURm	<1 year	1-3 years	3-5 years	5-10 years	over 10 years
Cash inflows (assets)	-	-	-	-	-
Cash outflows (liabilities)	3.1	6.1	131.2	-	-
Net cash outflows	**3.1**	**6.1**	**131.2**	**-**	**-**

Note 12 Other assets

EURm	31 Dec 2018	31 Dec 2017
Other	37.8	-
Total	**37.8**	**-**

Note 13 Prepaid expenses and accrued income

EURm	31 Dec 2018	31 Dec 2017
Accrued interest income	13.2	16.9
Other accrued income[1]	18.8	-
Total	**32.0**	**16.9**

[1]Unsettled debt between Nordea Bank Abp and Nordea Mortgage Bank. Consists of customer's interest payments and amortisations.

Note 14 Deposits by credit institutions

EURm	31 Dec 2018	31 Dec 2017
Banks	7,667.6	7,557.6
Total	**7,667.6**	**7,557.6**

Note 15 Debt securities in issue

EURm	31 Dec 2018	31 Dec 2017
Covered bonds	16,760.5	15,469.6
Total	**16,760.5**	**15,469.6**

Note 16 Other liabilities

EURm	31 Dec 2018	31 Dec 2017
Accounts payable	0.0	0.0
Other	4.4	70.0
Total	**4.4**	**70.0**

Note 17 Accrued expenses and prepaid income

EURm	31 Dec 2018	31 Dec 2017
Other accrued expenses	70.4	9.8
Prepaid income	63.8	50.9
Total	**134.2**	**60.7**

Note 18 Provisions

EURm	31 Dec 2018	31 Dec 2017
Guarantees/commitments	0.2	-
Total	**0.2**	**-**

Loan loss provisions for individually assessed guarantees and other commitments amounts to EUR 0.2m.

Movements in provisions for off-balance sheet items

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**-0.1**	**-0.1**	**-**	**-0.1**
Origination and acquisition	0.0	-0.1	-	-0.1
Transfers from stage 1 to stage 2	0.0	0.0	-	0.0
Transfers from stage 1 to stage 3	0.0	-	-	0.0
Transfers from stage 2 to stage 1	0.0	0.0	-	0.0
Transfers from stage 2 to stage 3	-	0.0	-	0.0
Transfers from stage 3 to stage 1	-	-	-	0.0
Transfers from stage 3 to stage 2	-	-	-	0.0
Changes in credit risk without stage transfer	0.1	0.0	-	0.0
Repayments and disposals	0.0	0.0	-	0.0
Write-off through decrease in allowance account	-	-	-	0.0
Other changes	-	-	-	0.0
Translation differences	-	-	-	0.0
Closing balance at 31 Dec 2018	**0.0**	**-0.1**	**0.0**	**-0.2**

Rating/scoring information on off-balance sheet items

	Nominal amount 31 Dec 2018			
EURm	Stage 1	Stage 2	Stage 3	Total
6+ / A+	22.4	0.0	0.0	22.4
6 / A	43.5	0.1		43.5
6- / A-	22.8	0.9		23.7
5+ / B+	21.8	3.7		25.5
5 / B	15.5	3.1		18.6
5- / B-	11.0	2.6		13.6
4+ / C+	10.0	2.5		12.5
4 / C	6.9	1.6		8.5
4- / C-	7.5	1.2		8.8
3+ / D+	2.5	1.2		3.7
3 / D	1.9	1.2		3.0
3- / D-	3.6	1.1		4.6
2+ / E+	0.2	0.7		0.9
2 / E	0.7	0.3		1.0
2- / E-	0.0	0.1		0.1
1+ / F+	0.4	0.0		0.5
1 / F	0.1	0.2		0.3
1- / F-	0.5	1.3		1.8
0+ / 0 / 0-	0.0	0.0	0.0	0.0
Standardised / Unrated	3.2	0.8		4.0
Total	**174.6**	**22.2**	**0.0**	**196.8**

Note 19 Retirement benefit obligations

EURm	31 Dec 2018	31 Dec 2017
Defined benefit plans. Net	0.0	0.0
Total	**0.0**	**0.0**

NMB has both defined benefit plans and defined contribution plans. Defined benefit plans are arranged in Nordea Pension Foundation. IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the company's balance sheet. The defined benefit plans are closed to new employees and instead. pensions for new employees are based on defined contribution (DCP) arrangements. Defined contribution plans are not reflected on the balance sheet except when earned pension rights have not yet been paid for.

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

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

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

IAS 19 pension calculations and assumptions
Calculations on defined benefit plans are performed by external liability calculators and are based on the actuarial assumptions.

Assumptions[1]	Finland
2018	
Discount rate[2]	1.58%
Salary increase	1.75%
Inflation	1.25%
Mortality	Gompertz
Increase in income base amount	1.70%
2017	
Discount rate[2]	1.29%
Salary increase	1.75%
Inflation	1.25%
Mortality	Gompertz
Increase in income base amount	1.70%

[1] The assumptions disclosed for 2018 had an impact on the liability calculation by year-end 2018. while the assumptions disclosed for 2017 were used for calculating the pension expense in 2018.

[2] More information on the discount rate can be found in Note 1. section 14. The sensitivities to changes in discount rate can be found in the table below.

Sensitivities - Impact on Defined Benefit Obligation (DBO) %	2018	2017
Discount rate - Increase 50bps	-10.6 %	-12.4 %
Discount rate - Decrease 50bps	12.3 %	14.6 %
Salary increase - Increase 50bps	4.04 %	5.5 %
Salary increase - Decrease 50bps	-3.88 %	-5.3 %
Inflation - Increase 50bps	10.88 %	13.0 %
Inflation - Decrease 50bps	-9.7 %	-11.3 %
Mortality - Increase 1 year	3.2 %	3.2 %
Mortality - Decrease 1 year	-3.1 %	-3.2 %

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements.

Note 19 Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	31 Dec 2018	31 Dec 2017
Obligations	0.5	0.2
Plan assets	0.4	0.2
Net liability(-)/asset (+)	**-0.1**	**0.0**
- of which retirement benefit liabilities	0.0	0.0
- of which retirement benefit assets	-	-

Movements in the obligation

EURm	2018	2017
Opening balance	0.2	0.2
Current service cost	0.0	0.0
Interest expense	0.0	0.0
Remeasurement from changes in financial assumptions	0.0	0.0
Remeasurement from changes experience adjustments	0.3	0.0
Closing balance	**0.5**	**0.2**

The average duration of the obligation is 22 years (13). The duration is based on discounted cash flows. The fact that the defined benefit plans are closed for new entrants leads to a lower duration.

Movements in the fair value of plan assets

EURm	2018	2017
Opening balance	0.2	0.2
Interest income (calculated using the discount rate)	0.0	0.0
Remeasurement (actual return less interest income)	0.2	0.0
Closing balance	**0.4**	**0.2**

Asset composition

The combined return on assets in 2018 was 57%. At the end of the year, the equity exposure in pension foundation represented 27% (29) of total assets.

Asset composition in funded schemes	31 Dec 2018	31 Dec 2017
Bonds	54 %	55 %
- sovereign	29 %	29 %
- covered bonds	5 %	5 %
- corporate bonds	20 %	21 %
- issued by Nordea entities	-	-
- with quoted market price in an active market	54 %	55 %
Equity	27 %	29 %
- domestic	7 %	7 %
- European	6 %	7 %
- US	8 %	8 %
- emerging	6 %	6 %
- Nordea shares	-	0 %
- with quoted market price in an active market	27 %	29 %
Real Estate[1]	15 %	14 %
- occupied by Nordea	5 %	4 %
Cash and cash equivalents	3 %	2 %

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

The company is not expected to pay contribution to its defined benefit plans in 2019.

Note 19 Retirement benefit obligations, cont.

Defined benefit pension cost
Only a minor pension cost related to defined benefit plans has been recognised in the income statement (as staff costs) in 2018. Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note 6).

Recognised in other comprehensive income. EURm	2018	2017
Remeasurement from changes in financial assumptions	0.0	0.0
Remeasurement from experience adjustments	0.3	0.0
Remeasurement of plan assets (actual return less interest income)	-0.2	0.0
Pension cost on defined benefit plans (expense+. income-)	**0.0**	**0.0**

Net retirement benefit asset//liability	2018	2017
Opening balance	0.0	0.0
Pension cost in the income statement	0.0	0.0
Remeasurements in other comprehensive income	0.0	0.0
Closing balance	**0.0**	**0.0**

Key management personnel
As at 31 December 2018 four members of the Board of Directors of Nordea Mortgage Bank Plc were employed by Nordea Bank Abp and one member was external.

Information on salaries. loans and pension liabilities regarding the members of the Board and the Chief Executive Officer is presented in Note 6.

Note 20 Subordinated liabilities

EURm	31 Dec 2018	31 Dec 2017
Dated subordinated debenture loans	200.6	200.5
Total	**200.6**	**200.5**

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.

Issued by	Year of issue / maturity	Nominal value. EURm	Carrying amount. EURm	Interest rate (coupon)
Nordea Bank Abp[1]	2016/2026	200.0	200.6	Floating 3-month EURIBOR +1.42%

[1] Call date 1 October 2021

Note 21 Assets pledged as security for own liabilities

EURm	31 Dec 2018	31 Dec 2017
Assets pledged for own liabilities		
Loans to the public	19,759.8	20,562.5
Total	**19,759.8**	**20,562.5**
The above pledges pertain to the following liabilities		
Debt securities in issue	16,760.5	15,469.6
Total	**16,760.5**	**15,469.6**

Loans to the public amounting to EUR 19,759.8m (20,562.5) have been registered as collateral for issued Finnish covered bonds amounting to EUR 16,760.5m (15,469.6) In the event of the company's insolvency, the holders of these bonds have priority to the assets registered as collateral. Collaterals are valuated up to the first 70% of the market value of the property.

Note 22 Commitments

EURm	31 Dec 2018	31 Dec 2017
Loan commitments	196.8	209.6
Total	**196.8**	**209.6**

Note 23 Classification of financial instruments

31 Dec 2018, EURm	Amortised cost	Fair value through profit or loss: Mandatorily	Fair value through profit or loss: Derivatives used for hedging	Non-financial assets	Total
Assets					
Cash and balances with central banks	1,696.4	-	-	-	1,696.4
Loans to credit institutions	899.5	-	-	-	899.5
Loans to the public	23,106.7	-	-	-	23,106.7
Derivatives		17.3	492.6	-	509.9
Fair value changes of the hedged items in portfolio hedge of interest rate risk	93.2	-	-	-	93.2
Deferred tax assets	-	-	-	11.9	11.9
Current tax assets	-	-	-	4.3	4.3
Other assets	-	-	-	37.8	37.8
Prepaid expenses and accrued income	13.2	-	-	18.8	32.0
Total	**25,809.0**	**17.3**	**492.6**	**72.8**	**26,391.7**

31 Dec 2018, EURm	Amortised cost	Fair value through profit or loss: Mandatorily	Fair value through profit or loss: Derivatives used for hedging	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions	7,667.6	-	-	-	7,667.6
Debt securities in issue	16,760.5	-	-	-	16,760.5
Derivatives	-	18.4	107.2		125.6
Fair value changes of the hedged items in portfolio hedge of interest rate risk	320.7	-	-	-	320.7
Other liabilities	0.0	-	-	4.4	4.4
Accrued expenses and prepaid income	63.8	-	-	70.4	134.2
Provisions	-	-	-	0.2	0.2
Retirement benefit liabilities	-	-	-	0.1	0.1
Subordinated liabilities	200.6	-	-	-	200.6
Total	**25,013.1**	**18.4**	**107.2**	**75.0**	**25,213.9**

31 Dec 2017, EURm	Amortised cost	Fair value through profit or loss: Mandatorily	Fair value through profit or loss: Derivatives used for hedging	Non-financial assets	Total
Assets					
Cash and balances with central banks	198.2	-	-	-	198.2
Loans to credit institutions	647.6	-	-	-	647.6
Loans to the public	23,530.1	-	-	-	23,530.1
Derivatives	-	13.8	521.6	-	535.4
Fair value changes of the hedged items in portfolio hedge of interest rate risk	82.3	-	-	-	82.3
Deferred tax assets	-	-	-	14.1	14.1
Current tax assets	-	-	-	0.6	0.6
Prepaid expenses and accrued income	16.9	-	-	-	16.9
Total	**24,475.1**	**13.8**	**521.6**	**14.7**	**25,025.2**

Note 23 Classification of financial instruments, cont.

31 Dec 2017, EURm	Amortised cost	Fair value through profit or loss: Mandatorily	Fair value through profit or loss: Derivatives used for hedging	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions	7,557.6	-	-	-	7,557.6
Debt securities in issue	15,469.6	-	-	-	15,469.6
Derivatives	-	15.2	145.0	-	160.2
Fair value changes of the hedged items in portfolio hedge of interest rate risk	326.1	-	-	-	326.1
Other liabilities	0.0	-	-	70.0	70.0
Accrued expenses and prepaid income	50.9	-	-	9.8	60.7
Retirement benefit liabilities	-	-	-	0.0	0.0
Subordinated liabilities	200.5	-	-	-	200.5
Total	**23,604.7**	**15.2**	**145.0**	**79.8**	**23,844.7**

Note 24 Assets and liabilities at fair value

Fair value of financial assets and liabilities

EURm	31 Dec 2018 Carrying amount	31 Dec 2018 Fair value	31 Dec 2017 Carrying amount	31 Dec 2017 Fair value
Financial assets				
Cash and balances with central banks	1,696.4	1,696.4	198.2	198.2
Loans	24,099.4	24,635.8	24,260.0	24,750.1
Derivatives	509.9	509.9	535.4	535.4
Prepaid expenses and accrued income	13.2	13.2	17.0	17.0
Total financial assets	**26,318.9**	**26,855.3**	**25,010.6**	**25,500.7**
Financial liabilities				
Deposits and debt instruments	24,949.4	25,087.4	23,553.9	23,796.6
Derivatives	125.6	125.6	160.2	160.2
Other liabilities	0.0	0.0	0.0	0.0
Accrued expenses and prepaid income	63.8	63.8	50.9	50.9
Total financial liabilities	**25,138.8**	**25,276.8**	**23,765.0**	**24,007.7**

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

Note 24 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 2018. EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Derivatives	-	509.9	-	509.9
Total	**-**	**509.9**	**-**	**509.9**
Liabilities at fair value on the balance sheet[1]				
Derivatives	-	125.6	-	125.6
Total	**-**	**125.6**	**-**	**125.6**

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

31 Dec 2017. EURm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Derivatives	-	535.4	-	535.4
Total	**-**	**535.4**	**-**	**535.4**
Liabilities at fair value on the balance sheet[1]				
Derivatives	-	160.2	-	160.2
Total	**-**	**160.2**	**-**	**160.2**

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

Determination of fair values for items measured at fair value on the balance sheet
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. NMB does not have any Level 1 instruments.

Note 24 Assets and liabilities at fair value, cont.

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 and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. NMB does not have any Level 3 instruments.

All valuation models, both complex and simple models, make use of market prices and inputs. These markets prices and inputs comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies the interest rates are all observable, and the implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations are may also be 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.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by 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 that do not have a liquid CDS, PDs are estimated using a cross sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating region and industry.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). In addition, Nordea applies in its fair value measurement close-out-cost valuation adjustments and model risk adjustments for identified model deficiencies.

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

31 Dec 2018, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	1,696.4	1,696.4	3
Loans	24,099.4	24,635.8	3
Prepaid expenses and accrued income	13.2	13.2	3
Total	**25,809.0**	**26,345.4**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	24,949.4	25,087.4	3
Other liabilities	0.0	0.0	3
Accrued expenses and prepaid income	63.8	63.8	3
Total	**25,013.2**	**25,151.2**	

Note 24 Assets and liabilities at fair value, cont.

31 Dec 2017, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	198.2	198.2	3
Loans	24,260.0	24,750.1	3
Prepaid expenses and accrued income	17.0	17.0	3
Total	**24,475.2**	**24,965.3**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	23,553.9	23,796.6	3
Other liabilities	0.0	0.0	3
Accrued expenses and prepaid income	50.9	50.9	3
Total	**23,604.8**	**23,847.5**	

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

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

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

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

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

Note 25 Financial instruments set off on balance or subject to netting agreements

31 Dec 2018, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	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	509.9	-	509.9	-27.6	-	-	482.2
Total	**509.9**	**-**	**509.9**	**-27.6**	**-**	**-**	**482.2**

31 Dec 2018, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet	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	125.6	-	125.6	-27.6	-	-	97.9
Total	**125.6**	**-**	**125.6**	**-27.6**	**-**	**-**	**97.9**

[1] All amounts are measured at fair value.

31 Dec 2017, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	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	535.4	-	535.4	-48.0	-	-	487.4
Total	**535.4**	**-**	**535.4**	**-48.0**	**-**	**-**	**487.4**

31 Dec 2017, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet	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	160.2	-	160.2	-48.0	-	-	112.2
Total	**160.2**	**-**	**160.2**	**-48.0**	**-**	**-**	**112.2**

[1] All amounts are measured at fair value.

Enforceable master netting arrangements and similar agreements

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

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

Note 26 Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2018 Expected to be recovered or settled:			31 Dec 2017 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		1,696.4	-	1,696.4	198.2	-	198.2
Loans to credit institutions	10	899.5	-	899.5	87.6	560.0	647.6
Loans to the public	10	235.0	22,871.7	23,106.7	230.8	23,299.3	23,530.1
Derivatives	11	49.4	460.5	509.9	23.2	512.2	535.4
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0.2	93.0	93.2	2.7	79.6	82.3
Deferred tax assets	9	11.9	-	11.9	14.1	-	14.1
Current tax assets	9	4.3	-	4.3	0.6	-	0.6
Other assets	12	37.8	-	37.8			
Prepaid expenses and accrued income	13	32.0	-	32.0	16.9	-	16.9
Total assets		**2,966.5**	**23,425.2**	**26,391.7**	**574.1**	**24,451.1**	**25,025.2**
Deposits by credit institutions	14	-	7,667.6	7,667.6	-	7,557.6	7,557.6
Debt securities in issue	15	3,152.0	13,608.5	16,760.5	1,722.2	13,747.4	15,469.6
Derivatives	11	21.3	104.3	125.6	15.4	144.8	160.2
Fair value changes of the hedged items in portfolio hedge of interest rate risk		15.2	305.5	320.7	26.8	299.3	326.1
Other liabilities	16	4.4	-	4.4	70.0	-	70.0
Accrued expenses and prepaid income	17	134.2	-	134.2	60.7	-	60.7
Provisions	18	0.0	0.2	0.2			
Retirement benefit liabilities	19	0.1	-	0.1	-	0.0	0.0
Subordinated liabilities	20	-	200.6	200.6	-	200.5	200.5
Total liabilities		**3,327.2**	**21,886.7**	**25,213.9**	**1,895.1**	**21,949.6**	**23,844.7**

Contractual undiscounted cash flows

31 Dec 2018, EURm	On demand	0-3 months	3-12 Months	1-5 years	>5 Years	**Total**
Interest bearing financial assets	2,035.9	516.7	1,645.1	8,141.8	17,366.6	**29,706.1**
Non-interest bearing assets					106.4	**106.4**
Non-financial assets					72.8	**72.8**
Total assets	**2,035.9**	**516.7**	**1,645.1**	**8,141.8**	**17,545.9**	**29,885.3**
Interest bearing financial liabilities		1,633.2	1,696.8	16,633.9	5,546.8	**25,510.7**
Non-interest bearing liabilities					384.5	**384.5**
Non-financial liabilities and equity					1,253.0	**1,253.0**
Total liabilities and equity	**-**	**1,633.2**	**1,696.8**	**16,633.9**	**7,184.3**	**27,148.2**
Derivatives. cash inflow		98.3	56.8	543.8	224.3	**923.3**
Derivatives. cash outflow		3.3	-1.7	320.1	245.8	**567.5**
Net exposure	**-**	**95.0**	**58.5**	**223.7**	**-21.5**	**355.8**
Exposure	**2,035.9**	**-1,021.5**	**6.8**	**-8,268.4**	**10,340.2**	**3,093.0**
Cumulative exposure	**2,035.9**	**1,014.4**	**1,021.2**	**-7,247.2**	**3,093.0**	

Note 26 Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2017, EURm	On demand	0-3 months	3-12 Months	1-5 years	>5 Years	Total
Interest bearing financial assets	285.8	529.3	1,663.9	8,364.8	17,802.0	**28,645.8**
Non-interest bearing assets					99.3	**99.3**
Non-financial assets					14.6	**14.6**
Total assets	**285.8**	**529.3**	**1,663.9**	**8,364.8**	**17,915.9**	**28,759.7**
Interest bearing financial liabilities		127.2	1,786.9	17,337.7	4,850.3	**24,102.1**
Non-interest bearing liabilities					377.1	**377.1**
Non-financial liabilities and equity					1,260.1	**1,260.1**
Total liabilities and equity	**-**	**127.2**	**1,786.9**	**17,337.7**	**6,487.5**	**25,739.3**
Derivatives. cash inflow		84.6	74.4	587.5	152.3	**898.8**
Derivatives. cash outflow		-1.3	1.4	356.2	172.0	**528.3**
Net exposure	**-**	**85.9**	**73.0**	**231.3**	**-19.7**	**370.5**
Exposure	**285.8**	**488.0**	**-50.0**	**-8,741.6**	**11,408.7**	**3,390.9**
Cumulative exposure	**285.8**	**773.8**	**723.8**	**-8,017.8**	**3,390.9**	

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. NMB has credit commitments amounting to EUR 196.7m (209.6). which could be drawn on at any time.

Note 27 Related-party transactions

EURm	Group undertakings 31 Dec 2018	Group undertakings 31 Dec 2017
Assets		
Loans	899.5	647.6
Derivatives	511.3	535.0
Prepaid expenses and accrued income	19.1	0.1
Total assets	**1,430.0**	**1,182.7**
Liabilities		
Deposits	7 667.6	7.557.6
Debt securities in issue	20.7	11.6
Derivatives	109.9	148.9
Subordinated liabilities	200.6	200.5
Other liabilities	-28.3	69.6
Accrued expenses and deferred income	132.4	55.3
Total liabilities	**8,102.9**	**8,043.6**
Off balance[1]	**196.8**	**209.6**

[1] Excluding nominal values on derivatives.

Income statement

EURm	2018	2017
Net interest income	184.4	183.0
Net fee and commission income	-17.0	-15.7
Net result from items at fair value	-5.6	-247.4
Other operating income	-	-
Total operating expenses	-44.3	-44.3
Profit before loan losses	**117.5**	**-124.5**

Compensations and loans to Key management personnel are specified in Note 6.

Note 28 Credit risk disclosures

Past due loans

The table below shows loans past due 6 days or more split by corporate and household customers. Past due loans to corporate customers were at end of 2018 EUR 14.1m (14.8). Past due loans for household increased to EUR 224.0m (153.2) at the end of 2018.

	31 Dec 2018[1]		31 Dec 2017	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	7.2	99.4	5.1	93.3
31-60 days	4.5	38.7	6.0	38.3
61-90 days	0.8	19.3	1.7	10.0
>90 days	1.5	66.6	2.0	11.5
Total	**14.1**	**224.0**	**14.8**	**153.2**
Past due loans divided by loans to the public after allowances. %	0.7	1.1	0.8	0.7

[1] Based on IFRS 9 regulation past due loans 2018 include impaired loans

Rating and risk grade distribution

IRB Corporate portfolio	EAD amount. EURm	
Rating grade	31 Dec 2018	31 Dec 2017
6+	814.5	947.7
6	58.4	55.6
6-	17.1	19.9
5+	13.7	22.5
5	15.1	15.8
5-	25.9	37.2
4+	216.7	171.4
4	35.8	46.3
4-	77.8	50.5
3+	43.2	75.8
3	48.1	26.9
3-	35.1	38.0
2+	4.3	3.0
2	5.8	3.3
2-	2.7	3.3
1+	3.8	2.9
1	1.3	0.8
1-	1.9	0.3
Unrated	52.5	61.6
Total	**1,473.8**	**1,582.7**

IRB Retail portfolio	EAD amount. EURm	
Risk grade	31 Dec 2018	31 Dec 2017
A+	3,155.7	3,931.9
A	4,007.7	4,036.2
A-	2,829.4	3,067.9
B+	3,249.7	3,013.2
B	2,224.9	1,960.9
B-	1,582.5	1,542.2
C+	1,157.8	1,091.3
C	723.9	758.3
C-	530.0	484.3
D+	349.0	406.6
D	322.4	332.1
D-	365.2	400.6
E+	197.3	193.4
E	152.5	141.8
E-	94.3	89.1
F+	66.7	64.9
F	100.6	109.8
F-	261.9	249.2
Unrated	2.9	6.1
Total	**21,374.5**	**21,879.6**

Collateral distribution

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows residential real estate to constitute a major share of eligible collateral items.

	31 Dec 2018	31 Dec 2017
Financial Collateral	1.8%	0.7%
Residential Real Estate	97.1%	98.3%
Commercial Real Estate	0.7%	0.7%
Other Physical Collateral	0.4%	0.3%
Total	**100.0%**	**100.0%**

Forborne loans

At the end of 2018 forborne loans amounted to EUR 111.9m (130.8) of which EUR 109.3m (128.4) related to households.

Note 29 IFRS 16

NMB has only an insignificant amount of leasing contracts regarding cars. The right of use asset, that will be presented as “Properties and equipment” in the balance sheet is insignificant. Respectively, the increase of total assets is minor considering also a reclassification of already existing prepaid lease expenses. Impact on the income statement and equity is also insignificant, although the presentation will change in the income statement.

The proposal of the Board of Directors to the Annual General Meeting

The distributable funds on 31 December 2018 were EUR 924,569,858.06 of which the profit for the year was EUR 113,417,200.59. The Board of Directors proposes that a dividend of EUR 110,000,000.00 be paid whereafter the distributable funds will be EUR 814,569,858.06.

Signatures of the Directors' report and of the Financial Statements:

Helsinki, 25 February 2019

Petri Nikkilä	Hanna-Maria Heikkinen
Nicklas Ilebrand	Ola Littorin
Sara Mella	Thomas Miller Chief Executive Officer

The Auditor's Note

Our auditors' report has been issued today.

Helsinki, 26 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant

Auditor’s Report (Translation from the Finnish Original)

To the Annual General Meeting of Nordea Mortgage Bank Plc

Report on the Audit of the Financial Statements

Opinion
In our opinion the financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, give a true and fair view of the company’s financial position, financial performance and cash flows and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited
We have audited the financial statements of Nordea Mortgage Bank Plc (business identity code 2743219-6) for the year ended 31 December 2018. The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

Basis for Opinion
We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7. Other expenses/Audtor’s fees to the Financial Statements.

Our Audit Approach

Overview

- Overall materiality was € 79 million, which represents 0.3 % of total assets

- Key audit matters:
  - Impairment of loans to customers
  - Valuation of certain Level II financial instruments held at fair value
  - IT systems supporting processes over financial reporting

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall materiality	€ 79 million (previous year € 75 million)
How we determined it	0.3 % of total assets
Specific materiality	€ 7 million (previous year 6.5 million)
How we determined it	5 % of profit before tax
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, key driver of the business and determinants of the bank's profit potential are best reflected in the balance sheet. A number of key performance indicators of the bank are driven by income statement items, therefore we have applied a specific materiality to all income statement items after Net interest income. The benchmarks determined are within the range of acceptable quantitative materiality thresholds in auditing standards.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the company	How our audit addressed the key audit matter
Impairment of loans to customers	
Refer to the Note 1 Accounting policies (Critical judgements and estimation uncertainty). Note 8 Net loan losses and Note 10 Loans and impairment to the financial statements IFRS 9, the new accounting standard for financial instruments came into effect on 1 January 2018 and has significant impact on processes and models for impairment of loans to customers.	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. The testing of internal controls included procedures relating to the governance structure, segregation of duties and key controls in the lending processes. In addition, our credit modelling experts have performed recalculations for a sample of loans and model outputs in order for us to obtain comfort over the calculated ECL.

Key audit matter in the audit of the company	How our audit addressed the key audit matter
IFRS 9 categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated. Expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. These calculations are a central part of the assessment of impairment of loans to customers. The calculations include critical judgements and estimates.	In addition we have audited the financial effects and disclosures related to the transition to IFRS 9.
Valuation of certain Level II financial instruments held at fair value *Refer to the Note 1 Accounting policies (Critical judgements and estimation uncertainty). Note 11 Derivatives and hedge accounting. Note 23 Classification of financial instruments and Note 24 Assets and liabilities at fair value to the financial statements.* Given the ongoing volatility and macro economic uncertainty, valuation of financial instruments continues to be an area of inherent risk. Significant portfolios of financial instruments on Level II are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value hierarchy. fair value adjustments, price testing and model control & governance; and • Disclosures of financial instruments.	We assessed and tested the design and operating effectiveness of the controls over: • The identification, measurement and oversight of valuation of financial instruments • Fair value hierarchy, fair value adjustments and independent price verification • Model control and governance. We examined the Company's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Company's governance and reporting processes and controls. We performed an independent valuation of a sample of positions. In respect of fair value adjustments for derivatives, we assessed the methodology applied.
IT systems supporting processes over financial reporting The Company'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 properly and they operates effectively.	We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to program and data as well as program development and changes.

Key audit matter in the audit of the company	How our audit addressed the key audit matter
IT systems supporting processes over financial reporting	For logical access to program and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT-systems.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements
The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company or to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

Our appointment represents a total period of uninterrupted engagement of 3 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 26 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

GLOSSARY OF CERTAIN DEFINED TERMS

bankruptcy liquidity loan	A loan made by the bankruptcy administrator of the issuer to secure liquidity or take out liquidity credit in accordance with Section 26 of the CBA recorded in the register.
CBA	The Finnish Covered Bond Act (*Laki kiinnitysluottopankkitoiminnasta* 688/2010), as amended.
commercial property loan	Loans secured by: (i) mortgageable property for commercial or office purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*Maakaari* 540/1995), as amended; or (ii) shares of a housing company or a real estate company entitling the holder to occupancy of the commercial or office premises; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the EEA.
cover pool	The mortgage loans, public-sector loans and supplementary collateral entered into the register as statutory security for covered bonds under the CBA.
covered bond	A bond collateralised by a mortgage loan or a public-sector loan entered in the register in accordance with the CBA.
derivative transactions	Derivatives transactions entered into by the issuer to hedge against the risks relating to covered bonds or their underlying collateral and recorded in the register.
eligible assets	Mortgage loans, public-sector loans or supplementary collateral.
FIN-FSA	The Finnish Financial Supervisory Authority (*Finanssivalvonta*).
housing company shares	Shares in a housing company which is a company incorporated in Finland and referred to in Chapter 1, Section 2 of the Finnish Act on Housing Companies (*Asunto-osakeyhtiölaki* 1599/2009), as amended.
housing loan	Loans secured by: (i) mortgageable property for primarily residential purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*Maakaari* 540/1995), as amended; or (ii) shares in a housing company referred to in Chapter 1, Section 2 of the Act on Housing Companies (*Asunto-osakeyhtiölaki* 1599/2009), as amended, or shares comparable thereto, participations and rights of occupancy; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the EEA.
mortgage loans	Housing loans and commercial property loans.
public-sector loan	Loans which have been granted to the Republic of Finland, a Finnish municipality or other public-sector entity which may, when calculating prudential requirements set out in Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 648/2012, be considered equivalent to the Finnish State or Finnish municipality or a credit which is fully collateralised by a guarantee granted by a public-sector entity or a claim on such entity.

register	The register of covered bonds which the issuer is required to maintain pursuant to Chapter 5 of the CBA.
supplementary collateral	(a) Bonds and other debt obligations issued by a central government, a municipality or another public-sector entity or a credit institution (other than one belonging to the same consolidated group as the issuer); (b) guarantees granted by a public-sector entity or a credit institution referred to in paragraph (a) above; (c) credit insurance given by an insurance company other than one belonging to the same group, as defined in the Finnish Act on Supervision of Finance and Insurance Groups (*Laki rahoitus- ja vakuutusryhmittymien valvonnasta* 699/2004), as amended, as the issuer; and (d) assets of the issuer deposited in the Bank of Finland or a deposit bank; if the issuer is a deposit bank, the deposit may not be in a deposit bank belonging to the same consolidated group as the issuer.

INDEX OF DEFINED TERMS

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