IMPORTANT NOTICE

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

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

The Base Prospectus does not constitute, and may not be used in connection with, an offer to sell or the solicitation of an offer to buy securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities law of any such jurisdiction.

The securities described in the Base Prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States and may include notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, such securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (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 i to viii and the section "*Subscription and Sale*".

BASE PROSPECTUS DATED 5 MAY 2020

NORDEA BANK ABP

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

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

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

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

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

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

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

Arranger
BofA Securities
Dealers

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

The date of this Base Prospectus is 5 May 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 Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Such approval relates only to Notes 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 Notes 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 Notes**" are to Notes 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 Notes.

Application will be made (i) to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for Notes issued under the Programme (other than Exempt Notes (as defined herein)) to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Regulated Market**"), (ii) to the United Kingdom Financial Conduct Authority (the "**FCA**") and London Stock Exchange plc (the "**London Stock Exchange**") for Notes issued under the Programme (other than Exempt Notes) to be admitted to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange, (iii) to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") and the Luxembourg Stock Exchange for Notes issued under the Programme (other than Exempt Notes) to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange, and (iv) to the Norwegian Supervisory Authority (*Finanstilsynet*) (the "**NFSA**") for Notes issued under the Programme (other than Exempt Notes) to be admitted to listing on the Oslo Stock Exchange's regulated market (the "**Oslo Børs**"), in each case during the period of 12 months after the date hereof.

The Regulated Market and the regulated markets of the London Stock Exchange, the Luxembourg Stock Exchange and the Oslo Børs are regulated markets for the purposes of MiFID II. Such approvals relate only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID II and/or which are to be offered to the public in any Member State of the European Economic Area.

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

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

The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer (including the SIX Swiss Exchange Ltd (the "**SIX Swiss Exchange**"), in the case of Swiss Franc Notes).

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

This Base Prospectus 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 Notes, should be read and construed together with the relevant Final Terms.

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

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

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

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes 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 Notes. The Dealers and the Arranger accept no liability in relation to the financial information contained in this Base Prospectus or any other financial statements or their distribution or with regard to any other information supplied in connection with the Notes. The statements made in this paragraph are without prejudice to the responsibility of Nordea Bank Abp in its capacity as Issuer under the Programme.

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

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

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

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS. SEE "*SUBSCRIPTION AND SALE*".

The Issuer is not a bank nor an authorised deposit-taking institution which is authorised under the *Banking Act 1959 (Cth)* of Australia (the **Australian Banking Act**) nor is it authorised to carry on banking business under the Australian Banking Act. The Notes are not obligations of any government and, in particular, are not guaranteed by the Commonwealth of Australia. The Issuer is not supervised by the Australian Prudential Regulation Authority. Notes that are offered for issue or sale or transferred in, or into, Australia are offered only in circumstances that would not require disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act 2001 of Australia (the "**Corporations Act**") and will be issued and transferred in compliance with the terms of the exemption from compliance with section 66 of the Australian Banking Act that is available to the Issuer. Such Notes will be issued or transferred in, or into, Australia in parcels of not less than A$500,000 in aggregate principal amount. An investment in any Notes issued by the Issuer will not be covered by the depositor protection provisions in section 13A of the Australian Banking Act and will not entitle Holders to claim under the financial claims scheme under Division 2AA of the Australian Banking Act.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (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 Notes (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 Notes is a manufacturer in respect of such Notes, 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 Notes must determine the suitability of that investment in light of such investor's own circumstances. In particular, each potential investor should:

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

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such potential investor's financial activities are principally denominated;

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

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

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

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

IMPORTANT – EEA AND UK RETAIL INVESTORS - If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the Notes 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; 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) in relation to any Exempt Notes with a minimum denomination below €100,000 or its equivalent in any other currency, 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 Notes or otherwise making them available to retail investors in the EEA or in the UK would be prepared and therefore offering or selling the Notes 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 constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any

Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the "**European Economic Area**" or in the United Kingdom (each, a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant State of Notes which are the subject of an offering/placement contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State and (in either case) published, all in accordance with the Prospectus Regulation, **provided that** any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Regulation in that Relevant State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

BENCHMARKS REGULATION - Interest and/or other amounts payable under the Notes 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 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. 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 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 in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes 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 Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms 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 Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or any persons acting on behalf of any Stabilising Manager(s)) in the relevant Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

RATINGS

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

Rating Agency	Rating
Moody's Investors Service Limited	Aa3
S&P Global Ratings Europe Limited	AA-[1]
Fitch Ratings Limited	AA-[2]

Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Limited ("**Fitch**") are established in the UK and S&P Global Ratings Europe Limited ("**S&P**") is established in the EEA. Each of Moody's, S&P and Fitch are registered under Regulation (EC) 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.

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

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

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the 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 Notes, or a new unsolicited credit rating assigned to the Notes, could affect the market value and reduce the liquidity of the Notes.

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

[1] Outlook negative.

[2] Rating watch negative.

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

GREEN NOTES

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

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

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labeled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green

Assets. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

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

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

DEFINITIONS

In this Base Prospectus, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**EU Member State"** are references to a Member State of the European Union and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 (as amended or superseded). 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 "**Swiss Francs**", "**Swiss francs**" or "**CHF**" are to Swiss Francs, references to "**sterling**" are to Pounds Sterling, references to "**Yen**" are to Japanese Yen, references to "**SEK**" are to Swedish Krona, references to "**NOK**" are to Norwegian Kroner, references to "**DKK**" are to Danish Krone and references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan) (the "**PRC**"). References to the "**Merger**" mean the merger of Nordea Bank AB (publ), the parent company of the Nordea Group before the Re-domiciliation (as defined below), into Nordea Bank Abp through a cross-border reversed merger by way of absorption on the Completion Date (as defined below). References to "**Nordea**" 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 the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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 70 to 119 of the base prospectus dated 8 May 2019 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-314384/Base%20prospectus%20for%20Nordea%20Bank%20Abp%20EMTN%20Programme%208%20May%202019.pdf);

(2) the terms and conditions set out on pages 68 to 115 of the base prospectus dated 29 November 2018 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-281780/Base%20Prospectus%20for%20Nordea%20Bank%20Abp%20EMTN%20Programme%2029%20November%202018.pdf);

(3) the terms and conditions set out on pages 68 to 111 of the base prospectus dated 4 May 2018 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-262921/Base%20Prospectus%20for%20Nordea%20Bank%20AB%20EMTN%20Programme%204%20May%202018.pdf);

(4) the terms and conditions set out on pages 62 to 101 of the base prospectus dated 16 May 2017 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-187217/Base%20Prospectus%20for%20Nordea%20Bank%20AB%20EMTN%20Programme%2016%20May%202017.pdf);

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

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

(7) the terms and conditions set out on pages 65 to 103 of the base prospectus dated 8 May 2014 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-39175/2014-01-01_Base-Prospectus-for-Nordea-Bank-AB-EMTN-Program-2014_EN.pdfhttp://www.nordea.com/sitemod/upload/Root/www.nordea.com - uk/Investorrelations/prospectus_nordea_bank_AB_emtn_8_may_2014.pdf);

(8) the terms and conditions set out on pages 64 to 107 of the base prospectus dated 26 April 2013 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-39174/2013-01-01_Base-Prospectus-for-Nordea-Bank-AB-EMTN-Program-2013_EN.pdf);

(9) the terms and conditions set out on pages 43 to 83 of the base prospectus dated 27 April 2012 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-39173/2012-01-01_Base-Prospectus-for-Nordea-Bank-AB-EMTN-Program-2012_EN.pdf);

(10) the terms and conditions set out on pages 42 to 82 of the base prospectus dated 20 April 2011 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-39172/2011-01-01_Base-Prospectus-for-Nordea-Bank-AB-EMTN-Program-2011_EN.pdf);

(11) the terms and conditions set out on pages 41 to 81 of the base prospectus dated 30 April 2010 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-39171/2010-01-01_Base-Prospectus-for-Nordea-Bank-AB-EMTN-Program-2010_EN.pdf); and

(12) the terms and conditions set out on pages 41 to 81 of the base prospectus dated 29 May 2009 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (https://www.nordea.com/Images/33-39170/2009-01-01_Base-Prospectus-for-Nordea-Bank-AB-EMTN-Program-2009_EN.pdf).

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

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

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 Notes, prepare a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes.

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

DESCRIPTION OF THE NOTES 1
RISK FACTORS 6
FORM OF THE NOTES 33
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM 37
FORM OF FINAL TERMS 40
FORM OF PRICING SUPPLEMENT 53
TERMS AND CONDITIONS OF THE NOTES 68
USE OF PROCEEDS 121
CLEARING AND SETTLEMENT 122
THE NORDEA GROUP 124
NORDEA BANK ABP 138
TAXATION 144
SUBSCRIPTION AND SALE 148
GENERAL INFORMATION 159
ANNEX 1 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2020, INCLUDING THE NOTES RELATING THERETO 162
ANNEX 2 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE YEAR ENDED 31 DECEMBER 2019, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO 182
ANNEX 3 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE YEAR ENDED 31 DECEMBER 2018, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO 309

DESCRIPTION OF THE NOTES

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

Issuer	Nordea Bank Abp.
Description	Euro Medium Term Note Programme.
Arranger	Merrill Lynch International.
Dealers	Barclays Bank Ireland PLC, Barclays Bank PLC, BNP Paribas, BofA Securities Europe SA, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank Aktiengesellschaft, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, Nordea Bank Abp, RBC Europe Limited, Société Générale, UBS Europe SE and UniCredit Bank AG as principal dealers for the Programme and UBS AG as Swiss dealer for the Programme (together with any other dealer(s) appointed from time to time by the Issuer, either generally in relation to the Programme or in relation to a particular Series of Notes).
Fiscal and Paying Agent and Transfer Agent	Citibank, N.A., London Branch or such other entity as may replace Citibank, N.A., London Branch as Fiscal Agent or Transfer Agent.
Swiss Paying Agent	Such entity as may be appointed by the Issuer from time to time as Swiss Paying Agent in respect of any Series of Swiss Franc Notes.
Registrar	Citigroup Global Markets Europe AG or such other entity as may replace Citigroup Global Markets Europe AG as Registrar.
VP Issuing Agent, VPS Paying Agent and Swedish Issuing Agent	Nordea Bank Abp or such other entity as may replace Nordea Bank Abp as VP Issuing Agent, VPS Paying Agent and Swedish Issuing Agent, respectively.
Irish Listing Agent	Arthur Cox Listing Services Limited.
Amount	The aggregate principal amount of Notes outstanding at any time shall not exceed €50,000,000,000 (or its equivalent in another currency calculated as described herein). The Programme size may be increased from time to time without the consent of the Holders of Notes in accordance with the Dealership Agreement.
Currencies	Any currency agreed between the Issuer and the relevant Dealer(s), subject to any applicable legal or regulatory restrictions.
Status and waiver of Set off	The Notes may be issued by the Issuer as Subordinated Notes, Senior Non-Preferred Notes or Senior Preferred Notes. The Senior Preferred Notes of each Series constitute direct, unsecured, unguaranteed and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. Holders of Restricted Senior Preferred Notes shall not be entitled to exercise any right of set off or counterclaim against moneys owed by the Issuer in respect of such Notes.

The Senior Non-Preferred Notes constitute and will constitute direct, unsecured and unguaranteed obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves. In the event of liquidation or bankruptcy of the Issuer, the rights and claims (if any) of holders of any Senior Non-Preferred Notes to payments of the Outstanding Principal Amount and any other amounts in respect of the Senior Non-Preferred Notes (including any accrued and unpaid interest amount or damages awarded for breach of any obligations under these Conditions, if any are payable) shall (i) be subordinated to the claims of all depositors and other unsecured, unsubordinated creditors of the Issuer, provided that in each case such claims are not by mandatory provision of law ranked, or by their terms expressed to rank, *pari passu* with the Senior Non-Preferred Notes; (ii) rank at least *pari passu* with claims in respect of Parity Securities and with the claims of all other creditors of the Issuer which in each case by law rank, or by their terms, are expressed to rank *pari passu* with the claims of holders of Senior Non-Preferred Notes; and (iii) rank senior to any Junior Securities of the Issuer.

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

No Holder of Senior Non-Preferred Notes or Subordinated Notes shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Senior Non-Preferred Notes or Subordinated Notes (as applicable).

Maturities

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

Issue Price

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

Issuance in Series

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

Form of Notes

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

Notes may be specified in the relevant Final Terms as "**Swiss Franc Notes**". Swiss Franc Notes will be issued in bearer form and will be represented by a Permanent Global Note which shall be deposited by the Swiss Paying Agent with SIS or such other depositary as may be approved by the SIX Swiss Exchange. Definitive Notes will only be issued at the sole discretion of the Swiss Paying Agent. The Swiss Paying Agent will be appointed by the Issuer from time to time in respect of any Series of Swiss Franc Notes.

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

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

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

Denomination of Notes

Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to (i) where such Notes are to be admitted to trading on a regulated market within the European Economic Area ("**EEA**") or offered to the public in circumstances which require the publication of a prospectus under the Prospectus Regulation a minimum denomination of €100,000 (or, in the case of Notes not denominated in euros, the equivalent thereof in such foreign currency) and integral multiples of €1,000 (or, in the case of Notes not denominated in euros, 1,000 units of such foreign currency) in excess thereof; and (ii) compliance with all applicable legal and/or regulatory and/or central bank requirements.

Interest

Notes may be interest bearing or non-interest bearing. Notes may be issued as fixed rate, floating rate (based on LIBOR, EURIBOR, BBSW, BKBM, CDOR, CIBOR, HIBOR, JIBAR, MOSPRIME, NIBOR, SHIBOR, SOFR, SONIA, STIBOR, TIBOR, TIIE, TRLIBOR or WIBOR), zero coupon, reset or partly paid as set out in Condition 5 (*Interest*). In respect of each Tranche of interest-bearing Notes, the date from which interest becomes payable and the due dates for interest will be specified in the relevant Final Terms.

Interest Payments

Interest may be paid monthly, quarterly, semi-annually, annually or at such other intervals as are described in the relevant Final Terms.

Redemption

The Notes may be redeemable at par or at such other redemption amount as may be specified in the relevant Final Terms.

Unless otherwise specified in the relevant Final Terms, redemption is permitted as a result of a Tax Event, a Withholding Tax Event, an MREL Disqualification Event (in the case of Restricted Senior Preferred Notes and Senior Non-Preferred Notes), a Capital Event (in the case of

	Subordinated Notes), or at the option of the Issuer, in each case subject to the relevant Conditions to Redemption (to the extent applicable). Early redemption will otherwise be permitted only to the extent specified in the relevant Final Terms. Notes denominated in Pounds Sterling may not be redeemed prior to one year and one day from the date of issue. Early redemption of the Notes may only take place in accordance with the Applicable Banking Regulations and if the Issuer has been granted the permission of the Competent Authority (in the case of the Subordinated Notes) or the Resolution Authority (in the case of the Restricted Senior Preferred Notes or Senior Non-Preferred Notes) (as each such term is defined in the Terms and Conditions of the Notes) and, in each case, if such permission is then required under the Applicable Banking Regulations and subject to compliance with such further conditions to redemption (if any) as may be applicable in accordance with Condition 6(j) (*Conditions to Redemption and Repurchase*).
Taxation	All payments in respect of the Notes 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 (in respect of interest only for Subordinated Notes) as described in, and subject to exceptions set out in, Condition 8 (*Taxation*).
Substitution and Variation	The Issuer may substitute or vary the terms of the Notes as provided in Condition 17 (*Substitution and Variation*) if so specified in the relevant Final Terms.
Further Issues	The Issuer may from time to time, without the consent of the Holders of Notes or any Series, create and issue further Notes having the same terms and conditions as any Series of Notes in all respects (or in all respects except for the amount of the first payment of interest, if any, on them), which may be consolidated and form a single Series with the outstanding Notes of such Series.
Cross Default	None.
Negative Pledge	None.
Listing and Admission to Trading	Application will be made (i) to Euronext Dublin for Notes issued under the Programme (other than Exempt Notes) to be admitted to the Official List and trading on the Regulated Market, (ii) to the United Kingdom Financial Conduct Authority and the London Stock Exchange for Notes issued under the Programme (other than Exempt Notes) to be admitted to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange, (iii) to the CSSF and the Luxembourg Stock Exchange for Notes issued under the Programme (other than Exempt Notes) to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange and (iv) to the NFSA for Notes issued under the Programme (other than Exempt Notes) to be admitted to listing on the Oslo Børs, in each case during the period of 12 months after the date hereof. The Regulated Market and the regulated markets of the London Stock Exchange, the Luxembourg Stock Exchange and the Oslo Børs are regulated markets for the purposes of MiFID II. Such approvals relate only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID II and/or which are to be offered to the public in any Member State.
Governing Law	English law governs the Notes and all non-contractual obligations arising out of or in connection with them except that (i) the subordination provisions applicable to Senior Non-Preferred Notes and the Subordinated

Notes are governed by the laws of the Relevant Jurisdiction; (ii) the registration of VP Notes in the VP are governed by Danish law; (iii) the registration of VPS Notes in the VPS are governed by Norwegian law; and (iv) the registration of Swedish Notes in the book entry system and register maintained by Euroclear Sweden are governed by Swedish law. Holders of the Notes are entitled to the rights and subject to the obligations and liabilities arising under such regulations and legislation of such jurisdictions.

Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material including in the United States of America, the EEA, the United Kingdom, Australia, Canada, Denmark, Estonia, Finland, France, Hong Kong, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, The Netherlands, New Zealand, Norway, The People's Republic of China, Portugal, Singapore, Spain and Sweden, see "*Subscription and Sale*".
Ratings	Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Issuer or to Notes already issued. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the EU and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The Issuer cannot assure investors that any such ratings will not change in the future. A rating reflects only the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Terms and Conditions of the Notes	The terms and conditions applicable to each Series will be as agreed between the Issuer and the relevant Dealer(s) at or prior to the time of issuance of such Series, and will be specified in the relevant Final Terms. The terms and conditions applicable to each Series will therefore be the relevant Terms and Conditions of the Notes set out in this Base Prospectus, as supplemented, modified or replaced by the relevant Final Terms in relation to each Series.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These are set out under the heading "*Risk Factors*." Investors should carefully consider these risk factors and all of the information in this Base Prospectus before deciding to buy Notes.
Use of Proceeds	The net proceeds of the issue of each Series of Notes will be used for the general banking and other corporate purposes of the Nordea Group. If, in respect of any particular issue, there is a particular identified use of proceeds this will be stated in the relevant Final Terms.

RISK FACTORS

An investment in the Notes involves a degree of risk. Prospective investors should carefully consider the risks set forth below and the other information contained in this Base Prospectus prior to making any investment decision with respect to the Notes. The risks described below could have a material adverse effect on the Nordea Group's business, financial condition and results of operations or the value of the Notes.

Additional risks and uncertainties, including those of which the Nordea Group's management is not currently aware or deems immaterial, may also potentially have an adverse effect on the Nordea Group's business, results of operations, financial condition or future prospects or may result in other events that could cause investors to lose all or part of their investment.

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

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

RISKS RELATING TO THE NORDEA GROUP AND ITS BUSINESS

Risks Relating to the Outbreak of COVID-19

The global coronavirus outbreak, which has negatively impacted the economies exposed to the outbreak, 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.

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. For example, the coronavirus outbreak and the preventive measures implemented in the Nordic countries and elsewhere to contain its spread could have an adverse effect on borrowers, which, in turn, could result in decreased credit quality and increased provisioning levels. Net loan losses of the Nordea Group increased in the three months ended 31 March 2020 compared to the corresponding period in 2019, primarily reflecting additional loan loss provisions made to provide coverage for the likely near-term increase in loan losses related to the effects of the coronavirus outbreak. There is also no certainty that such public health and other preventive measures will be sufficient to mitigate the risks posed by the coronavirus outbreak, and the implementation of such measures (or their insufficiency) could have an adverse effect on the Nordea Group's operations, including the Nordea Group's ability to perform some of its critical functions and serve its customers. 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, including any potential future resurgence or "second wave", or its full effect on global and local economies or on the Nordea Group.

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, or adversely affect the credit ratings assigned to Nordea or its subsidiaries. On 30 April 2020, Standard & Poor’s revised its ratings outlook for Nordea from stable to negative, citing the weakening of the economic environment following the outbreak of the coronavirus pandemic as a primary driver for the new ratings outlook. New regulatory requirements may also be introduced to address any liquidity concerns or other adverse effects the coronavirus outbreak may have on the financial sector, and financial institutions, such as the Nordea Group, could also become subject to related heightened supervisory demands. Any such requirements or demands may result in the Nordea Group having to modify its operational practices and incur substantial monitoring and compliance costs. Financial institutions are, due to the coronavirus outbreak, also activating business continuity and contingency plans, which, depending on the duration and overall adverse impact of the outbreak, could result in significant additional cost and adversely affect existing business models. In order to mitigate the economic effects of the coronavirus outbreak, national governments and regulators have also announced certain special temporary measures applicable to banking institutions, including, among others, the implementation of measures intended to provide debt relief to various sectors of the economy, including but not limited to payment deferrals, limits on interest rates charged, and temporary relief from insolvency and bankruptcy measures. Many financial institutions, including the Nordea Group, have also offered support programmes to their customers in the form of, among others, instalment-free periods for outstanding loans of certain customer groups. These measures may have an adverse impact on the Nordea Group's ability to realise obligations owed by customers in a timely manner and could require it to find alternative sources of income or funding to address any such impact. Regulators have also issued rules and other guidance to financial institutions aimed to encourage capital conservation, including a recommendation by the European Central Bank (the "**ECB**") that significant credit institutions, such as the Nordea Group, refrain from dividend payments and certain other distributions at least until 1 October 2020.

Any of the foregoing, and any future adverse consequences 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.

Risks Relating to Macroeconomic Conditions

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

The Nordea Group's performance is significantly influenced by the general economic conditions in the Nordic markets (Denmark, Finland, Norway and Sweden). Development of the economic conditions in other markets where the Nordea Group currently operates, including Russia and, through Nordea's 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.

The outbreak of the coronavirus, which developed into a pandemic during the first quarter of 2020 and resulted in a global lockdown of communities and closed borders, is expected to push the world economy into a deep recession. In Denmark, economic growth most likely continued in the first two months of 2020, supported by record-high employment previously, but the outbreak of the coronavirus has triggered a sharp increase in unemployment and a deterioration in both consumer and business confidence. In Finland, the rate of economic growth had decreased prior to the outbreak of the coronavirus, although the labour market remained strong, but the global pandemic started to affect Finnish economy predominately from mid-March onwards. In Norway, economic growth from 2019 has stopped, mainland GDP is expected to have fallen in the first quarter of 2020 and the Norwegian krone has weakened significantly due to low oil prices and the low-risk environment in financial markets. In Sweden, economic growth had started to slow down in the first quarter of 2020 with declining exports and weaker growth in domestic demand, and the outbreak of the coronavirus has had a marked impact on the Swedish economy, which is expected to impact the economy in the second quarter of 2020 and result in higher unemployment. The duration of the expected recession will depend on how long the lockdowns and restrictions will last and the behavioural changes within households and businesses that the outbreak will likely cause, and various more severe scenarios cannot be excluded.

There can be no assurances that the underlying relatively stable economic conditions prior to the coronavirus outbreak will continue. 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 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. For example, the coronavirus outbreak, which has spread rapidly globally in recent months, has disrupted various markets and resulted in severe uncertainty about the development of the economies affected by the outbreak (see also "*—The global coronavirus outbreak, which has negatively impacted the economies exposed to the outbreak, 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*" above). There can also be no assurances that a potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of certain European countries will not lead to new funding uncertainty, resulting in increased volatility and widening credit spreads.

Risks Relating to the Nordea Group's Credit Portfolio

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

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Nordea Group's businesses. The Nordea Group makes provisions for loan losses in accordance with IFRS. However, the provisions made are based on available information, estimates and assumptions and are subject to uncertainty, and there can be no assurances that the provisions will be sufficient to cover the amount of loan losses as they occur. Adverse changes in the credit quality of the Nordea Group's borrowers and counterparties, or a decrease in collateral values, are likely to affect the recoverability and value of the Nordea Group's assets and require an increase in the Nordea Group's individual provisions and potentially in collective provisions for impaired loans, which in turn would adversely affect the Nordea Group's financial performance. In particular, the Nordea Group's exposure to corporate customers is subject to adverse changes in credit quality should the economic environment in the Nordea Group's markets deteriorate. For example, the significant decline in global oil prices 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 (as such term is defined in the Conditions), the "**CRD**") in each EU Member State . The CRR has applied in all EU 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 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 its platform across its four Nordic core markets. To execute 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. 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 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*".

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 EU Member State. The CRR 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 MREL 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 regulatory framework to which the Nordea Group is subject 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 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.

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 Notes and/or the ability of the Issuer to satisfy its obligations under such Notes and could lead to the holders of the Notes losing some or all of their investment in the Notes.

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 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 THE NOTES

Risks Relating to the Notes

The Notes may be redeemed early.

Unless in the case of any particular Series of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer due to a change in law would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Taxing Jurisdiction, the Issuer may redeem all outstanding Notes in accordance with Condition 6(b) (*Early Redemption for Taxation Reasons – Withholding Tax*), and (in the case of Subordinated Notes, Senior Non-Preferred Notes and Restricted Senior Preferred Notes), subject to compliance with certain regulatory conditions and approval by the Competent Authority or Resolution Authority, as applicable.

Furthermore, the Issuer may be entitled to redeem Subordinated Notes or Senior Non-Preferred Notes or, if specified in the relevant Final Terms, Restricted Senior Preferred Notes, if the tax treatment for the Issuer in respect of such Notes is negatively altered after the issue date (as set forth in Condition 6(c) (*Early Redemption as a Result of a Tax Event*)) or if a Capital Event (as defined in Condition 1(a)) (*Interpretation*) occurs in respect of Subordinated Notes or an MREL Disqualification Event (as defined in Condition 1(a) (*Interpretation*)) occurs in respect of Restricted Senior Preferred Notes or Senior Non-Preferred Notes, which may include a situation where such Notes do not at any time become eligible to count towards the Issuer's and/or the Nordea Group's eligible liabilities and/or loss absorbing capacity (including, for the avoidance of doubt, a change to the minimum subordination requirements applicable to the Issuer). In any such case, the Issuer's ability to effect a redemption will (to the extent applicable) be subject to compliance with certain regulatory conditions and approval by the Competent Authority or Resolution Authority (as applicable). These regulatory conditions include the requirement under CRD that if the Subordinated Notes are to be redeemed during the first five years after their issuance, the Issuer must demonstrate to the satisfaction of the Competent Authority that the event triggering such redemption was not reasonably foreseeable at the time of the issue of the Notes and, in the case of a call relating to the tax treatment of the Notes, that the adverse treatment is material and, in the case of a call relating to a Capital Event, that such change is sufficiently certain. These foreseeability and materiality conditions to redemption contained in CRD only apply to a redemption of Subordinated Notes occurring in the first five years after the issue date and, therefore, an issuer of regulatory capital securities, such as the Subordinated Notes, could opt to redeem such Notes for tax or regulatory reasons after the fifth anniversary of issue, including based upon an event that occurred within the first five years of issue. There can therefore be no assurances that Subordinated Notes will not be called for tax or regulatory reasons prior to any specified optional call date.

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

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

Remedies in case of default in respect of Subordinated Notes, Senior Non-Preferred Notes and Restricted Senior Preferred Notes are severely limited.

The Subordinated Notes, Senior Non-Preferred Notes and Restricted Senior Preferred Notes will contain limited enforcement events relating to:

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

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

However, in each case, the Holder of such Note, may claim payment in respect of such Note only in the winding up or liquidation or, as the case may be, bankruptcy or liquidation of the Issuer. Under Finnish law a creditor may not institute proceedings for the liquidation (Fi: *selvitystila*) of the debtor, except under the following limited circumstances: (i) the debtor has no registered board of directors, (ii) the debtor has no representative within the meaning of the Act on the Right to Carry on Trade (Fi: *laki elinkeinon harjoittamisen oikeudesta (122/1919)*), (iii) despite the request of the register authority, the debtor has not filed its annual accounts for registration within one year from the end of the financial year, or (iv) the debtor has been declared bankrupt and the bankruptcy has expired due to the lack of funds.

The Issuer may be subject to statutory resolution.

The powers set out in the BRRD and the SRM Regulation will impact how European credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. There remains uncertainty regarding how the applicable resolution legislation will affect the Issuer, the Nordea Group and the Notes. The Notes may be subject to the bail-in powers and could be written down or converted into equity as part of a resolution process. The exercise of any power under the BRRD (as implemented in the national laws of the Relevant Jurisdiction) or the SRM Regulation or any suggestion of such exercise could materially adversely affect the rights of Holders, the price or value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. Prospective investors in the Notes should consult their own advisors as to the possible consequences of the BRRD (as implemented in national laws) and the SRM Regulation**.**

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

Holders of Subordinated Notes, Senior Non-Preferred Notes and Restricted Senior Preferred Notes shall not be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Notes. Therefore, Holders of such Notes will not be entitled (subject to applicable law) to set-off the Issuer's obligations under such Notes against obligations owed by them to the Issuer.

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

The BRRD and the SRM Regulation establish a preference in the ordinary insolvency hierarchy, firstly, for insured depositors and, secondly, for all other deposits of individuals and micro, small and medium-sized enterprises held in EEA or non-EEA branches of an EEA bank. In addition, the new deposit guarantee scheme directive, which has been implemented into national law and entered into force in Finland on 1 January 2015, increased the volume of deposits that are insured (and thus preferred) to include a wide range of deposits, including all corporate deposits (unless the depositor is a public sector body or financial institution) and some temporary high value deposits. Therefore, these preferred deposits will rank ahead of all other unsecured creditors of the Issuer, including the holders of Notes, in the insolvency hierarchy. However, the non-insured amounts of deposits of large corporations with over EUR 50 million turnover rank *pari passu* with other unsecured senior creditors of the Issuer. Furthermore, insured deposits are excluded from the scope of the bail-in powers.

The Notes may not be freely transferred.

Nordea has not registered, and will not register, the Notes under the Securities Act or any other securities laws. Accordingly, the Notes are subject to certain restrictions on resale and other transfer thereof as set forth in the section entitled "*Subscription and Sale*". As a result of these restrictions, Nordea cannot be certain of the existence of a secondary market for the Notes or the liquidity of such a market if one develops. Consequently, a Holder of Notes and an owner of beneficial interests in those Notes must be able to bear the economic risk of their investment in the Notes for the terms of the Notes.

There may be no active trading market for the Notes.

The Notes issued under the Programme will be new securities which may not be widely distributed and for which there may be no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Although applications have been made for (A) Notes issued under the Programme to be admitted (i) to listing on the Official List of Euronext Dublin and to trading on its Regulated Market; (ii) to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange; (iii) to listing on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange and (iv) to listing on the Oslo Børs, and (B) Exempt Notes issued under the Programme to be admitted to listing on the Official List of Euronext Dublin and to trading on the GEM, there can be no assurances that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there can be no assurances as to the development or liquidity of any trading market for any particular Tranche of Notes.

Furthermore, the Issuer may elect to issue unlisted Notes, in which case there may not be an active trading market for such Notes. While the Issuer may, in its sole discretion, offer to buy back such Notes prior to their maturity date under normal market conditions, the price at which such Notes 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 Notes, in which case the relevant investor may be unable to exit its investment in the relevant Notes until they are redeemed.

Noteholders are subject to market volatility.

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

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

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than 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 Issuer could, in certain circumstances, substitute or vary the terms of the Notes.

To the extent that any Series of Notes contains provisions relating to the substitution or variation of the Notes, in certain circumstances, such as if a Capital Event, Withholding Tax Event, a Tax Event or an MREL Disqualification Event has occurred and is continuing, or in order to ensure the effectiveness of Condition 20 (*Acknowledgement of Bail-in and Loss Absorption Powers*), the Issuer may, in accordance with Applicable Banking Regulations and without the consent or approval of the Holders, substitute the Notes or vary the Conditions of the Notes in order to ensure such substituted or varied Notes continue to qualify as, or, as appropriate, become, in the case of Subordinated Notes, Tier 2 Capital or, in the case of Senior Non-Preferred Notes or Restricted Senior Preferred Notes, eligible liabilities in accordance with the Conditions, or in order to ensure the effectiveness of Condition 20 (*Acknowledgement of Bail-in and Loss Absorption Powers*). While the Issuer cannot make changes to the terms of the Notes that are materially less favourable to a Holder of such Notes (save to the extent that such prejudice is solely attributable to the effectiveness and enforceability of Condition 20 (*Acknowledgement of Bail-in and Loss Absorption Powers*)), there can be no assurances as to whether any of these changes will negatively affect any particular Holder. In addition, the tax and stamp duty consequences of holding such varied Notes could be different for some categories of Holders from the tax and stamp duty consequences for them of holding the Notes prior to such substitution or variation.

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

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

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

Noteholders are subject to credit risk on the Issuer.

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

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

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

The terms and conditions of the Notes may be changed.

The terms and conditions applicable to each Tranche will be as agreed between the Issuer and the relevant Dealer at or prior to the time of issuance of such Tranche, and will be specified in the relevant Final Terms. The terms and conditions applicable to each Tranche will therefore be those set out in this Base Prospectus, subject to being completed by the relevant Final Terms in relation to each Tranche.

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

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

See also "*The Issuer could, in certain circumstances, substitute or vary the terms of the Notes*" above.

The Issuer's gross-up obligation under the Notes is limited

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of each Series of Subordinated Notes, Senior Non-Preferred Notes and Restricted Senior Preferred Notes applies only to payments of interest due and paid under such Notes and not to payments of principal (which term, for these purposes, includes any premium, final redemption amount, early redemption amount, optional redemption amount and any other amount (other than interest) which may from time to time be payable in respect of such Notes).

As such, the Issuer would not be required to pay any additional amounts under the terms of any Series of Subordinated Notes, Senior Non-Preferred Notes and Restricted Senior Preferred Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under any Series of such Notes, holders of such Notes would, upon repayment or redemption of such Notes, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld. Therefore, holders may receive less than the full amount due under such Notes, and the market value of such Notes may be adversely affected as a result.

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

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

The United States has concluded a number of intergovernmental agreements ("**IGA**") with other jurisdictions in respect of FATCA. The Issuer's reporting obligations under FATCA will be governed by the IGA entered into by the governments of the United States and the Republic of Finland to Improve International Tax Compliance and to Implement FATCA (the "**Finnish IGA**"). Under the Finnish IGA, an entity classified as a foreign financial institution (an "**FFI**") that is treated as resident in Finland is expected to provide the Finnish tax authorities with certain information on U.S. holders of its securities. Information on U.S. holders will be automatically exchanged with the U.S. Internal Revenue Service. The Issuer is treated as an FFI under the Finnish IGA and provided it complies with the requirements of the Finnish IGA and the Finnish legislation implementing the Finnish IGA, it should not be subject to FATCA withholding on any payments it receives and it should not be required to withhold tax on any "foreign passthru payments" that it makes. Although the Issuer may not be required to withhold FATCA taxes in respect of any foreign passthru payments it makes under the Finnish IGA, FATCA withholding may apply in respect of any payments made on the Notes by any paying agent.

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

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

The rules under CRD prescribes certain conditions for the granting of permission by the Competent Authority or Resolution Authority (as applicable) to a request by the Issuer to redeem or repurchase the Subordinated Notes, Senior Non-Preferred Notes or Restricted Senior Preferred Notes. In this respect, the CRR provides that the Competent Authority or Resolution Authority (as applicable) shall grant permission to a redemption or repurchase of the Notes provided that the Conditions to Redemption described in the Conditions are met.

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

Legal and Regulatory Risks Relating to the Notes

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

The BRRD entered into force in July 2014. The stated aim of the BRRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The BRRD was implemented in Finland on 1 January 2015. BRRD has been amended in the banking package (as described in "*The Nordea Group— Capital Adequacy and Regulatory Considerations*") that was published in the Official Journal on 7 June 2019 and the majority of amendments will take effect 18 months after that date.

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

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

The bail-in power can be used to recapitalise an institution that is failing or about to fail, allowing authorities to restructure it through the resolution process and restore its viability after reorganisation and restructuring. The write-down and conversion power can be used to ensure that tier 1 and tier 2 capital instruments fully absorb losses at the point of non-viability of an institution (or, if applicable, its group) and before any other resolution action is taken. The BRRD specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD and otherwise respecting the hierarchy of claims in an ordinary insolvency.

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

The bail-in power contains a specific safeguard (NCWOL) with the aim that shareholders and creditors do not receive a less favourable treatment than they would have received in ordinary insolvency proceedings. However, even in circumstances where a claim for compensation is established under the NCWOL safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the Holders in the resolution and there can be no assurances that Holders would recover such compensation promptly.

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

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

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

Changes in laws, regulations or administrative practice, or the interpretation thereof, after the date of this Base Prospectus may affect the Notes in general, the rights of Holders as well as the market value of the Notes. The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by English law, except for (i) the subordination provisions relating to Senior Non-Preferred Notes and Subordinated Notes and all non-contractual obligations arising out of or in connection with them, which will be governed by, and construed in accordance with the laws of the Relevant Jurisdiction; (ii) the registration of VP Notes in the VP which will be governed by, and construed in accordance with, Danish law; (iii) the registration of VPS Notes in the VPS which will be governed by, and construed in accordance with, Norwegian law; and (iv) the registration of Swedish Notes in the Euroclear Sweden Register which will be governed by, and construed in accordance with, Swedish law. There can be no assurances as to the impact of any possible judicial decision or change to the laws of England and Wales or the law of the other jurisdictions referred to above, regulations or administrative practice after the date of issue of the relevant Notes or the interpretation thereof. Such changes in law may impact statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on the Notes. Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes that one or more regulatory or legislative changes, including those described above, could have on the Notes.

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

Furthermore, the financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Nordea Group's business, financial performance, capital and risk management strategies. Such regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Nordea Group's, and therefore the Issuer's, performance and financial condition.

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

As the Notes are subject to the jurisdiction of English courts, if no new reciprocal agreement on civil justice is agreed between the United Kingdom 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 United Kingdom and EU Member States, that is, the Recast Brussels Regulation (Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012) would cease to apply to the United Kingdom (and to U.K. judgments). Further, the United Kingdom would no longer be a party to the Lugano Convention under which judgments from the courts of contracting states (currently the EU Member States, plus Switzerland, Iceland and Norway) are recognised and enforced in other contracting states.

In its White Paper from July 2018, the U.K. Government stated that it will seek to participate in the Lugano Convention on leaving the EU, which would mean English judgments would continue to be recognised and enforced in Finland (and other contracting states). In the same White Paper, the U.K. Government also stated 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 UK 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 Form and Mechanics of the Notes

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

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

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

Investors in Swiss Franc Notes, VP Notes, VPS Notes or Swedish Notes will have to rely on the relevant clearing system's or the relevant Issuing Agent's, as the case may be, procedures for transfer, payment and communication with the Issuer. Swiss Franc Notes, VP Notes, VPS Notes or Swedish Notes issued under the Programme will not be evidenced by any physical note or document of title other than statements of account made by SIS, the VP, the VPS or Euroclear Sweden, as the case may be. Ownership of Swiss Franc Notes, VP Notes, VPS Notes or Swedish Notes will be recorded and transfer effected only through the book entry system and register maintained by SIS, the VP, the VPS or Euroclear Sweden, as the case may be.

Risks Relating to the Interest Features of the Notes

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, Notes 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 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 Notes 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.

Where the relevant Final Terms specifies that Condition 5(i) (*Benchmark Replacement — ARRC*) is not applicable, if the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event (as defined in the Terms and Conditions of the Notes) 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 5(h) (*Benchmark Replacement — Independent Adviser*)) and, if applicable, an Adjustment Spread. 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 Notes shall apply. 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.

Where the relevant Final Terms specifies that Condition 5(i) (*Benchmark Replacement – ARRC*) is applicable, if the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date (each as defined in the Terms and Conditions of the Notes) has occurred, the then-current Benchmark will be replaced by a Benchmark Replacement (determined by the Issuer in accordance with the Terms and Conditions of the Notes) for all purposes relating to the relevant Notes in respect of all determinations on such date and for all determinations on all subsequent dates. The Issuer will have to exercise its discretion to determine (or to elect not to determine) an Benchmark Replacement and, if applicable, a Benchmark Replacement Adjustment, in a situation in which it is presented with a conflict of interest.

The use of a Successor Rate, an Alternative Benchmark Rate or a Benchmark Replacement 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 Notes if the relevant benchmark remained available in its current form.

The Issuer has also undertaken in the Conditions that it will not make any amendment pursuant to Condition 5(h) (*Benchmark Replacement - Independent Adviser*) or Condition 5(i) (*Benchmark Replacement – ARRC*) of the Terms and Conditions of the Notes if to do so could reasonably be expected to prejudice the qualification of the Notes as, in the case of the Senior Preferred Notes and the Senior Non-Preferred Notes, eligible liabilities and/or loss absorbing capacity or, in the case of the Subordinated Notes, Tier 2 Capital of the Issuer and/or the Nordea Group.

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 Notes 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 Notes linked to or referencing a benchmark.

The market continues to develop in relation to SONIA and SOFR as reference rates for Floating Rate Notes.

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 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 Notes issued to date and no assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Notes, 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 Notes. Furthermore, the Issuer may in future issue Notes referencing SONIA or SOFR that differ materially in terms of interest determination when compared with the Notes. 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 Notes 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 Notes. 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 Notes 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 Notes which reference SONIA or 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 Notes which reference SONIA or SOFR to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Notes. Further, in contrast to LIBOR-based Notes, if Notes referencing Compounded Daily SONIA become due and payable as a result of any of the events described in Condition 7 (*Events of Default*), or are otherwise redeemed early on a date other than an Interest Payment Date, the rate of interest payable for the final Interest Period in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable and shall not be reset thereafter.

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 and SOFR respectively, 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 Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SONIA or SOFR.

Fixed Rate Notes are subject to Interest Rate Risks.

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

Risks relating to fixed/floating rate Notes.

Fixed/floating rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market in, and the market value of, the such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the fixed/floating rate Notes may be less favourable than then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time (whether or not the conversion is automatic or is initiated by the Issuer) may be lower than the rates on other Notes. Conversely, if the interest rate on the Notes If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing market rates on other Notes.

Risks relating to Reset Notes.

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

Risks relating to Partly Paid Notes.

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

Additional Risks Relating to the Subordinated Notes and Senior Non-Preferred Notes

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

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

According to the main rule contained in Section 2 of the Finnish Act on Order of Priority of Claims (Fi: *laki velkojien maksunsaantijärjestyksestä (1578/1992)*) (the "**Finnish Priority Act**"), unless the distributable funds in an insolvency are sufficient to cover all claims, the creditors have an equal right to payment out of such funds in proportion to the amount of their claims. Section 6 of the Finnish Priority Act, however, provides certain exceptions from such main rule for subordination by contract of the claims of a class of creditors to all other unsecured creditors. Pursuant to item 4 of Subsection 1 of Section 6 of the Finnish Priority Act, a claim subordinated by contract to the claims of all other creditors in liquidation and bankruptcy of the debtor and, pursuant to item 3 of Subsection 1 of Section 6 of the Finnish Priority Act, a claim based on a bond subordinated by its terms to the claims of all other creditors in liquidation and bankruptcy of the debtor will, in each case, rank in priority to the payment to holders of equity interests in the debtor but junior in right of payment to the claims in respect of all unsubordinated indebtedness and other classes of subordinated indebtedness of the debtor. Pursuant to Subsection 2 of Section 6 of the Finnish Priority Act, claims falling within the same category shall have equal priority unless otherwise agreed in respect of claims set forth in item 4 of Subsection 1 of Section 6 of the Finnish Priority Act. Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 (the "**Creditor Hierarchy Directive**") also introduced a new asset class of "non-preferred" senior debt. The Creditor Hierarchy Directive has been implemented as a matter of domestic law in Finland primarily through the introduction of updates to the Finnish Act on Credit Institutions, including the addition of a new Section 4a to Chapter 1 of the Finnish Act on Credit Institutions that took effect as of 15 November

2018. As a result of these updates, among others, (i) in the bankruptcy of a credit institution, and notwithstanding the provisions of the Finnish Priority Act, claims resulting from debt instruments which are not or do not contain embedded derivatives and the original maturity of which is of at least one year (a) rank below ordinary unsecured claims as referred to in Section 2 of the Finnish Priority Act and (b) rank above subordinated claims referred to in Section 6, Subsection 1 of the Finnish Priority Act, if the relevant terms and conditions refer to such ranking, and (ii) the mutual rights of claims referred to in items 3 and 4 of Section 6, Subsection 1 of the Finnish Priority Act may by operation of item 5 of the new Section 4a be agreed upon. The Senior Non-Preferred Notes would fall within the category of debt set out in item 4 of Chapter 1, Section 4a, Subsection 1 of the Finnish Act on Credit Institutions and, therefore, would rank accordingly in the bankruptcy of the Issuer and be treated with priority to claims under any Additional Tier 1 Notes and Tier 2 Capital of the Issuer. The Subordinated Notes do not clearly fall within any of the categories of debt set out in the Finnish Priority Act, but in the liquidation or bankruptcy of the Issuer claims under the Subordinated Notes would be expected to be treated with priority to claims under any Additional Tier 1 Notes and Tier 2 Capital of the Issuer given that the contractual intention has been to create such a subordination which should be recognised pursuant to item 5 of Chapter 1, Section 4a, Subsection 1 of the Finnish Act on Credit Institutions. However, there can be no assurances that this would be the case. See also "*Recent regulatory actions may affect the Nordea Group's funding needs and capital position*" above.

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

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

Risks relating to Notes denominated in Renminbi

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

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

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

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

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

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the People's Bank of China ("**PBoC**") in 2018, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

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

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

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

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

Investment in the Renminbi Notes is subject to exchange rate risks

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

Investment in the Renminbi Notes is subject to currency risk

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

Investment in the Renminbi Notes is subject to interest rate risks

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

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

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

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

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

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

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

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

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

Remittance of proceeds in Renminbi into or out of the PRC

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

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

FORM OF THE NOTES

Notes may be issued as Bearer Notes (as defined below), Registered Notes (as defined below), VP Notes, VPS Notes or Swedish Notes, as specified in the relevant Final Terms. Such Global Notes will be deposited with a common depositary, or as the case may be a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking SA ("**Clearstream, Luxembourg**") or (in the case of Swiss Franc Notes) SIX SIS Ltd ("**SIS**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant clearing system(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the relevant clearing system(s). Notes in bearer form will not be exchangeable for Notes in registered form and Notes in registered form will not be exchangeable for Notes in bearer form.

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

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

Form of Bearer Notes

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

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

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

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

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

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

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

Form of Registered Notes

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

Form of Swiss Franc Notes

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

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

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

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

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

Form of VP Notes

Each Tranche of VP Notes will be issued in uncertificated and dematerialised book entry form in accordance with the Danish Capital Markets Act (Consolidated Act No. 12 of 8 January 2018, as amended or replaced from time to time) (*Kapitalmarkedsloven*) (the "**Danish Capital Markets Act**"), the Danish Executive Order No. 1175 of 31 October 2017, as amended from time to time (*Bekendtgørelse om* *registrering af fondsaktiver i en værdipapircentral (CSD)*) (the "**Danish Executive Order**") and the VP Rule Book dated 1 April 2019, as amended from time to time (the "**VP Rule Book**").

No global or definitive Notes will be issued in respect thereof. The holder of a VP Note will be the person evidenced as such by the register for such Note maintained by VP Securities A/S. Where a nominee in accordance with the Danish Capital Markets Act is so evidenced it shall be treated as the holder of the relevant VP Note.

Pursuant to the issuance of VP Notes, the Issuer will certify that Nordea Bank Abp is, on the date of issue of a Tranche of VP Notes, entered in the VP as the account holding institute (*kontoførende institut*) for the duly registered owners of the Notes of such Tranche. Title to the VP Notes will be evidenced by book entries in the records of the VP and will pass by registration in the registers between the direct or indirect accountholders at the VP in accordance with the legislation (including the Danish Capital Markets Act), rules and regulations applicable to and/or issued by the VP that are in force and effect from time to time. If the Notes of such Tranche cease to be registered in the VP, Nordea Bank Abp as account holding institute for the duly registered owners shall supply the VP Issuing Agent with all necessary information with regard to such duly registered owners and the VP Issuing Agent shall enter such information into the register maintained by the VP. The relationship between Nordea Bank Abp as the account holding institute and the VP will be governed by the provisions of the Danish Executive Order and the VP Rule Book. A VP Note may only be controlled by an account holding institute acting in such capacity on behalf of holders for the time being registered with such account holding institute.

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

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

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

Form of VPS Notes

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

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

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

Form of Swedish Notes

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

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

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

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

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

Form of Bearer Notes

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

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

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

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

Payments in respect of Bearer Notes

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

Notices

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

Meetings

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

Cancellation

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

Issuer's Option

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

Holder's Option

For so long as the Notes of any Series are represented by either a Temporary Global Note, a Permanent Global Note or Global Registered Note, as the case may be, the owner of a beneficial interest therein may exercise its option to redeem under Condition 6(h) (*Optional Early Redemption (Put)*) of the Terms and Conditions of the Notes (where such put option is specified in the relevant Final Terms 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 Note, Permanent Global Note or Global Registered Note, as the case may be, which represents the Notes then being redeemed.

Conditions apply

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

Record Date

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

Business Day

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

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

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

FORM OF FINAL TERMS

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

[**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 Notes has led to the conclusion that: (i) the target market for the Notes 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 Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (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 Notes (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 Notes 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**")][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. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes 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 Notes 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 BANK ABP

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

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

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 5 May 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 Notes 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]] [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, FI-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 [original date] [and the base prospectus supplement[s] dated [•]]. This document comprises the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 5 May 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 [original date] [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 Notes is only available on the basis of the combination of these Final Terms, the Base Prospectus and the base prospectus dated [original date] and [•] [and the base prospectus supplement[s] dated [•]]. The Base Prospectus [,] [and] the [base prospectus] dated [original date] [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, FI-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.]

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

1.	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Notes become fungible:	Not Applicable / The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [*provide issue amount/ISIN/maturity date/issue date of earlier Tranches*] (the "**Original Notes**") on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as described in these Final Terms [which is expected to occur on or about [•]]
2.	Specified Currency:		[•]
3.	Aggregate Nominal Amount:		
	(i)	Series:	[•]

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

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.		**Fixed Rate Note Provisions**	Applicable [from [•] to [•]] / Not Applicable

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

		Convention / Eurodollar Convention / No Adjustment (*N.B. Only the Following Business Day Convention (unadjusted)/Modified Following Business Day Convention (adjusted) can be applicable for Swedish Notes*)
(iii)	Manner in which the Rate(s) of Interest is/are to be determined:	Screen Rate Determination
(iv)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	Agent / [•]
(v)	Screen Rate Determination:	
	• Reference Rate:	[LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / SOFR / SONIA / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR]
	• Interest Determination Date(s):	[•]
	• Relevant Screen Page:	[•]
	• Relevant Time:	[As set out in Condition 5(b)(iv) (*Interest – Floating Rate Note Provisions (other than Floating Rate Notes referencing SONIA or SOFR*) / [•]]
(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
(xiii)	Benchmark Regulation fall back:	Condition 5(h) (*Benchmark Replacement - Independent Adviser)* is applicable/ Condition 5(i) (*Benchmark Replacement – ARRC)* is applicable[3]
(iv)	"p"	[•] U.S. Government Securities Business Days[4]/[•] London Banking Days/ Not Applicable

15. **Zero Coupon Note Provisions** Applicable / Not Applicable

[3] If the Reference Rate is SOFR, "Condition 5(i) (*Benchmark Replacement – ARRC*)" should be selected as applicable.

[4] If the Reference Rate is SOFR, "p" should be a minimum of 5 U.S. Government Securities Business Days.

			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•] per cent. per annum
	(iii)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)
16.	**Reset Note Provisions**		Applicable / Not Applicable
			(*If not applicable, delete the remaining sub paragraphs of this paragraph*)
	(i)	Initial Rate of Interest:	[•] per cent. per annum payable in arrear [on each Interest Payment Date]
	(ii)	First Margin:	[±][•] per cent. per annum
	(iii)	Subsequent Margin:	[±][•] per cent. per annum / Not Applicable
	(iv)	Interest Payment Date(s):	[•] [and [•]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with paragraph 16(xvi)]
	(v)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[•] per Calculation Amount / Not Applicable
	(vi)	Broken Amount(s):	[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] / Not Applicable
	(vii)	First Reset Date:	[•] [subject to adjustment in accordance with paragraph 16(xvi)]
	(viii)	Second Reset Date:	Not Applicable / [•] [subject to adjustment in accordance with paragraph 16(xvi)]
	(ix)	Subsequent Reset Date(s):	Not Applicable / [•] [and [•]] [subject to adjustment in accordance with paragraph 16(xvi)]
	(x)	Relevant Screen Page:	[•]
	(xi)	Reset Reference Rate:	Reference Bond Rate / Mid-Swap Rate
	(xii)	Mid-Swap Rate:	Single Mid-Swap Rate / Mean Mid-Swap Rate / Not Applicable
	(xiii)	Mid-Swap Maturity:	[•]
	(xiv)	Reference Banks:	[•]
	(xv)	Reset Reference Rate Conversion	[Applicable/Not Applicable]

	(xvi)	Original Reset Reference Rate Basis	[•]/[Not Applicable]
	(xvii)	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)
	(xviii)	Reset Determination Dates:	[•] in each year / The provisions in the Conditions apply
	(xix)	Reset Determination Time:	[•]
	(xx)	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
	(xxi)	Relevant Financial Centre:	[•]
	(xxii)	Determination Agent:	[•]
	(xxiii)	Mid-Swap Floating Leg Benchmark Rate:	[LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / SOFR / SONIA / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR]
	(xxiv)	Benchmark Regulation fall back:	Condition 5(h) (*Benchmark Replacement - Independent Adviser)* is applicable/ Condition 5(i) (*Benchmark Replacement – ARRC)* is applicable[5]
	(xxv)	"p"	[•] U.S. Government Securities Business Days[6]/[•] London Banking Days/ Not Applicable

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**		Applicable / Not Applicable (*If not applicable, delete the remaining sub paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	Not Applicable / [•]/[Any date from and including [•] to but excluding [•]]
	(ii)	Optional Redemption Amount(s):	Not Applicable / [•] per Calculation Amount
	(iii)	Early redemption as a result of a Withholding Tax Event:	Not Applicable / The provisions in Condition 6(b) (*Early Redemption for Taxation Reasons – Withholding Tax*) apply
	(iv)	Early redemption as a result of a Tax Event:	Not Applicable / The provisions in Condition 6(c) (*Early Redemption as a result of a Tax Event*) apply

[5] If the Reference Rate is SOFR, "Condition 5(i) (*Benchmark Replacement – ARRC*)" should be selected as applicable.

[6] If the Reference Rate is SOFR, "p" should be a minimum of 5 U.S. Government Securities Business Days.

	(v)	Early Redemption as a result of an MREL Disqualification Event	Not Applicable / The provisions in Condition 6(d) (*Early Redemption of Restricted Senior Preferred Notes or Senior Non-Preferred Notes as a result of an MREL Disqualification Event*) apply.
	(vi)	Early redemption as a result of a Capital Event:	Not Applicable / The provisions in Condition 6(e) (*Early Redemption of Subordinated Notes as a result of a Capital Event*) apply
	(vii)	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
	(viii)	Notice period:	[•]
18.	**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 Note:	[•] per Calculation Amount
	(iii)	Notice period:	[•]
19.	**Final Redemption Amount**		[Par/[•]] per Calculation Amount
20.	**Early Redemption Amount**		
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:[7]		[Par] [Condition 6[((b))/(c)/(d)] applies] (*NB: No early redemption may take place save in the circumstances set out in the Conditions*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:	[Bearer Notes:] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice] (N.*B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following*

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

		effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes) [Registered Notes: Individual Note Certificates / Global Registered Note [exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Note]] [The Notes are VP Notes in uncertificated and dematerialised book entry form] [The Notes are VPS Notes in uncertificated and dematerialised book entry form] [The Notes are Swedish Notes in uncertificated and dematerialised book entry form]
22.	New Global Note:	Yes / No / Not Applicable
23.	Additional cities for the purposes of the definition of Relevant Financial Centre:	Not Applicable / *Give details*
24.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	Yes. The Talons mature on [•] / No
25.	Details relating to Partly Paid Notes: amount of such payment comprising the Issue Price and date on which each payment is to be made:	Not Applicable / Applicable. Amount of payment comprising the Issue Price: [•]. Date of payment: [•]
26.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable / Applicable. Amount of instalment: [•]. Date of payment: [•]
27.	Substitution and variation provisions:	Not Applicable / Condition 17 (*Substitution and Variation*) applies
28.	Relevant Benchmark[s]:	[LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / 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, 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]
29.	Senior Preferred Notes Events of Default:	[Restricted Events of Default in accordance with Condition 7(b) (*Restricted Events of Default – Senior Non-Preferred Notes, Subordinated Notes or Restricted Senior Preferred Notes*)[8] / Unrestricted Events of Default in accordance with Condition 7(a) (*Unrestricted Events of Default – Unrestricted Senior Preferred Notes*) / Not Applicable]

SIGNATURE

Signed on behalf of Nordea Bank Abp:

By:

Duly authorised

Date:

[8] Select 'Restricted Events of Default in accordance with Condition 7(b)' for Notes intended to be eligible as MREL.

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

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

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

2. **RATINGS**

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

[S&P Global Ratings Europe Limited:	[•]]
[Moody's Investors Service Limited:	[•]]
[Fitch Ratings Limited:	[•]]

[*Include explanation of meaning of the ratings given to a particular issuance*]

[[*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 Notes has an interest material to the offer / [•]

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

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

Estimated net proceeds: [•]

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

Indication of yield: [•]

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

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

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

7. **[THIRD PARTY INFORMATION**

[*Relevant third-party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

8. **DISTRIBUTION**

(i)	If syndicated names of Managers:	Not Applicable / [•]
(ii)	Stabilising Manager(s) (if any):	Not Applicable / *Give name*
(iii)	If non-syndicated, name and address of Dealer:	Not Applicable / Give name and address
(iv)	U.S. Selling Restrictions:	Regulation S Category 2 *(In the case of Bearer Notes)* - TEFRA D/TEFRA C/TEFRA not applicable (In the case of Registered Notes/VP Notes/VPS Notes/Swedish Notes) -TEFRA Not Applicable
(v)	Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified*. *If the Notes 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 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 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:	529900ODI3047E2LIV03
New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	Yes / No / Not Applicable (*in the case of Notes not issued in NGN form*) [Note that the designation "yes" means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper [(and registered in the name of a nominee of one of Euroclear or Clearstream, Luxembourg acting as common safekeeper,] [*include this text for Registered Notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [*include this text if "yes" is selected in which case the Notes must be bearer Notes issued in NGN form*] [Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper [(and registered in the name of a nominee of one of Euroclear or Clearstream, Luxembourg acting as common safekeeper,][*include this text for Registered Notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [*this text may be appropriate to include if "no" is selected and the Notes are bearer Notes issued in NGN form*]
Clearing system(s) [and identification number, if applicable]:	Euroclear / Clearstream, Luxembourg / VP Securities A/S (VP identification number: 215993361) / VPS, the Norwegian Central Securities Depository (VPS identification number: [•]) / Euroclear Sweden, the Swedish Central Securities Depository (Euroclear Sweden identification number: [•])
Delivery:	Delivery [against/free of] payment
Name(s) and address(es) of additional [Paying Agent(s) / VP Issuing Agent(s) / VPS Paying Agent(s) / Swedish Issuing Agent(s) / Swiss Paying Agent(s)] (if any):	Not Applicable / *Give name and address*

FORM OF PRICING SUPPLEMENT

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

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

[PROHIBITION OF SALES TO EEA AND UNITED KINGDOM RETAIL INVESTORS – The Notes 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")][MiFID II]; or (ii) a customer within the meaning of Regulation (EU) No. 2017/1129, 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 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or 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 Notes 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 NOTES.

NORDEA BANK ABP

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

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

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 5 May 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 Notes 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]] are available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Satamaradankatu 5, FI-00020 Nordea, Helsinki. and [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 [original date] [and the base prospectus supplement[s] dated [•]]. This document comprises the Pricing Supplement of the Notes described herein and must be read in conjunction with the base prospectus dated 5 May 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 [original date] [and the base prospectus supplement[s] dated [•]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement, the Base Prospectus and the base prospectus dated [original date] and [•] [and the base prospectus supplement[s] dated [•]] and are incorporated by reference in the Base Prospectus. The Base Prospectus [and] the [base prospectus] dated [original date] [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, FI-00020 Nordea, Helsinki.]

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

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

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

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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

			Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment / *Other* (*N.B. Only the Following Business Day Convention (unadjusted)/Modified Following Business Day Convention (adjusted) can be applicable for Swedish Notes*)
	(iii)	Manner in which the Rate(s) of Interest is/are to be determined:	Screen Rate Determination
	(iv)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	Agent / [•]
	(v)	Screen Rate Determination:	
		• Reference Rate:	LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / SOFR / SONIA / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR / *other*
		• Interest Determination Date(s):	[•]
		• Relevant Screen Page:	[•]
		• Relevant Time:	[As set out in Condition 5(b)(iv)/ [•]]
	(vi)	Linear Interpolation:	Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
	(vii)	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
	(xiii)	Benchmark Replacement fallback:	Condition 5(h) (*Benchmark Replacement - Independent Adviser*) is applicable/ Condition 5(i) (*Benchmark Replacement – ARRC*) is applicable[9]
	(xiv)	"p"	[•] U.S. Government Securities Business Days[10]/ [•] London Banking Days/Not Applicable
15.	**Zero Coupon Note Provisions**		Applicable / Not Applicable

[9] If the Reference Rate is SOFR, "Condition 5(i) (*Benchmark Replacement – ARRC*)" should be selected as applicable.

[10] If the Reference Rate is SOFR, "p" should be a minimum of 5 U.S. Government Securities Business Days.

			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•] per cent. per annum
	(iii)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) / *Other*
16.	**Reset Note Provisions**		Applicable / Not Applicable
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Initial Rate of Interest:	[•] per cent. per annum payable in arrear [on each Interest Payment Date]
	(ii)	First Margin:	[±][•] per cent. per annum
	(iii)	Subsequent Margin:	[±][•] per cent. per annum / Not Applicable
	(iv)	Interest Payment Date(s):	[•] [and [•]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with paragraph 16(xvi)]
	(v)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[•] per Calculation Amount / Not Applicable
	(vi)	Broken Amount(s):	[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] / Not Applicable
	(vii)	First Reset Date:	[•] [subject to adjustment in accordance with paragraph 16(xvi)]
	(viii)	Second Reset Date:	Not Applicable / [•] [subject to adjustment in accordance with paragraph 16(xvi)]
	(ix)	Subsequent Reset Date(s):	Not Applicable / [•] [and [•]] [subject to adjustment in accordance with paragraph 16(xvi)]
	(x)	Relevant Screen Page:	[•]
	(xi)	Reset Reference Rate:	Reference Bond Rate / Mid-Swap Rate
	(xii)	Mid-Swap Rate:	Single Mid-Swap Rate / Mean Mid-Swap Rate / Not Applicable
	(xiii)	Mid-Swap Maturity:	[•]
	(xiv)	Reference Banks:	[•]
	(xv)	Reset Reference Rate Conversion	[Applicable/Not Applicable]

(xvi)	Original Reset Reference Rate Basis	[•]/[Not Applicable]
(xvii)	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)
(xviii)	Reset Determination Dates:	[•] in each year / The provisions in the Conditions apply
(xix)	Reset Determination Time:	[•]
(xx)	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
(xxi)	Relevant Financial Centre:	[•]
(xxii)	Determination Agent:	[•]
(xxiii)	Mid-Swap Floating Leg Benchmark Rate:	[LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / SOFR / SONIA / STIBOR / TIBOR / TIIE / TRLIBOR / WIBOR]
(xxiv)	Benchmark Replacement fallback:	Condition 5(h) (*Benchmark Replacement – Independent Adviser*) is applicable/ Condition 5(i) (*Benchmark Replacement – ARRC*) is applicable[11]
(xxv)	"p"	[•] U.S. Government Securities Business Days[12]/[•] London Banking Days/ Not Applicable
(xxvi)	Other terms relating Reset Notes:	Not Applicable / [•]

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**	Applicable / Not Applicable (*If not applicable, delete the remaining sub paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	Not Applicable / [•]/[Any date from and including [•] to but excluding [•]]
(ii)	Optional Redemption Amount(s):	Not Applicable / [•] per Calculation Amount
(iii)	Early redemption as a result of a Withholding Tax Event:	Not Applicable / The provisions in Condition 6(b) (*Early Redemption for Taxation Reasons – Withholding Tax*) apply

[11] If the Reference Rate is SOFR, "Condition 5(i) (*Benchmark Replacement – ARRC*)" should be selected as applicable.

[12] If the Reference Rate is SOFR, "p" should be a minimum of 5 U.S. Government Securities Business Days.

	(iv)	Early redemption as a result of a Tax Event:	Not Applicable / The provisions in Condition 6(c) (*Early Redemption as a result of a Tax Event*) apply
	(v)	Early redemption as a result of an MREL Disqualification Event	Not Applicable / The provisions in Condition 6(d) (*Early Redemption of Restricted Senior Preferred Notes or Senior Non-Preferred Notes as a result of an MREL Disqualification Event*) apply
	(vi)	Early redemption as a result of a Capital Event:	Not Applicable / The provisions in Condition 6(e) (*Early Redemption of Subordinated Notes as a result of a Capital Event*) apply
	(vii)	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
	(viii)	Notice period:	[•]
18.	**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 Note:	[•] per Calculation Amount
	(iii)	Notice period:	[•]
19.	**Final Redemption Amount**		[Par/[•]] per Calculation Amount
20.	**Early Redemption Amount**		
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:[13]		[Par] [Condition 6[(b)/ (c)/ (d)] applies] (*NB: No early redemption may take place save in the circumstances set out in the Conditions*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:	[Bearer Notes:] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

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

(*N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes*)

[The Notes are Swiss Franc Notes in bearer form and will be represented on issue by a Permanent Global Note]

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

[The Notes are VP Notes in uncertificated and dematerialised book entry form]

[The Notes are VPS Notes in uncertificated and dematerialised book entry form]

[The Notes are Swedish Notes in uncertificated and dematerialised book entry form]

22.	New Global Note:	Yes / No / Not Applicable
23.	Additional cities for the purposes of the definition of Relevant Financial Centre:	Not Applicable / *Give details*
24.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	Yes. The Talons mature on [•] / No
25.	Details relating to Partly Paid Notes: amount of such payment comprising the Issue Price and date on which each payment is to be made	Not Applicable / Applicable. Amount of payment comprising the Issue Price: [•]. Date of payment: [•]
26.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable / Applicable. Amount of instalment: [•]. Date of payment: [•]
27.	Substitution and variation provisions:	Not Applicable / Condition 17 (*Substitution and Variation*) applies
28.	Relevant Benchmark[s]:	[LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / 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]
29.	Senior Preferred Notes Events of Default:	[Restricted Events of Default in accordance with Condition 7(b) (*Restricted Events of Default – Senior Non-Preferred Notes, Subordinated Notes or Restricted Senior Preferred Notes*)[14] / Unrestricted Events of Default in accordance with Condition 7(a) (*Unrestricted Events of Default – Unrestricted Senior Preferred Notes*) / Not Applicable]
30.	Other terms and conditions:	Not Applicable / *Give details*

[14] Select 'Restricted Events of Default in accordance with Condition 7(b)' for Notes intended to be eligible as MREL.

RESPONSIBILITY

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

SIGNATURE

Signed on behalf of Nordea Bank Abp:

By:

Duly authorised

Date:

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

[Not Applicable] / Application has been made to the [Irish Stock Exchange plc trading as Euronext Dublin / [•]] for the Notes to be admitted [to the Official List and to be admitted] to trading on [its Global Exchange Market / [•]] with effect from [•] / The Notes have been provisionally admitted to trading on the SIX Swiss Exchange with effect from [•]. Application for definitive listing on the SIX Swiss Exchange will be made as soon as is reasonably practicable thereafter. The last trading day is expected to be on [•] / *Other*

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

2. **RATINGS**

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

[S&P Global Ratings Europe Limited:	[•]]
[Moody's Investors Service Limited:	[•]]
[Fitch Ratings 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 Notes has an interest material to the offer / [•]

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

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

Estimated net proceeds:	[•]

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

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

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

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

7. **[THIRD PARTY INFORMATION**

[*Relevant third-party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

8. **DISTRIBUTION**

If syndicated:

(i)	If syndicated names of managers:	Not Applicable / [•]
(ii)	Stabilising Manager(s) (if any):	Not Applicable / *Give name*
(iii)	If non-syndicated, name and address of Dealer:	Not Applicable / Give name and address
(iv)	U.S. Selling Restrictions:	Regulation S Category 2 *(In the case of Bearer Notes)* - TEFRA D/TEFRA C/TEFRA not applicable (In the case of Registered Notes/VP Notes/VPS Notes/Swedish Notes) -TEFRA Not Applicable *(In the case of Swiss Franc Notes)* - TEFRA D in accordance with usual Swiss practice
(v)	Public Offer and/or Listing in Switzerland:	[Applicable/Not Applicable]
(vi)	Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified.* *If the Notes 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 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 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".)*
[Swiss Security Number:	[•]]
Issuer LEI:	529900ODI3047E2LIV03
New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	Yes / No / Not Applicable (*in the case of Notes not issued in NGN form*) [Note that the designation "yes" means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [*include this text if "yes" is selected in which case the Notes must be bearer Notes issued in NGN form*] [Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [*this text may be appropriate to include if "no" is selected and the Notes are bearer Notes issued in NGN form*]
Clearing system(s) [and identification number, if applicable]:	Euroclear / Clearstream, Luxembourg / SIX SIS Ltd, Olten, Switzerland / VP Securities A/S (VP identification number: 215993361) / VPS, the Norwegian Central Securities Depository (VPS identification number: [•]) / Euroclear Sweden, the Swedish Central Securities Depository (Euroclear Sweden identification number: [•])
Delivery:	Delivery [against/free of] payment
Name(s) and address(es) of additional [Paying Agent(s) / VP Issuing Agent(s) / VPS Paying Agent(s) / Swedish Issuing Agent(s) / Swiss Paying Agent(s)] (if any):	Not Applicable / Give name and address

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

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

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

In accordance with Article 58a of the Listing Rules of the SIX Swiss Exchange, [•] has been appointed by the Issuer as representative to lodge the listing application with the SIX Swiss Exchange.]

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

Except as disclosed in the Base Prospectus, there has been no material adverse change in the financial condition or operations of the Issuer since [31 December 2019], which would materially affect its ability to carry out its obligations under the Notes.]

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

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

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, as completed by the relevant Final Terms or (in the case of Exempt Notes only) as completed, amended and/or replaced by the relevant Pricing Supplement, will be applicable to each Series of Notes. The paragraphs appearing in italics below are included for disclosure purposes only and do not form part of the terms and conditions of the Notes.

The Notes are issued in accordance with the fiscal agency agreement (as amended and/or restated and/or replaced from time to time, the "**Fiscal Agency Agreement**") constituted by the fiscal agency agreement dated 5 May 2020 and made between Nordea Bank Abp (the "**Issuer**"), Citibank, N.A., London Branch in its capacity as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such), Citigroup Global Markets Europe AG as registrar (the "**Registrar**" in relation to any Series of Notes except Swedish Notes, which expression shall include any successor to Citigroup Global Markets Europe AG in its capacity as such), certain financial institutions named therein in their capacity as paying agents (the "**Paying Agents**", which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Fiscal Agency Agreement), Nordea Bank Abp in its capacity as issuing agent for VP Notes (as defined below) (the "**VP Issuing Agent**"), Nordea Bank Abp in its capacity as Norwegian paying agent for VPS Notes (the "**VPS Paying Agent**") and Nordea Bank Abp in its capacity as Swedish issuing agent for Swedish Notes (the "**Swedish Issuing Agent**").

For the purposes of Notes denominated in Swiss francs ("**Swiss Franc Notes**"), the Issuer will, together with the Swiss paying agent specified as such in the relevant Final Terms or Pricing Supplement (the "**Swiss Paying Agent**"), enter into a supplement agency agreement (the "**Swiss Supplemental Agency Agreement**") on or prior to the Issue Date of the relevant Series of Swiss Franc Notes.

The Notes have the benefit of a deed of covenant (the "**Deed of Covenant**") dated 5 May 2020 (as amended and/or restated and/or replaced from time to time), executed by the Issuer in relation to the Notes.

Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection at the specified office of each of the Paying Agents and the Registrar. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of and to be bound by all of the provisions of the Fiscal Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Notes.

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

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

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

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

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

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

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

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

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

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

References in these Conditions to "**Notes**" are to the Notes of the relevant Series and any references to Coupons and Receipts, both as defined below, are to Coupons and Receipts relating to Notes of the relevant Series. References to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under Regulation (EU) 2017/1129 (for the purposes of these terms and conditions, the "**Prospectus Regulation**").

1. **Interpretation**

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

"**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 Mid-Swap Floating Leg Benchmark Rate or Reference Rate with the relevant Successor Rate or the relevant Alternative Benchmark Rate (as applicable), and is the spread, formula or methodology which:

(i) 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 the Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) with the Successor Rate by any Relevant Nominating Body; or

(ii) 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 as a result of the replacement of the Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) with the Successor Rate or Alternative Benchmark Rate (as applicable);

"**Applicable Banking Regulations**" means at any time the laws, regulations, delegated or implementing acts, regulatory or implementing technical standards, rules, requirements, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity then in effect in the Relevant Jurisdiction including, without limitation to the generality of the foregoing, CRD, the SRM Regulation, BRRD, the Creditor Hierarchy Directive and those regulations, requirements, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity and/or the implementation of the Creditor Hierarchy Directive adopted by the Competent Authority, the Resolution Authority or any other national or European authority from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Nordea Group);

"**Benchmark Event**" has the meaning given in Condition 5(h);

"**BRRD**" means Directive 2014/59/EU of May 15, 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms, as amended by Directive (EU) 2018/879 of 20 May 2019 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, the Creditor Hierarchy Directive and Directive 98/26/EC, and as may be further amended or replaced from time to time;

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

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

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

(iii) in relation to Notes denominated in any other currency, the Relevant Financial Centre; and

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

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

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

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

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

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

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

(B) 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

(C) 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

(D) "**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;

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

"**Capital Event**" means the determination by the Issuer, after consultation with the Competent Authority, that the Outstanding Principal Amount of the relevant series of Subordinated Notes ceases or would be likely to cease to be included in whole or in part, or count in whole or in part, towards the Tier 2 Capital of either the Issuer or the Nordea Group (other than by reason of a full or partial exclusion of the Outstanding Principal Amount of the relevant series of Subordinated Notes arising by reason of any applicable limit on the amount of such capital under the Applicable Banking Regulations from time to time);

"**Capital Requirements Directive**" means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as amended by Directive (EU) 2019/878 of 20 May 2019 as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, and as may be further amended or replaced from time to time;

"**Competent Authority**" means any authority having primary responsibility for the prudential supervision of the Issuer and/or the Nordea Group at the relevant time;

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

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

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

"**Creditor Hierarchy Directive**" means Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as amended by Regulation (EU) 2019/876 of 20 May 2019 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and as may be further amended or replaced from time to time;

"**CRR**" means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended by Regulation (EU) 2019/876 of 20 May 2019 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and as may be further amended or replaced from time to time;

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

(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:

(1) 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

(2) 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 year, 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:

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

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

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

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

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

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

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

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

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 a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

(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:

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

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

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

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

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (x) that day is the last day of February or (y) such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (x) that day is the last day of February but not the date fixed for redemption or (y) such number would be 31, in which case D2 will be 30,

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

"**Determination Agent**" means the agent specified as such in the relevant Final Terms;

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

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

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

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

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

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

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

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

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

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

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

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

"**Junior Securities**" means any (i) Subordinated Notes (or securities or other obligations of the Issuer which rank, or are expressed to rank, on a voluntary or involuntary liquidation or bankruptcy of the Issuer, *pari passu* with the Subordinated Notes) or other subordinated debt instruments or securities of the Issuer which are recognised as "Tier 2 Capital" of the Issuer from time to time by the Competent Authority, (ii) Additional Tier 1 Notes (or securities or other obligations of the Issuer which rank, or are expressed to rank, on a voluntary or involuntary liquidation or bankruptcy of the Issuer, *pari passu* with the Additional Tier 1 Notes) or other subordinated and undated debt instruments or securities of the Issuer which are recognised as "Additional Tier 1 Capital" of the Issuer from time to time by the Competent Authority, (iii) share capital of the Issuer and (iv) any other subordinated security or obligation which ranks, or is expressed to rank, junior to the Senior Non-Preferred Notes;

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

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

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

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

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

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

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

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

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

(B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

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

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

(B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

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

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

"**MREL Disqualification Event**" means the whole or any part of the outstanding aggregate principal amount of the relevant series of Notes at any time is not included in, ceases or (in the opinion of the Issuer) will cease to count towards the Issuer's and/or the Nordea Group's eligible liabilities and/or loss absorbing capacity (in each case for the purposes of, and in accordance with, the relevant Applicable Banking Regulations); provided that an MREL Disqualification Event shall not occur if such whole or part of the outstanding principal amount of the relevant series of Notes is not included in, ceases or (in the opinion of the Issuer) will cease to count towards such eligible liabilities and/or loss absorbing capacity due to the remaining maturity of such Notes being less than the minimum period prescribed by the relevant Applicable Banking Regulations;

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

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

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

"**Optional Redemption Date(s)**" means the date(s) specified in the relevant Final Terms and shall, in the case of Notes which bear interest at a floating rate at the time of redemption, be a date upon which interest is payable;

"**Original Reset Reference Rate Basis**" has the meaning given in the relevant Final Terms and shall be annual, semi-annual, quarterly or monthly;

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

"**Parity Securities**" means securities issued by the Issuer and set out in Schedule 13 (*Parity Securities of the Issuer*) to the Fiscal Agency Agreement;

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

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

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

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

"**Rating Agency**" means any rating agency specified as rating the Notes in the relevant Final Terms or any other rating agency of equivalent standing which has assigned a rating to the Notes at the request or invitation of the Issuer;

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

"**Reference Bond Price**" means, with respect to any Reset Determination Date (i) the arithmetic average (as determined by the Calculation Agent) of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if fewer than five such Reference Government Bond Dealer Quotations are received, the arithmetic average (as determined by the Calculation Agent) of all such quotations;

"**Reference Bond Rate**" means, with respect to any Reset Period, the rate per annum equal to the yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reset Reference Bond, assuming a price for the Reset Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Reset Determination Date, as determined by the Calculation Agent, provided that if only one Reference Government Bond Dealer Quotation is received or if no Reference Government Bond Dealer Quotations are received in respect of the determination of the Reference Bond Price, the Rate of Interest shall not be determined by reference to the Reference Bond Rate and the Rate of Interest shall instead be, in the case of the First Reset Rate of Interest, the Initial Rate of Interest and, in the case of any Subsequent Reset Rate of Interest, the Rate of Interest as at the last preceding Reset Date (though substituting, where a different Relevant Margin is to be applied to the relevant Reset Period from that which applied to the last preceding Reset Period, the Relevant Margin relating to the relevant Reset Period, in place of the Relevant Margin relating to that last preceding Reset Period);

"**Reference Government Bond Dealer**" means each of five banks selected by the Issuer (following, where practicable, consultation with the Calculation Agent) or their affiliates, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues;

"**Reference Government Bond Dealer Quotations**" means, with respect to any Reference Government Bond Dealer and any Reset Determination Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the Reset Reference Bond (expressed in each case as a percentage of its principal amount) as at the Reset Determination Time and quoted in writing to the Calculation Agent by such Reference Government Bond Dealer;

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

"**Reference Rate**" has the meaning given to such term in the relevant Final Terms;

"**Regular Period**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Relevant Jurisdiction**" means the jurisdiction in which the Issuer is incorporated at the relevant time;

"**Relevant Margin**" means:

(i) in the case of Notes in relation to which Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable, the margin(s) specified in the relevant Final Terms; and

(ii) in the case of Notes in relation to which Reset Note Provisions are specified in the relevant Final Terms as being applicable, the First Margin and/or the Subsequent Margin(s), as the case may be, as specified in the relevant Final Terms;

"**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;

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

"**Renminbi**", "**RMB**" or "**CNY**" means the official currency of the PRC (excluding the Hong Kong and Macau Special Administrative Regions and Taiwan);

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

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

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

"**Reset Determination Time**" means in relation to a Reset Determination Date, 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date or such other time as may be specified in the relevant Final Terms;

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

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

"**Reset Reference Bond**" means for any Reset Period a government security or securities issued by the government of the state responsible for issuing the Specified Currency (which, if the

Specified Currency is euro, shall deemed to be Germany) agreed between the Issuer and the Determination Agent as having the nearest actual or interpolated maturity comparable with the relevant Reset Period and that (in the opinion of the Issuer, after consultation with the Determination Agent) would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issuances of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the relevant Reset Period;

"**Reset Reference Rate**" means either (i) the Mid-Swap Rate, or (ii) the Reference Bond Rate, as specified in the relevant Final Terms;

"**Resolution Authority**" means any resolution authority with the ability to exercise any Bail-in and Loss Absorption Powers in relation to the Issuer and/or the Nordea Group or with primary responsibility for the oversight and supervision of the Issuer's and/or the Nordea Group's eligible liabilities and/or loss absorbing capacity from time to time;

"**Restricted Senior Preferred Note**" means Senior Preferred Notes specified in the relevant Final Terms as having Restricted Events of Default;

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

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

"**Senior Non-Preferred Notes**" has the meaning given in Condition 4(b) (*Status – Senior Non-Preferred Notes*);

"**Senior Preferred Notes**" has the meaning given in Condition 4(a);

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

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, as the same may be amended or replaced from time to time;

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

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

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

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

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

"**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 Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) which is formally recommended by any Relevant Nominating Body;

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

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

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

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

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

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

which amendment or change is effective or such governmental action, pronouncement, interpretation or decision is announced, on or after the Issue Date of the relevant Series of Senior Non-Preferred Notes or Subordinated Notes or Restricted Senior Preferred Notes, as the case may be:

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

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

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

"**Tier 1 Capital**" means tier 1 capital for the purposes of the Applicable Banking Regulations;

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

"**Unrestricted Senior Preferred Notes**" means Senior Preferred Notes specified in the relevant Final Terms as having Unrestricted Events of Default;

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

"**Withholding Tax Event**" has the meaning given in Condition 6(b).

(b) In these Conditions:

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

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

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

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

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

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

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

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

2. Form and Denomination

(a) *Form*

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

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

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

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

(b) *Form of Bearer Notes*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. **Title**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. **Status**

The Notes are not, and will not be, secured and are the obligations of the Issuer and not guaranteed by any other entity.

(a) ***Status – Senior Preferred Notes***

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

The Senior Preferred Notes of each Series constitute direct, unsecured, unguaranteed and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

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

(b) ***Status – Senior Non-Preferred Notes***

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

The Senior Non-Preferred Notes constitute and will constitute direct, unguaranteed and unsecured obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves.

In the event of liquidation or bankruptcy of the Issuer, the rights and claims (if any) of holders of any Senior Non-Preferred Notes to payments of the Outstanding Principal Amount and any other amounts in respect of the Senior Non-Preferred Notes (including any accrued and unpaid interest amount or damages awarded for breach of any obligations under these Conditions, if any are payable) shall:

(i) be subordinated to the claims of all depositors and other unsecured, unsubordinated creditors of the Issuer, provided that in each case such claims are not by mandatory provisions of law ranked, or by their terms expressed to rank, *pari passu* with the claims of holders of Senior Non-Preferred Notes;

(ii) rank at least *pari passu* with claims in respect of Parity Securities and with the claims of all other creditors of the Issuer which in each case by law rank, or by their terms, are expressed to rank *pari passu* with the claims of holders of Senior Non-Preferred Notes; and

(iii) rank senior to any Junior Securities of the Issuer.

For the purposes of Finnish law, in the event of bankruptcy of the Issuer, the rights and claims (if any) of holders of any Senior Non-Preferred Notes to payments of the Outstanding Principal Amount and any other amounts in respect of the Senior Non-Preferred Notes (including any accrued and unpaid interest amount or damages awarded for breach of any obligations under these Conditions, if any are payable) shall constitute claims as referred to in item 4 of Chapter 1, Section 4a, Subsection 1 of the Finnish Act on Credit Institutions (Fi: *luottolaitoslaki*, 210/2014 as amended) ranking below claims as referred to in Section 2 of the Finnish Priority Act (Fi: *laki velkojien maksunsaantijärjestyksestä, 1578/1992 as amended*) and ranking above claims referred to in Section 6, Subsection 1 of the Finnish Priority Act (Fi: *laki velkojien maksunsaantijärjestyksestä, 1578/1992 as amended*).

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

(c) ***Status – Subordinated Notes***

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

The Subordinated Notes constitute and will constitute direct, unguaranteed, unsecured and subordinated obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves. In the event of liquidation or bankruptcy of the Issuer, the rights and claims (if any) of Holders of any Subordinated Notes to payments of the Outstanding Principal Amount and any other amounts in respect of the Subordinated Notes (including any accrued and unpaid interest amount or damages awarded for breach of any obligations under these Conditions, if any are payable) shall:

(i) be subordinated to the claims of all Senior Creditors of the Issuer;

(ii) rank at least *pari passu* with the claims of all subordinated creditors of the Issuer which in each case by law rank, or by their terms, are expressed to rank *pari passu* with the Subordinated Notes; and

(iii) rank senior to any share capital and any obligations of the Issuer ranking, or expressed to rank, junior to the Subordinated Notes of the Issuer.

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

5. **Interest**

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

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

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

(b) ***Interest – Floating Rate Note Provisions (other than Floating Rate Notes referencing SONIA or SOFR)***

(i) This Condition 5(b) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and the Reference Rate is not SONIA or SOFR. Notes in relation to which this Condition 5(b) is applicable shall bear interest on its Outstanding Principal Amount (or if it is a Partly Paid Note, the amount paid up) at the rates per annum determined in accordance with this Condition 5(b).

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

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

(iv) The Rate of Interest (as defined herein) applicable to such Notes for each Interest Period shall be determined by the Calculation Agent on the following basis:

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

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

(2) where the Reference Rate is based on the Euro-zone inter-bank 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;

(3) 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;

(4) 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;

(5) 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;

(6) 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;

(7) 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;

(8) 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;

(9) 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;

(10) 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;

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

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

(13) 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;

(14) 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;

(15) 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;

(16) 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;

(17) where the Reference Rate is based on the interbank offered rate in a Relevant Financial Centre specified in the relevant Final Terms, 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;

(18) if no such rate for deposits so appears (or, as the case may require, if fewer than two such rates for deposits so appear), the 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;

(19) 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, 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

Determination 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 Notes during each Interest Period will be the sum of the Relevant Margin 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 Notes during such Interest Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean) last determined in relation to such Notes in respect of a preceding Interest Period.

For the purpose of these Conditions: "**Euro-zone**" means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty on European Union as amended, and as used in this Condition 5 (*Interest*), "**business day**" means a day on which commercial banks and foreign exchange markets settle payments in the financial centre(s) specified for each Interest Determination Date; "**Interest Determination Date**" means the date specified as such in the Final Terms or, if none is so specified, means (i) in the case of LIBOR, the second London Banking Day before the first day of the relevant Interest Period, or in the case of Notes denominated in Pounds Sterling, the first London Banking Day of the relevant Interest Period or in the case of euro-LIBOR, the second TARGET2 Settlement Day before the first day of the relevant Interest Period, (ii) in the case of EURIBOR, the second TARGET2 Settlement Day before the first day of the relevant Interest Period, (iii) in the case of BBSW, the first Sydney business day of the relevant Interest Period, (iv) in the case of BKBM, the first Auckland and Wellington business day of the relevant Interest Period, (v) in the case of CDOR, the second Toronto business day prior to the first day of the relevant Interest Period, (vi) in the case of CIBOR, the second Copenhagen business day prior to the first day of the relevant Interest Period, (vii) in the case of HIBOR, the first Hong Kong business day of the relevant Interest Period, (viii) in the case of JIBAR, the first Johannesburg business day of the relevant Interest Period; (ix) in the case of MOSPRIME, the first Moscow business day before the first day of the relevant Interest Period, (x) in the case of NIBOR, the second Oslo business day before the first day of the relevant Interest Period, (xi) in the case of SHIBOR, the second Shanghai business day before the first day of the relevant Interest Period, (xii) in the case of STIBOR, the second Stockholm business day before the first day of the relevant interest period, (xiii) in the case of TIBOR, the second Tokyo business day before the first day of the relevant Interest Period, (xiv) in the case of TIIE, the first Mexico City business day before the first day of the relevant Interest Period, (xv) in the case of TRLIBOR, the second Istanbul business day before the first day of the relevant Interest Period, (xvi) in the case of WIBOR, the first Warsaw business day of the relevant Interest Period, or, in the case of Exempt Notes, such other Interest Determination Date as shall be specified in the relevant Final Terms; "**Reference Rate**" means (i) LIBOR; (ii) EURIBOR; (iii) BBSW, (iv) BKBM, (v) CDOR, (vi) CIBOR, (vii) HIBOR, (viii) JIBAR, (ix) MOSPRIME, (x) NIBOR, (xi) SHIBOR, (xii) STIBOR, (xiii) TIBOR, (xiv) TIIE, (xv) TRLIBOR, (xvi) WIBOR, in each case for the relevant Interest Period, as specified in the relevant Final Terms, or, in the case of Exempt Notes, such other Reference Rate as shall be specified in the relevant Final Terms; "**Relevant Financial Centre**" has the meaning given to such term in Condition 1 and "**Relevant Time**" means the time specified as such in the Final Terms or if none is so specified, means (i) in the case of LIBOR, 11.00 a.m. London time, (ii) in the case of EURIBOR, 11.00 a.m. Brussels time, (iii) in the case of BBSW, 10.00 a.m. Sydney time, (iv) in the case of BKBM, 11.00 a.m. Wellington time, (v) in the case of CDOR, 10.00 a.m. Toronto time, (vi) in the case of CIBOR, 11.00 a.m. Copenhagen time, (vii) in the case of HIBOR, 11.00 a.m. Hong Kong time, (viii) in the case of JIBAR, 12.00 p.m. Johannesburg time, (ix) in the case of MOSPRIME, 12.30 p.m. Moscow time, (x) in the case of NIBOR, 12.00 p.m. Oslo time, (xi) in the case of SHIBOR, 11.30 a.m. Beijing time, (xii) in the case of STIBOR, 11.00 a.m. Stockholm time, (xiii) in the case of TIBOR, 11.00 a.m. Tokyo time, (xiv) in the case of TIIE, 2.30 p.m. Mexico City time, (xv) in the case of TRLIBOR, 11.15 a.m. Istanbul time, (xvi) in the case of WIBOR, 11.00 a.m. Warsaw time or, in the case of Exempt Notes, such other time as shall be specified in the relevant Final Terms.

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

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

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

(ii) Such Notes shall bear interest from and including their Issue Date to, but excluding, the date of final maturity thereof (each date as specified in the relevant Final Terms) or, if no Maturity Date is specified, the date of any final redemption. Such interest will be payable on each date (an "**Interest Payment Date**") which falls such period of months as may be specified in the relevant Final Terms after such Issue Date or, as the case may be, after the preceding Interest Payment Date. If any Interest Payment Date would otherwise fall on a date which is not a Business Day, it shall be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the preceding Business Day unless it is specified in the relevant Final Terms that if any Interest Payment Date would otherwise fall on the date which is not a Business Day, it shall be postponed to the next Business Day. If such Issue Date or any succeeding Interest Payment Date falls on the last Business Day of the month, each subsequent Interest Payment Date shall be the last Business Day of the relevant month. Each period beginning on (and including) such Issue Date and ending on (but excluding) the First Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

(iii) Subject to Conditions 5(h) and 5(e)(vii) (if applicable), where the Reference Rate specified in the relevant Final Terms 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) the Relevant Margin, all as determined by the Calculation Agent.

For the purposes of this Condition 5(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:

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

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

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

"**i**" means, for any Observation 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 Observation Period to, and including, the last London Banking Day in such Observation Period;

"**Interest Determination Date**" means, in respect of any Interest Period, the date falling "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 Notes are due and payable);

"**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", in the relevant Observation Period, the number of calendar days from, and including, such London Banking Day "i" up to, but excluding, the following London Banking Day;

"**p**" means, for any Interest Period, the number of London Banking Days specified in the relevant Final Terms;

"**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 Notes become due and payable);

"**SONIA Reference Rate**" means, in respect of any London Banking Day, 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

"**$SONIA_i$**" means, in respect of any London Banking Day "i" falling in the relevant Observation Period, the SONIA Reference Rate.

If, subject to Condition 5(h), in respect of any London Banking Day in the relevant Observation Period, the SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA Reference 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 Reference Rate to the Bank Rate over the previous five days on which a SONIA Reference 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) to the Bank Rate.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, subject to Condition 5(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 Notes for the first Interest Period had the Notes 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).

If the relevant Series of Notes become due and payable in accordance with Condition 7, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified above, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

(iv) Where the Reference Rate specified in the relevant Final Terms is SOFR, the Rate of Interest for each Interest Period will, subject as provided below and subject to Condition 5(i), be the relevant Benchmark plus or minus (as specified in the relevant Final Terms) the Relevant Margin, all as determined by the Calculation Agent. In no event will the Rate of Interest for any Interest Period be less than the Minimum Rate of Interest.

For the purposes of this Condition 5(c)(iv):

"**Benchmark**" means Compounded SOFR, which is a compounded average of daily SOFR, as determined for each Interest Period in accordance with the specific formula and other provisions set out in this Condition 5(c)(iv).

Daily SOFR rates will not be published in respect of any day that is not a U.S. Government Securities Business Day, such as a Saturday, Sunday or holiday. For this reason, in determining Compounded SOFR in accordance with the specific formula and other provisions set forth herein, the daily SOFR rate for any U.S. Government Securities Business Day that immediately precedes one or more days that are not U.S. Government Securities Business Days in the Observation Period will be multiplied by the number of calendar days from and including such U.S. Government Securities Business Day to, but excluding, the following U.S. Government Securities Business Day.

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of Compounded SOFR (or the daily SOFR used in the calculation hereof) prior to the relevant SOFR Determination Time, then the provisions under Condition 5(i) below will apply.

"**Business Day**" means any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in New York are authorised or required by law or regulation to be closed;

"**Compounded SOFR**" with respect to any Interest Period, means the rate of return of a daily compound interest investment computed by the Calculation Agent on the Interest Determination Date in question in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards to 0.00001):

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

where:

"**d**" is the number of calendar days in the relevant Observation Period;

"**d$_o$**" for any Observation Period, is the number of U.S. Government Securities Business Days in the relevant Observation Period;

"**i**" is a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in the relevant Observation Period;

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i" in the relevant Observation Period, is the number of calendar days from, and including, such U.S. Government Securities Business Day "i" to, but excluding, the following U.S. Government Securities Business Day (i+1); and

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day "i" in the relevant Observation Period, is equal to SOFR in respect of that day "i".

"**Interest Period**" means each period from, and including, an Interest Payment Date (or, in the case of the first Interest Period, the Interest Commencement Date) to, but excluding, the next Interest Payment Date (or, in the case of the final Interest Period, the Maturity Date or, if the Issuer elects to redeem the Notes on any earlier redemption date, the relevant redemption date);

"**Interest Determination Date**" means each date falling "p" U.S. Government Securities Business Days before each Interest Payment Date where "p" has the value ascribed to it in the relevant Final Terms;

"**Observation Period**" in respect of each Interest Period means the period from, and including, the date falling "p" U.S. Government Securities Business Days preceding the first date in such Interest Period to, but excluding, the date falling "p" U.S. Government Securities Business Days preceding the Interest Payment Date for such Interest Period;

"**SOFR**", with respect to any U.S. Government Securities Business Day, means:

(1) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the "**SOFR Determination Time**"); or

(2) if the rate specified in paragraph (1) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website;

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

"**SOFR Administrator's Website**" means the website of the SOFR Administrator; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association 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 amount of interest (the "**Interest Amount**") payable in respect of the Calculation Amount specified in the relevant Final Terms for the relevant Interest Period. The amount of interest shall be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the actual number of days in the Interest Period concerned divided by 360 (or, in the case of the Notes denominated in Pounds Sterling, 365 (or, if any portion of such Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion divided by 366 and (ii) the actual number of days in the remainder of such Interest Period divided by 365)) or by such other number as may be specified in the relevant Final Terms, rounding the resulting figure to the nearest subunit of the currency in which such Notes are denominated or, as the case may be, in which such interest is payable (one half of any such subunit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. Where the Specified Denomination of such a Note comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner above) for each Calculation Amount comprising the Specified Denomination, without any further rounding. For this purpose, a "**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 – Reset Note Provisions***

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

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

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

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

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

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

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

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

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest (though substituting, where a different Relevant Margin is to be applied to the relevant Reset Period from that which applied to the last preceding Reset Period, the Relevant Margin relating to the relevant Reset Period, in place of the Relevant Margin relating to that last preceding Reset Period).

(e) ***Interest – Supplemental Provisions***

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

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

The Calculation Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount or floating amount, Instalment Amount or any other rate of interest, interest period or reset period to be determined or calculated by it to be notified to the Issuer and the Fiscal Agent. The Fiscal Agent will cause all such determinations or calculations to be notified to the other Paying Agents and, in the case of Registered Notes, the Registrar (from whose respective specified offices such information will be available) as soon as practicable after such determination or calculated but in any event not later than the fourth London Banking Day thereafter and, in the case of Notes listed on a stock exchange, cause each such Rate of Interest, floating rate, Interest Amount or floating amount or, as the case may be, Instalment Amount to be notified and/or published according to the requirements of that stock exchange. The 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) *Reset Reference Rate Conversion*

This Condition 5(e)(iii) is only applicable if Reset Reference Rate Conversion is specified in the relevant Final Terms as being applicable. If Reset Reference Rate Conversion is so specified as being applicable, the First Reset Rate of Interest and, if applicable, each Subsequent Reset Rate of Interest will be converted from the Original Reset Reference Rate Basis specified in the relevant Final Terms to a basis which matches the per annum frequency of Interest Payment Dates in respect of the relevant Notes (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it).

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

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

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

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

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

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

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

(g) ***Interest – Supplemental Provision for Renminbi Notes***

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

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

(h) ***Benchmark Replacement - Independent Adviser***

Notwithstanding the foregoing provisions of this Condition 5 but subject, where the Reference Rate specified in the relevant Final Terms is SOFR, to the operation of the fallback provisions specified in the definition of SOFR in Condition 5(c)(iv), if the Issuer (in consultation with the Calculation Agent (or the person specified in the relevant Final Terms as the party responsible for calculating the Rate of Interest and the Interest Amount(s))) 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 Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable), 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 Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable) (the "**IA Determination Cut-off Date**") for purposes of determining the Rate of Interest applicable to the Notes for all future Reset

Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 5(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 Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) in customary market usage for the purposes of determining floating rates of interest or reset 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 Mid-Swap Floating Leg Benchmark Rate or 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 Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) in customary market usage for purposes of determining floating rates of interest or reset 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 Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable), 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 Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable) in accordance with this sub-paragraph (iii), the Mid-Swap Floating Leg Benchmark Rate or Reference Rate applicable to such Reset Period or Interest Period (as applicable) for a term equivalent to the Relevant Interest Period or Reset Period published on the Relevant Screen Page as at the last preceding Reset Date or 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 relevant Reset Period or Interest Period from that which applied to the last preceding Reset Period or Interest Period (as applicable), the Relevant Margin relating to the relevant Reset Period or Interest Period, in place of the margin relating to that last preceding Reset Period or Interest Period). For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Period or Interest Period, and any subsequent Reset Periods or Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(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 Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 5(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(s) (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, Reset Determination Date, Reset Determination Time, Interest Determination Date and/or the definition of Mid-Swap Floating Leg Benchmark Rate or Reference Rate applicable to the

Notes, and the method for determining the fallback rate in relation to the Notes, 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 Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 5(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 Noteholders.

For the purposes of these Conditions, "**Benchmark Event**" means:

(A) the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) 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 Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) that it has ceased, or will cease, publishing such Mid-Swap Floating Leg Benchmark Rate or Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Mid-Swap Floating Leg Benchmark Rate or Reference Rate); or

(C) a public statement by the supervisor of the administrator of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) that such Mid-Swap Floating Leg Benchmark Rate or 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 Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) that means that such Mid-Swap Floating Leg Benchmark Rate or 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 Notes; or

(E) a public statement by the supervisor of the administrator of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) that, in the view of such supervisor, (i) such Mid-Swap Floating Leg Benchmark Rate or Reference Rate is no longer representative of an underlying market or (ii) the methodology to calculate such Mid-Swap Floating Leg Benchmark Rate or 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 Noteholder using the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding any other provision of this Condition 5(h), no Successor Rate or Alternative Benchmark Rate or Adjustment Spread (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 5(h), if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as:

(A) in the case of Restricted Senior Preferred or Senior Non-Preferred Notes, eligible liabilities and/or loss absorbing capacity of the Issuer and/or the Nordea Group; or

(B) in the case of Subordinated Notes, Tier 2 Capital of the Issuer and/or the Nordea Group,

or, in the case of Senior Preferred Notes and Senior Non-Preferred Notes only, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in the Resolution Authority treating a future Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date for the purposes of qualification as eligible liabilities and/or loss absorbing capacity of the Issuer and/or the Nordea Group.

(i) ***Benchmark Replacement - ARRC***

This Condition 5(i) shall apply to all Notes where Condition 5(i) is specified as being applicable in the relevant Final Terms.

If the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of Noteholders.

Any determination, decision or election that may be made by the Issuer pursuant to this Condition 5(i), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

(i) will be conclusive and binding absent manifest error;

(ii) will be made in the sole discretion of the Issuer; and

(iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

"**Benchmark**" means, initially, U.S. dollar LIBOR or Compounded SOFR, as the case may be; provided that if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to U.S. dollar LIBOR or Compounded SOFR (or the published daily SOFR used in the calculation thereof), as the case may be, or the then-current Benchmark, then "**Benchmark**" shall mean the applicable Benchmark Replacement.

"**Benchmark Replacement**" means:

(A) in the case of Notes where the Reference Rate or Mid-Swap Floating Leg Benchmark Rate is U.S. dollar LIBOR, the Interpolated Benchmark with respect to the then-current Benchmark; provided that if the Issuer cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then "**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

  (i) the sum of: (a) Term SOFR and (b) the Benchmark Replacement Adjustment;

  (ii) the sum of: (a) Compounded SOFR (as determined in accordance with Condition 5(c)(iv) above) and (b) the Benchmark Replacement Adjustment;

  (iii) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

  (iv) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or

  (v) the sum of: (a) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. Dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment;

(B) In the case of Notes where the Reference Rate is SOFR, "**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

(i) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (b) the Benchmark Replacement Adjustment;

(ii) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or

(iii) the sum of: (a) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including, in the case of Compounded SOFR, the daily published component used in the calculation thereof):

(i) in the case of clause (i) or (ii) of the definition of "Benchmark Transition Event", the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of clause (iii) of the definition of "Benchmark Transition Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**Benchmark Transition Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including, in the case of Compounded SOFR, the daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Corresponding Tenor**" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark;

"**Interpolated Benchmark**" with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (A) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (B) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (i) if the Benchmark is LIBOR, the Relevant Time, (ii) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (iii) if the Benchmark is neither LIBOR nor Compounded SOFR, the time determined by the Issuer after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means 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 or any successor thereto;

"**Term SOFR**" means the forward-looking term rate for the applicable Corresponding Tenor based on SOFR (as defined in Condition 5(c)(iv) that has been selected or recommended by the Relevant Governmental Body; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Condition 5(i) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

(A) confirming (x) that a Benchmark Transition Event has occurred, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 5(i); and

(B) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

Notwithstanding any other provision of this Condition 5(i), no Benchmark Replacement will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 5(i), if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as:

(A) in the case of Restricted Senior Preferred Notes or Senior Non-Preferred Notes, eligible liabilities and/or loss absorbing capacity of the Issuer and/or the Nordea Group; or

(B) in the case of Subordinated Notes, Tier 2 Capital of the Issuer and/or the Nordea Group;

or, in the case of Restricted Senior Preferred Notes and Senior Non-Preferred Notes only, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in the Resolution Authority treating a future Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date for the purposes of qualification as eligible liabilities and/or loss absorbing capacity of the Issuer and/or the Nordea Group.

6. Redemption and Purchase

(a) *Redemption at Maturity*

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

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

If, in relation to any Series of Notes (unless specified as not applicable in the Final Terms), as a result of any change in the laws of any Taxing Jurisdiction or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the Issue Date of such Notes or, in the case of Unrestricted Senior Preferred Notes, any earlier date specified in the relevant Final Terms, on the occasion of the next payment due in respect of such Notes, the Issuer would be required to pay additional amounts as provided in Condition 8 (a "**Withholding Tax Event**"), the Issuer may, at its option and subject (to the extent applicable) to the Conditions to Redemption set out in Condition 6(j), having given not less than 30 nor more than 60 days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 14 (which notice shall be irrevocable) redeem all (but not some only, unless and to the extent that the relevant Final Terms specifies otherwise, in relation to Unrestricted Senior Preferred Notes) the Notes of the relevant Series at their Outstanding Principal Amount (or such other redemption amount as may be specified in the relevant Final Terms or at the redemption amount referred to in Condition 6(i), together with accrued interest (if any) thereon.

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

Upon the occurrence of a Tax Event in respect of any Series of Senior Non-Preferred Notes, Subordinated Notes or Restricted Senior Preferred Notes (unless specified as not applicable in the Final Terms), but subject (to the extent applicable) to the Conditions to Redemption set out in Condition 6(j)), the Issuer may having given not less than 30 days' nor more than 60 days' notice (ending, in the case of any Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 14 (which notice shall be irrevocable) redeem all (but not some only) of the outstanding Series of Notes at any time at a redemption amount equal to their Outstanding Principal Amount (or such other redemption amount as may be specified in the relevant Final Terms or at the redemption amount referred to in Condition 6(i)) together with interest accrued to but excluding the date of redemption, subject to these Conditions.

(d) ***Early Redemption of Restricted Senior Preferred Notes or Senior Non-Preferred Notes as a result of an MREL Disqualification Event***

Upon the occurrence of an MREL Disqualification Event in respect of any Restricted Senior Preferred Notes or Senior Non-Preferred Notes (unless specified as not applicable in the Final Terms, but subject (to the extent applicable) to the Conditions to Redemption set out in Condition 6(j), the Issuer may, at its option having given not less than 30 days' nor more than 60 days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) of the relevant Series of Notes at their Outstanding Principal Amount (or such other redemption amount as may be specified in the relevant Final Terms) together with interest (accrued to but excluding the date of redemption, subject to these Conditions).

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

Upon the occurrence of a Capital Event in respect of any Subordinated Notes (unless specified as not applicable in the Final Terms), but subject to the Conditions to Redemption set out in Condition 6(j), the Issuer may, at its option, having given not less than 30 days' nor more than 60 days' notice (ending, in the case of Subordinated Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 14 (which notice shall be irrevocable) redeem all (but not some only) of the Subordinated Notes at any time at a redemption amount equal to their Outstanding Principal Amount (or such other redemption amount as may be specified in the relevant Final Terms or at the redemption amount referred to in Condition 6(i)) together with interest accrued to but excluding the date of redemption, subject to these Conditions.

(f) ***Optional Early Redemption (Call)***

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

The appropriate notice referred to in this Condition 6(f) is a notice given by the Issuer to the Fiscal Agent, the Registrar (in the case of Registered Notes) and the Holders of the Notes of the relevant Series not less than 30 days (or such alternative period as may be specified in the relevant Final Terms) prior to the relevant Optional Redemption Date, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

(i) the Series of Notes subject to redemption;

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

(iii) relevant Optional Redemption Date; and

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

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

(g) ***Partial Redemption***

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

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

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

(h) ***Optional Early Redemption (Put)***

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

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

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

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

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

(j) ***Conditions to Redemption and Repurchase***

Other than a redemption at maturity in accordance with Condition 6(a), the Issuer may redeem or repurchase the Notes (and give notice thereof to the Holders) only if such redemption or repurchase is in accordance with the Applicable Banking Regulations and it has been granted the permission of the Competent Authority (in the case of Subordinated Notes) or the Resolution Authority (in the case of Restricted Senior Preferred Notes or Senior Non-Preferred Notes), in each such case, if such permission is then required under the Applicable Banking Regulations, and in addition:

(i) before or at the same time as such redemption or repurchase of the Notes, the Issuer replaces the Notes with own funds instruments (or, in the case of the Senior Non-Preferred Notes and Restricted Senior Preferred Notes, eligible liabilities instruments) of an equal or higher quality on terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Competent Authority or Resolution Authority, as the case may be, that its own funds and eligible liabilities would, following such redemption or repurchase, exceed the requirements under the Applicable Banking Regulations by a margin that (in the case of the Senior Non-Preferred Notes and Restricted Senior Preferred Notes), the Resolution Authority in agreement with the Competent Authority or, (in the case of the Subordinated Notes) the Competent Authority, considers necessary; or

(iii) in the case of Senior Non-Preferred Notes and Restricted Senior Preferred Notes only, the Issuer has demonstrated to the satisfaction of the Resolution Authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the CRD for continuing authorisation; and

(iv) in the case of redemption or repurchase before five years after the issue date of the Subordinated Notes only:

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

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

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

(D) before or at the same time of such redemption or repurchase, the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Competent Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(E) the Subordinated Notes are repurchased for market making purposes,

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

(k) ***Repurchase of the Notes***

The Issuer and its subsidiaries (if any) may, if in accordance with the Applicable Banking Regulations, at any time repurchase Notes in the open market or otherwise and at any price and provided that any such repurchases shall be subject to the Conditions to Redemption set out above.

(l) ***Cancellation of Redeemed and Repurchased Notes***

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

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

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

7. **Events of Default**

(a) ***Unrestricted Events of Default – Unrestricted Senior Preferred Notes***

(i) This Condition 7(a) is applicable in relation to Unrestricted Senior Preferred Notes.

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

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

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

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

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

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

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

(b) ***Restricted Events of Default – Senior Non-Preferred Notes, Subordinated Notes or Restricted Senior Preferred Notes***

(i) This Condition 7(b) is applicable in relation to Senior Non-Preferred Notes, Subordinated Notes or Restricted Senior Preferred Notes.

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

If:

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

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

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

the Holder of any Note may:

(x) (in the case of sub-paragraphs (A) and (B) above) institute proceedings for the Issuer to be declared bankrupt or its winding-up or liquidation, in each case, in the Relevant Jurisdiction and not elsewhere, and prove or claim in the bankruptcy or liquidation (of the Issuer); and/or

(y) (in the case of sub-paragraph (C) above) prove or claim in the winding up or liquidation or as the case may be, bankruptcy or liquidation of the Issuer, whether in the Relevant Jurisdiction or elsewhere and instituted by the Issuer itself or by a third party.

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

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

(iv) The Holder of any Note may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to Conditions 7(b)(i) or 7(b)(ii) above, any obligation for the payment of any principal or interest in respect of the Notes) **provided that** the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it, except with the prior approval of the Competent Authority (in the case of Subordinated Notes) or the Resolution Authority (in the case of Senior Preferred Notes or Senior Non-Preferred Notes) (in either case, if such approval is then required under the Applicable Banking Regulations).

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

8. **Taxation**

(a) All amounts payable in respect of the Notes (whether in respect of interest or, in the case of Unrestricted Senior Preferred Notes only, principal, redemption amount or otherwise) by or on behalf of the Issuer will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Taxing Jurisdiction, unless the withholding or deduction of such taxes or duties is required by law. In that event and in relation to a Subordinated Note, Senior Non-Preferred Note or Restricted Senior Preferred Note, any payment of interest only, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holders after such withholding or deduction shall equal the respective amounts which would have been receivable in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to payment in respect of any Note presented for payment:

(i) in the Taxing Jurisdiction;

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

(iii) more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days; or

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

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

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

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

9. Payments

(a) *Payments – Bearer Notes*

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

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

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

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

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

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

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

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

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

(iv) If the due date for payment of any amount due (whether in respect of principal, interest or otherwise) in respect of any Bearer Notes is not a Business Day, then the Holder thereof will not be entitled to payment thereof until the next following such Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Conditions.

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

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

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

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

(b) ***Payments – Registered Notes***

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

(ii) Payments of amounts (including accrued interest) due on the final redemption of Registered Notes will be made against presentation and, save in the case of a partial redemption by reason of insufficiency of funds, surrender of the relevant Registered Notes at the specified office of the Registrar. If the due date for payment of any amount due (whether in respect of principal, interest or otherwise) in respect of Registered Notes is not a Business Day, the Holder thereof will not be entitled to payment thereof until the next following such Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Conditions.

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

(iv) Notwithstanding the provisions of Condition 9(g)(ii), payments of interest due (other than in respect of the final redemption of Registered Notes) in respect of Registered Notes will be made by a cheque drawn on a bank in the Relevant Financial Centre and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof, (or, in the case of joint Holders, the first-named) on the Business Day immediately preceding the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such applications for payment to be made to a designated account (in the case aforesaid, a non-resident account with an authorised foreign exchange bank).

(c) ***Payments – Swiss Franc Notes***

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

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

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

(d) ***Payments – VP Notes***

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

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

(e) ***Payments – VPS Notes***

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

Payments of principal and/or interest in respect of the VPS Notes shall be made to the Holders registered as such on the fifth business day (as defined by the then applicable VPS Rules) shown in the relevant records of the VPS before the due date for such payment, or such other business day falling closer to the due date as then may be stipulated in the VPS Rules and will be made in accordance with said VPS Rules. Such day shall be the "**Record Date**" in respect of the VPS Notes in accordance with the VPS Rules.

(f) ***Payments – Swedish Notes***

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

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

(g) ***Payments – General Provisions***

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

(ii) Subject to the provisions below, payments of amounts due (whether in respect of principal, interest or otherwise) in respect of Notes denominated in a currency other than euro will be made by cheque drawn on, or by transfer to, an account maintained by the payee with, a bank in the Relevant Financial Centre and in respect of a Note denominated in euro by cheque drawn on, or by transfer to, an euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Member State of the European Union. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to (i) any applicable fiscal or other laws and regulations and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise required pursuant to Section 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

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

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

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

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

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

10. **Prescription**

(a) Bearer Notes and the related Coupons will become void unless presented for payment within 10 years (or, in the case of Coupons and save as provided in Condition 9(a)(v), five years) after the due date for payment.

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

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

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

12. **Replacement of Notes**

If any Note, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Notes and Coupons) or of the Registrar (in the case of Registered Notes), subject to all applicable laws and the requirements of any stock exchange and/or listing authority on which the relevant Notes are listed, upon payment by the claimant of all expenses incurred in such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Fiscal Agent or, as the case may be, the Registrar may require. Mutilated or defaced Notes, Receipts and Coupons must be surrendered before replacements will be delivered.

13. **Meetings of Holders**

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

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

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

14. **Notices**

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

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

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

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the Register kept by the Registrar, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing.

(c) ***To the Issuer***

Notices to the Issuer will be deemed to be validly given if delivered to the Issuer's Swedish branch at Smålandsgatan 17, SE-105 71, Stockholm, Sweden and clearly marked on their exterior "Urgent—Attention: Group Treasury" (or at such other address and for such other attention as may have been notified to the Holders of the Notes in accordance with this Condition 14) and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

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

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

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

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

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

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

Notices in respect of VPS Notes will be in writing, sent by first class mail or electronic mail, addressed to such Holders at the address appearing in the VPS Register in accordance with the VPS Rules, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing.

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

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

15. **Provision of Information**

In relation to VP Notes, each Holder agrees and gives consent to the VP to provide to the VP Issuing Agent, upon request, information registered with the VP relating to the VP Notes and the Holders of the VP Notes in order that the VP Issuing Agent may provide any relevant Danish authorities, including the Financial Supervisory Authority of Denmark (*Finanstilsynet*) and the Danish tax authorities with any information required under applicable Danish laws. Such information shall include, but not be limited to, the identity of the holder of the VP Notes, the residency of the holder of the VP Notes, the number of VP Notes of the relevant holder and the address of the relevant holder.

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

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

16. **Further Issues**

The Issuer may from time to time without the consent of the Holders of any Notes of any Series create and issue further Notes and other debt securities having terms and conditions the same as those of the Notes of such Series or the same except for the amount of the first payment of interest (if any), which may be consolidated and form a single Series with the outstanding Notes of such Series.

17. **Substitution and Variation**

If this Condition 17 is specified as applicable in the relevant Final Terms, if at any time a Withholding Tax Event, a Tax Event, an MREL Disqualification Event or a Capital Event occurs, or to ensure the effectiveness or enforceability of Condition 20 (*Acknowledgement of Bail-in and Loss Absorption Powers*), the Issuer may, subject to the Applicable Banking Regulations (without any requirement for the consent or approval of the Holders) and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent (in accordance with the Fiscal Agency Agreement) and the Holders (which notice shall be irrevocable), at any time, either (a) substitute all (but not some only) of the relevant Notes for new Notes, which are Qualifying Securities, or (b) vary the terms of the relevant Notes so that they remain or, as appropriate, become, Qualifying Securities, provided that, in each case, (i) such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities and (ii) such variation or substitution would not itself directly lead to a downgrade in any of the credit ratings of the relevant Notes as assigned to such Notes by any Rating Agency immediately prior to such variation or substitution (unless any such downgrade is solely attributable to the effectiveness and enforceability of Condition 20 (*Acknowledgement of Bail-in and Loss Absorption Powers*)) and (iii) such variation or substitution is not materially less favourable to holders (unless any such prejudice is solely attributable to the effectiveness and enforceability of Condition 20 (*Acknowledgement of Bail-in and Loss Absorption Powers*)). For the avoidance of doubt, any such substitution or variation shall not be deemed to be a modification or amendment for the purposes of Condition 13 (*Meetings of Holders*).

For the purpose of this Condition 17 a variation or substitution shall be "**materially less favourable to holders**" if such varied or substituted securities do not:

(i) include a ranking at least equal to that of the relevant Notes pursuant to Condition 4(a), Condition 4(b) or Condition 4(c), as applicable;

(ii) have the same interest rate and the same interest payment dates as those from time to time applying to the relevant Notes;

(iii) have equivalent redemption rights as the relevant Notes;

(iv) have the same currency of payment, maturity, denomination and original aggregate outstanding nominal amount as the relevant Notes prior to such variation or substitution;

(v) preserve any existing rights under the relevant Notes to any accrued interest which has not been paid in respect of the period from (and including) the interest payment date last preceding the date of substitution or variation; or

(vi) have a listing on a recognised stock exchange if the relevant Notes were listed immediately prior to such variation or substitution; and

"**Qualifying Securities**" means securities issued directly or indirectly by the Issuer that contain terms which at such time result in such securities being eligible to qualify towards the Issuer's and/or the Nordea Group's eligible liabilities and/or loss absorbing capacity (in the case of Senior Preferred Notes or Senior Non-Preferred Notes) or Tier 2 Capital (in the case of Subordinated Notes), in each case for the purposes of, and in accordance with, the relevant Applicable Banking Regulations, (in the case of a variation or substitution due to a Withholding Tax Event, Tax Event, MREL Disqualification Event or Capital Event) to at least the same extent as the Notes prior to the relevant Withholding Tax Event, Tax Event, MREL Disqualification Event or Capital Event.

18. Law and Jurisdiction

(a) The Notes, the Fiscal Agency Agreement and the Deed of Covenant and all non-contractual obligations arising out of or in connection with any of them are governed by English law except that, in the case of Notes specified in the relevant Final Terms as being Subordinated Notes or Senior Non-Preferred Notes, the provisions of Condition 4(b) or Condition 4(c), as applicable, as they apply to such Notes and all non-contractual obligations arising out of or in connection with them shall be governed by and shall be construed in accordance with the laws of the Relevant Jurisdiction. In relation to VP Notes, Danish law and jurisdiction will be applicable with regard to the registration of such Notes in the VP and VP Notes must comply with the Danish Capital Markets Act, as amended or replaced from time to time, the Danish Executive Order as amended from time to time and the VP Rule Book, as amended from time to time. Norwegian law and jurisdiction will be applicable with regard to the registration of such VPS Notes in the VPS. Swedish law and jurisdiction will be applicable with regard to the registration of such Swedish Notes in Euroclear Sweden and the Swedish Notes must comply with the SFIA Act.

(b) The Issuer irrevocably agrees for the benefit of the Holders of the Notes that the Courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligation arising out of or in connection with the Notes) (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum. The submission to the jurisdiction of the Courts of England shall not (and shall not be construed so as to) limit the right of the Holders of the Notes or of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law. The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Nordea Bank Abp, London Branch at its registered address in London from time to time, being presently at 6th Floor, 5 Aldermanbury Square, London EC2V 7AZ, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Fiscal Agent. Nothing contained herein shall affect the right to serve process in any other manner permitted by law.

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

19. **Third Parties Rights**

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

20. **Acknowledgement of Bail-in and Loss Absorption Powers**

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

(a) the effect of the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:

(i) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes on a permanent basis;

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

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

(iv) the amendment or alteration of the perpetual nature of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

(b) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority.

"**Bail-in and Loss Absorption Powers**" means any loss absorption, write-down, conversion, transfer, modification, suspension or similar or resolution related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Relevant Jurisdiction, relating to (i) the transposition of the BRRD or the application of the SRM Regulation and (ii) the instruments, rules and standards created under the BRRD or the SRM

Regulation, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period).

"**Relevant Amounts**" means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and additional amounts due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority.

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

For the avoidance of doubt any exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority will not constitute an event of default or a breach of the Issuer's obligations or duties in respect of the Notes, or a failure to perform any of the Issuer's obligations or duties in respect of the Notes in any manner whatsoever, and shall not, of itself, entitle Holders to petition for the winding up or liquidation of the Issuer.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Notes will be used for the general banking and other corporate purposes of the Nordea Group. If, in respect of any particular issue, there is a particular identified use of proceeds this will be stated in the relevant Final Terms.

CLEARING AND SETTLEMENT

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

General

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

Euroclear

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

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

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

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

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

Clearstream, Luxembourg

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

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

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

VP

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

Settlement of sale and purchase transactions in respect of Notes in the VP will take place on a registration-against-payment basis three Copenhagen business days after the date of the relevant transaction. Transfers of interests in a VP Note will take place in accordance with the VP Rules. Secondary market clearance and settlement through Euroclear is possible through depositary links established between the VP and Euroclear. Transfers of Notes held in the VP through Clearstream, Luxembourg are only possible by using an account holding institute linked to the VP.

The address of VP is VP Securities A/S, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark

VPS

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

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

The address of VPS is Norwegian Central Securities Depository, Verdipapirsentralen ASA, P.O. 4, 0051 Oslo, Norway.

Euroclear Sweden

Euroclear Sweden is a Swedish public company which operates under the supervision of the Swedish Financial Supervisory Authority and is authorised as a central securities depository and clearing house.

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

The address of Euroclear Sweden AB is Euroclear Sweden, Box 191, 101 23 Stockholm, Sweden.

SIS

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

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

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

THE NORDEA GROUP

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, consisting of 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 is a banking group with a relationship strategy centred on its customers and advisory capabilities. The Nordea Group’s strategic direction is primarily driven by, and reflective of, the needs of its customers and the challenging macroeconomic and regulatory environment in which the Nordea Group and its customers operate. In the autumn of 2019, Nordea entered a new phase with three key priorities and new targets. In October 2019, a new direction for Nordea was presented, with an updated business plan and new financial targets. The new financial targets for 2022 are a cost to income ratio of 50 per cent and a return on equity above 10 per cent.

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.

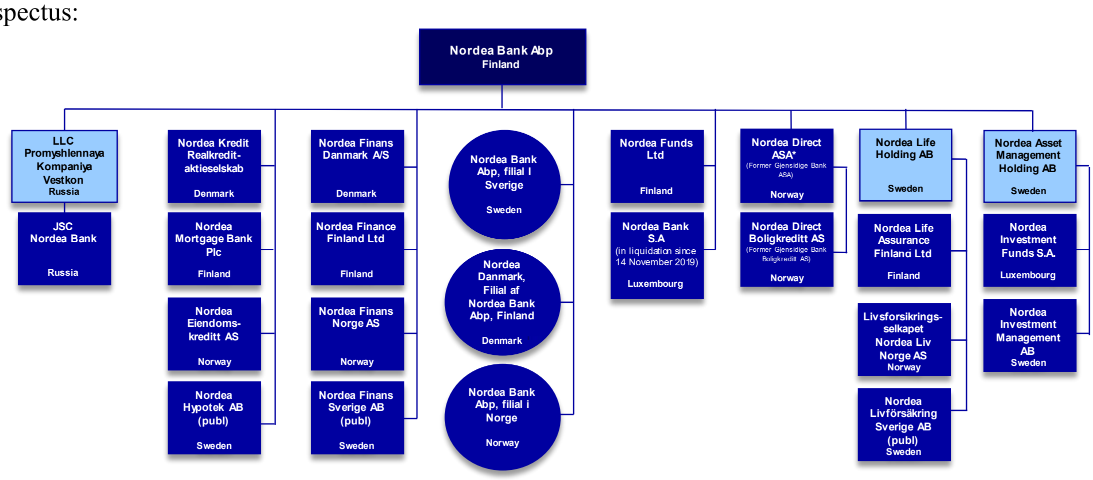
Trust and Responsibility

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:



Branch – Nordea Bank Abp also operates branches in Estonia, Poland, Frankfurt, London, New York, Shanghai and Singapore

Legal entity

Holding company

* *Nordea Bank Abp and Nordea Direct ASA (former Gjensidige Bank ASA) have signed a merger plan on 12 June 2019. The merger of Nordea Direct ASA (former Gjensidige Bank 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 Plc) was established in Finland through a demerger of Nordea Bank Finland Plc to continue the covered bond operations conducted by Nordea Bank Finland Plc. Nordea believes that the 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 reversed merger by way of absorption through which Nordea Bank AB (publ), the parent company of the Nordea Group before the Re-domiciliation, was merged into its wholly owned subsidiary Nordea Bank Abp (i.e., the Merger). Nordea Bank Abp was established specifically for the purpose of the Merger and became the new parent company of the Nordea Group upon the completion of the Merger on 1 October 2018. Nordea Bank AB (publ)'s rights and obligations as well as its assets and liabilities were by operation of law transferred to Nordea Bank Abp on the completion of the Merger by way of universal succession in accordance with relevant Finnish and Swedish corporate law.

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.

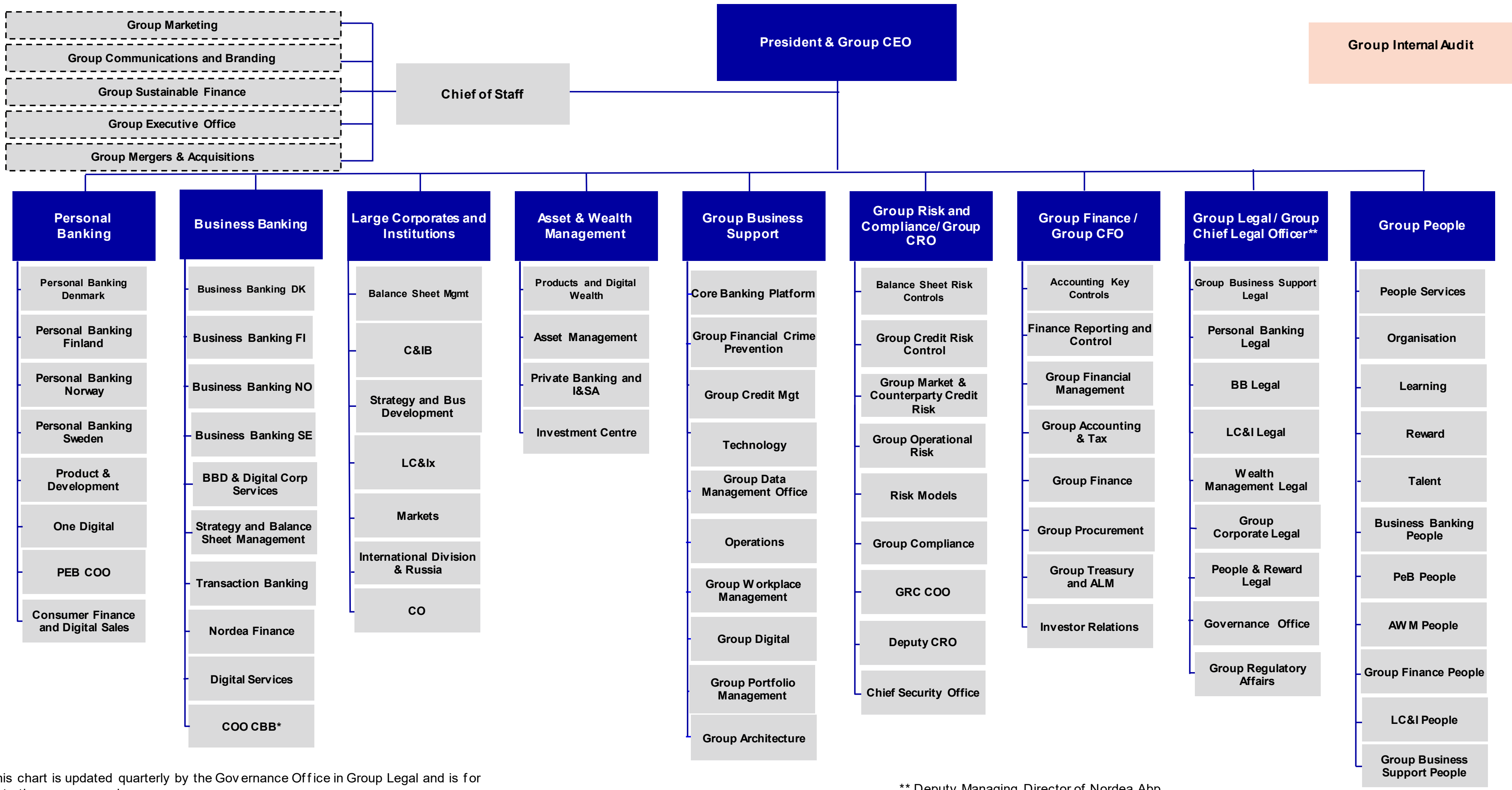
Nordea Group's Organisation

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. This primarily covers 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, advises 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, Business Banking Direct, Business Banking COO Organisation and Strategy 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 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 and the Investment Centre.

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 & 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 Business Support, includes the units Technology, Group Data Management Office, Operations, the Core Banking Platform, Group Architecture, Group Credit Management and Group Financial Crime Prevention and Group Workplace Management. 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. For example, in June 2015 the Danish financial supervisory authority 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 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 Nordea Group 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 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 was 3 per cent. to be met by common equity tier 1 (CET1) capital and was applicable from 1 July 2019. However, on 6 April 2020 the Board of the FFSA decided to remove the systemic risk buffer for all banks including Nordea. 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 to 6 April 2020, the buffer was increased to 3 per cent. since the systemic risk buffer was then the higher of the buffers. From 6 April 2020 the applicable buffer is 2 per cent based on the O-SII buffer. 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.

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**"), EU Member States 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 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 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 MDA 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 MDA for own funds and eligible liabilities (calculated in accordance with the proposed Article 16a(4) of the BRRD) 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 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, were intended to effect from 1 January 2022 and the capital floor will be phased in over five years. On 27 March 2020 it was announced that the revised standards would be deferred for one year and will therefore start to take effect from 1 January 2023 with a five year phase-in for the capital floor. 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 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 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 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 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 REA following the Re-domiciliation. The permission implies a migration of pillar 2 capital add-ons into pillar 1 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 REAs 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. 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.

On 4 September 2019, the Nordea Group was identified as a financial conglomerate on its own following the reduction of Sampo plc’s shareholding in Nordea (see *Nordea Bank Abp – Capital Adequacy and Regulatory Considerations – Capital Adequacy* below). As of 31 December 2019, the own funds requirement for the Nordea financial conglomerate was EUR 33.7 billion and the capital adequacy ratio of the financial conglomerate was 115.5 per cent. The own funds requirement as at 31 December 2019 included the transitional pillar 2 which, on 1 January 2020, was changed to the pillar 2 requirement of 1.75 per cent for 2020, as decided in the final SREP.

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 Nordea Group and its Business - 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 27 March 2020 it was announced that the revised trading book capital standards were deferred for one year and will therefore start to take effect from 1 January 2023 with a five year phase-in for the capital floor.

On 13 March 2020 the Norwegian Ministry of Finance decided to reduce the countercyclical buffer rate from 2.5 per cent to 1.0 per cent with immediate effect. In Denmark the countercyclical buffer was initially set at 1.0 per cent and decided to be further increased to 1.5 per cent in Q2 2020 and 2.0 per cent in Q4 2020. However, on 12 March 2020, the Danish Ministry of Industry, Business and Financial Affairs decided to reduce the buffer rate to 0 per cent with immediate effect.

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.

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 common equity tier 1 (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'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.

In April 2020, the European Commission adopted a banking package to facilitate bank lending to households and businesses throughout the European Union and mitigate the significant economic impact of the COVID-19 pandemic. The banking package is intended to encourage banks to make full use of the flexibility embedded in the EU's existing prudential and accounting framework and provides market participants with a uniform interpretation of this flexibility. The banking package also proposed amendments to the CRR to, among others, (i) extend current transitional arrangements regarding the application of international accounting standards on banks' capital for two years, (ii) postpone the date of the new leverage ratio buffer requirement on G-SIIs by one year to 1 January 2023 and (iii) extend existing preferential treatment given to non-performing loans that are guaranteed by the public sector. See "*Risk Factors - Risks Relating to the Nordea Group and its Business— Risks Relating to the Outbreak of COVID-19 — The global coronavirus outbreak, which has negatively impacted the economies exposed to the outbreak, 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" for more information regarding the COVID-19 pandemic.

NORDEA BANK ABP

Overview and legal structure

Nordea Bank Abp, the parent company of the Nordea Group, conducts banking operations within the scope of the Nordea Group's business organisation. Nordea Bank Abp, was registered with the Finnish Trade Register on 27 September 2017 and is a public limited liability company organised under the laws of Finland. According to Article 3 of Nordea Bank Abp's articles of association, as a commercial bank Nordea Bank Abp engages in business activities that are permitted to a deposit bank pursuant to the Finnish Act on Credit Institutions. Nordea Bank Abp provides investment services and performs investment activities pursuant to the Finnish Act on Investment Services. Further, in its capacity as parent company, Nordea Bank Abp attends to and is responsible for overall functions in the Nordea Group, such as management, supervision, risk management and staff functions. Nordea Bank Abp is subject to substantial regulation in all markets in which it operates. The articles of association were last amended on 1 October 2018. Nordea Bank Abp is registered in the Finnish Trade Register under business identity code 2858394-9. The head office of Nordea is located in Helsinki at the following address: *Hamnbanegatan* (Fi: *Satamaradankatu*) 5, FI-00020 Nordea, Helsinki, Finland. Nordea Bank Abp has several directly and indirectly owned subsidiaries. Nordea Bank Abp's shares are listed on the stock exchanges in Helsinki, Stockholm and Copenhagen.

Share Capital and Shareholders

Share Capital

As of the date of this Base Prospectus, Nordea's share capital is EUR 4,049,951,919, consisting of 4,049,951,919 ordinary shares. The shares in Nordea have no nominal value.

Nordea Bank Abp's articles of association do not contain any provisions on share classes or voting rights and consequently shares may only be issued as ordinary shares and each share confers one vote at general meetings. If Nordea Bank Abp were to issue new shares, all shareholders would typically have preferential rights to the new shares in relation to the number of shares held by them.

The additional tier 1 (AT1) conversion notes issued by Nordea in March 2019 automatically convert into shares if the common equity tier 1 (CET1) capital ratio of either Nordea on a solo basis or the Nordea Group on a consolidated basis falls below a specific trigger level. There are no convertible bonds issued by Nordea that give option exercise rights for holders to acquire shares in Nordea.

Shareholders

The following table sets forth information relating to Nordea's five largest shareholders as of 31 March 2020:

	Number of shares (million)	**Per cent of shares and votes[1]**
Sampo plc	804.9	19.9
Cevian Capital	176.0	4.4
Nordea Fonden	158.2	3.9
Blackrock	117.6	2.9
Alecta	111.5	2.8

1) Excluding shares issued for Nordea's long-term incentive programmes.

In 2011, Sampo plc's share in Nordea exceeded 20 per cent, meaning that the Nordea Group was from thereon included in the Sampo financial conglomerate in accordance with the Finnish Act on the Supervision of Financial and Insurance Conglomerates (Fi: *laki rahoitus- ja vakuutusryhmittymien valvonnasta (2004/699)*). On 13 August 2019, Sampo plc announced that it had on 12 August 2019 distributed a total of 55,517,639 shares of Nordea as an extra dividend to its shareholders. After the distribution, Sampo plc held 804,922,858 shares of Nordea, corresponding to 19.87 per cent of all shares and votes, and the Nordea Group is no longer included in the Sampo financial conglomerate. On 4 September 2019, the Nordea Group was identified as a financial conglomerate on its own.

Board of Directors

According to the articles of association, the board of directors of Nordea must consist of at least six and no more than 15 members.

As of the date of this Base Prospectus, the board of directors of Nordea consists of 10 members elected by the general meeting for the period until the end of the Annual General Meeting ("**AGM**") of Nordea in 2020. In addition, three ordinary members and one deputy member have been appointed by the employees of Nordea Group. The CEO of Nordea is not a member of the board of directors.

The following table sets forth, for each member of the board of directors of Nordea as of the date of this Base Prospectus, his or her year of birth and the year of his or her initial appointment to the board of directors:

	Year of birth	Board member since	Position
Torbjörn Magnusson	1963	2018	Chair
Kari Jordan	1956	2019	Vice Chair
Pernille Erenbjerg	1967	2017	Member
Nigel Hinshelwood	1966	2018	Member
Petra van Hoeken	1961	2019	Member
Robin Lawther	1961	2014	Member
John Maltby	1962	2019	Member
Sarah Russell	1962	2010	Member
Birger Steen	1966	2015	Member
Maria Varsellona	1970	2017	Member

The board of directors also includes the following employee representatives as of the date of this Base Prospectus (one of whom at any time is a deputy member of the board of directors):

	Year of birth	Board member since	Position
Dorrit Groth Brandt	1967	2018	Employee Representative
Gerhard Olsson	1978	2016	Employee Representative
Hans Christian Riise	1961	2013	Employee Representative
Kari Ahola	1960	2006	Deputy Employee Representative

The members of the board of directors of Nordea have the following office address: c/o Nordea Bank Abp, *Hamnbanegatan* (Fi: *Satamaradankatu*) 5, FI-00020 Nordea, Helsinki, Finland.

With the exception of the employee representatives, no members of the board of directors of Nordea are employed by the Nordea Group.

No potential conflicts of interest exist between any duties to Nordea Bank Abp of a member of the board of directors and the private interests or other duties of each persons.

Torbjörn Magnusson has been a member of the board of directors since 2018 and has served as its Chair since 2019. As of the date of this Base Prospectus, Mr Magnusson is the President and CEO of the Sampo Group, Managing Director and member of Group Executive Committee of Sampo plc and the Chairman of the board of directors of If P&C Insurance Holding Ltd.

Kari Jordan has been a member of the board of directors and served as its Vice Chair since 2019. As of the date of this Base Prospectus, Mr Jordan is the Chairman of the board of directors of Outokumpu Oyj, and a member of the boards of directors of Nokia Tyres Plc, the Finnish Business and Policy Forum EVA/ETLA and several other non-profit organisations.

Petra van Hoeken has been a member of the board of directors since 2019. As of the date of this Base Prospectus, Ms van Hoeken is the Chief Risk Officer of Intertrust Group, and a member of the boards of directors of Nederlandse WaterschapsBank NV and Oranje Fonds.

Pernille Erenbjerg has been a member of the board of directors since 2017. As of the date of this Base Prospectus, Ms Erenbjerg is a member of the boards of directors of Genmab A/S, Millicom International Cellular SA and GlobalConnect A/S.

Nigel Hinshelwood has been a member of the board of directors since 2018. As of the date of this Base Prospectus, Mr Hinshelwood is a member of the boards of directors of Bank of Scotland plc and Lloyds Bank plc and a member of the Franchise Board of Lloyd's of London.

Robin Lawther has been a member of the board of directors since 2014. As of the date of this Base Prospectus, Ms Lawther is a member of the boards of directors of Ashurst LLP, M&G plc, Oras Invest Ltd and U.K. Government Investments Limited.

John Maltby has been a member of the board of directors since 2019. As of the date of this Base Prospectus, Mr Maltby is the Chairman of the boards of directors of Allica Bank Limited and Pepper Money Group Limited and a member of the boards of directors of Simplyhealth Group and National Citizens Service (NCS) Trust.

Sarah Russell has been a member of the board of directors since 2010. As of the date of this Base Prospectus, Ms Russell is a member of the supervisory board of the Currency Exchange Fund N.V.

Birger Steen has been a member of the board of directors since 2015. As of the date of this Base Prospectus, Mr Steen is a principal of Summa Equity AB, the Chairman of the board of directors of Nordic Semiconductor ASA and Pagero AB and a member of the boards of directors of Cognite AS and Schibsted ASA. Mr Steen is also a member of the board of trustees of the Nordic Heritage Museum in Seattle, United States.

Maria Varsellona has been a member of the board of directors since 2017. As of the date of this Base Prospectus, Ms Varsellona is the Group General Counsel and a member of the Executive Committee of ABB Ltd.

Group Leadership Team

The Group Leadership Team (up to December 2019 named the Group Executive Management), of the Nordea Group as of the date of this Base Prospectus consists of nine members, including the Group CEO. The President and Group CEO is appointed by the board of directors and is charged with the day-to-day management of the Nordea Group and the Nordea Group's Group-wide affairs in accordance with applicable laws and regulations, including the Finnish Corporate Governance Code (Fi: *Suomen listayhtiöiden hallinnointikoodi*) (the "**Finnish Corporate Governance Code**"), as well as the instructions provided by the board of directors. The instructions regulate the division of responsibilities and the interaction between the Group CEO and the board of directors. The Group CEO works closely with the Chairman of the board of directors, for example, in planning the meetings of the board of directors.

The following table sets forth each member of Group Leadership Team as of the date of this Base Prospectus, his or her year of birth, the year of his or her initial employment as a member of Group Leadership Team and his or her current position:

	Year of birth	Group Leadership Team member since	Position
Frank Vang-Jensen	1967	2018	President and Group Chief Executive Officer (CEO)
Erik Ekman	1969	2015	Head of Group Business Support
Matthew Elderfield	1966	2016	Chief Risk Officer (CRO) and Head of Group Risk & Compliance
Christina Gadeberg	1970	2019	Chief People Officer, Head of Group People
Jussi Koskinen	1973	2018	Chief Legal Officer, Head of Group Legal
Sara Mella	1967	2019	Head of Personal Banking
Martin A Persson	1975	2016	Head of Large Corporates & Institutions
Snorre Storset	1972	2015	Head of Asset & Wealth Management

No potential conflicts of interest exist between any duties to Nordea Bank Abp of a member of the Group Executive Management and the private interests or other duties of each persons.

The members of the board of directors of Nordea and Group Leadership Team have the following office address: c/o Nordea Bank Abp, Satamaradankatu (Sw: *Hamnbanegatan*) 5, FI-00020 Nordea, Helsinki, Finland.

Frank Vang-Jensen has been the President and Group CEO of Nordea since 2019 and a member of Group Leadership Team since 2018. Before his appointment as President and Group CEO in September 2019, Mr Vang-Jensen held several executive positions since he joined the Nordea Group in 2018, most recently as Head of Personal Banking.

Erik Ekman has been Head of Group Business Support since 2020 and a member of Group Leadership Team since 2015. Mr Ekman has held several executive positions since he joined the Nordea Group in 2008, most recently as Head of Commercial & Business Banking (currently named Business Banking) from 2016 to 2019 and as Acting Head of Group Business Risk Management during 2019.

Matthew Elderfield has been Group CRO and Head of Group Risk and Compliance since 2019 and a member of Group Leadership Team since 2016. Between 2016 and 2019, Mr. Elderfield held the position as Group Compliance Officer and Head of Group Compliance. Prior to joining the Nordea Group in 2016, Mr Elderfield served as Global Head of Compliance at Lloyds Banking Group.

Christina Gadeberg has been Head of Group People and a member of Group Leadership Team since 2019. Ms. Gadeberg has held several executive positions since she joined the Nordea Group in 2015, most recently as Head of Group People Business Partnering and co-leader of Group People during 2019 and, prior to this, as Head of People to Asset and Wealth Management from 2017 to 2019.

Jussi Koskinen has been Chief Legal Officer and Head of Group Legal and a member of Group Leadership Team since 2018. He has also been the Interim Deputy Managing Director of Nordea since 2019. Prior to joining the Nordea Group in 2018, Mr Koskinen served as Vice President, Head of Global Corporate Legal and Secretary to the board of directors at Nokia Corporation.

Sara Mella has been Head of Personal Banking and a member of Group Leadership Team since 2019. Prior to her appointment as Head of Personal Banking in December 2019, Ms Mella was Acting Head of Personal Banking from September 2019 and, prior to that, she held several executive positions at the Nordea Group, most recently as Head of Personal Banking Finland. As of the date of this Base Prospectus, Ms Mella is Chairperson of the Banking Executive Committee of Finance Finland.

Martin A Persson has been Head of Large Corporates & Institutions (previously named Wholesale Banking) and a member of Group Leadership Team since 2016. Mr Persson joined the Nordea Group in 2012 and served as the Co-Head of Markets Equities, Nordea Markets from 2012 to 2016. As of the date of this Base Prospectus, Mr Persson is a member of the board of directors of the Swedish Bankers' Association.

Snorre Storset has been Head of Asset & Wealth Management since 2016 and a member of Group Leadership Team since 2015. Mr Storset has held several executive positions since he joined the Nordea Group in 2011, most recently as Deputy Head of Wealth Management and Head of Private Banking from 2015 to 2016. As of the date of this Base Prospectus, Mr Storset is a member of the board of directors of Finans Norge.

On 29 January 2020, Nordea announced the appointment of *Nina Arkilahti* as Head of Business Banking and a member of Group Leadership Team starting, at the latest, 1 August 2020. Ms Arkilahti has previously served in several senior positions at Svenska Handelsbanken AB, including as Executive Vice President and Country Head Finland and as Senior Vice President and Country Head Germany.

On 30 January 2020, Nordea announced the appointment of *Ian Smith* as new Group CFO and Head of Group Finance & Treasury and a member of Group Leadership Team, subject to regulatory approval. Mr Smith is currently Group CFO of Virgin Money UK PLC and he will take up his position at Nordea after 6 May 2020, at a date to be agreed, in order to first support an orderly transition at his current employer. Prior to his current position at Virgin Money UK PLC, Mr Smith has served as Director of Group Finance at Lloyds Banking Group PLC and at Halifax Bank of Scotland PLC. He has also served as partner at Deloitte LLP. From 1 May 2020 and until Ian Smith will join Nordea, *Mark Kandborg*, Group Treasurer, Head of Treasury & Asset and Liability Management, will serve as acting Group CFO. Mark Kandborg is not a member of the Group Leadership Team.

Independence

Nordea complies with applicable requirements regarding the independence of its board of directors according to applicable European regulatory requirements and Finnish laws and regulations, as well as rules set forth in the Finnish Corporate Governance Code. The Nomination Board and board of directors considers all members of Nordea's board of directors, apart from Torbjörn Magnusson, independent in relation to the Company's significant shareholders. As of the date of this Base Prospectus, Torbjörn Magnusson is the President and CEO of the Sampo Group and Managing Director and a member of Group

Executive Committee of Sampo plc. Sampo plc, the parent company of Sampo Group, owns more than 10 per cent of all shares and votes in Nordea and is, therefore, a significant shareholder of Nordea.

All of the board members elected by the shareholders are independent of Nordea and its executive management, including Sarah Russell who will have been, if re-elected at the 2020 AGM, a member of the board of directors of Nordea and its legal predecessors for 10 consecutive years. Based on an overall evaluation, her independence is not compromised due to her long service history, and no other factors or circumstances have been identified that could impair her independence.

No member of Nordea's board of directors elected by the shareholders at the general meeting is employed by or working in an operative capacity in the Nordea Group. The ordinary members and the deputy members of Nordea's board of directors appointed by the employees are employed by the Nordea Group and therefore are not independent of Nordea under the Finnish Corporate Governance Code.

The number of members of Nordea's board of directors who are independent in relation to Nordea as well as independent in relation to Nordea's significant shareholders exceeds the minimum requirement set forth in the Finnish Corporate Governance Code, which states that the majority of the members of the board of directors shall be independent of Nordea and at least two of the board members who are independent of the company shall also be independent of the company's significant shareholders.

The rules regarding independence of the board of directors are governed by, among others, the Finnish Corporate Governance Code, the Finnish Act on Credit Institutions, the guidelines and regulations of the FFSA and the EBA guidelines on internal governance.

External Auditors

According to Nordea's articles of association, Nordea must have one audit firm as auditor, whose chief auditor is to be an authorised public accountant approved by the Finnish Patent and Registration Office. The assignment as auditor will continue until the end of the first AGM held after the election of the auditor. PricewaterhouseCoopers Oy, Authorised Public Accountants, has been elected as Nordea's auditor until the end of the 2020 AGM. As of the date of this Base Prospectus, Juha Wahlroos, Authorised Public Accountant, has been assigned as the auditor in charge. PricewaterhouseCoopers Oy has the following office address: Itämerentori 2, FI-00100 Helsinki, Finland.

The board of directors of Nordea has proposed, on the recommendation of the Board Audit Committee, to the AGM of Nordea scheduled to be held on 28 May 2020 that PricewaterhouseCoopers Oy be re-elected as Nordea's auditor until the end of the next AGM of Nordea. PricewaterhouseCoopers Oy has notified Nordea that Jukka Paunonen would be the auditor in charge.

Dividends

Nordea Bank AB (publ)'s annual shareholder general meeting approved, and Nordea Bank AB (publ) paid, the following dividends from 2014 to 2017; and Nordea Bank Abp's annual shareholder general meeting approved, and Nordea Bank Abp paid, the following dividends in 2018:

- 2018: EUR 0.69 per share, total dividend payment of EUR 2,788 million;
- 2017: EUR 0.68 per share, total dividend payment of EUR 2,747 million;
- 2016: EUR 0.65 per share, total dividend payment of EUR 2,625 million;
- 2015: EUR 0.64 per share, total dividend payment of EUR 2,584 million; and
- 2014: EUR 0.62 per share, total dividend payment of EUR 2,501 million.

Material Agreements

Nordea Bank Abp is not a party to any material agreement outside of its normal course of business which may result in another Nordea Group company obtaining a right or incurring an obligation which may materially affect Nordea Bank Abp's ability to perform its obligations.

Corporate Governance

Corporate governance in Nordea Bank Abp follows generally adopted principles of corporate governance. The external framework which regulates the corporate governance work includes the Finnish Corporate Governance Code, the Finnish Act on Credit Institutions, the guidelines and regulations of the FFSA and the EBA guidelines on internal governance under the Capital Requirements Directive.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. The tax laws of an investor's jurisdiction and of the Issuer's jurisdiction of incorporation might have an impact on the income received from the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Finnish Taxation

The following summary is based on the tax laws of Finland as in effect and applied as of the date of this Base Prospectus and is intended to provide general information only. Any changes in tax laws and their interpretation may also have a retroactive effect on taxation. The following summary is not exhaustive and does not address all potential aspects of Finnish taxation that may be relevant for a potential investor in the Notes. The summary does not address the rules regarding reporting obligations for, inter alia, payers of interest. The summary does also not address any tax consequences applicable to Holders of Notes who are subject to special tax rules. Such Holders of Notes include, among others, entities exempt from income tax, non-business-carrying entities, individuals taxable under the Finnish Business Income Tax Act (Fi: *laki elinkeinotulon verottamisesta* (360/1968)) and general or limited partnerships. Investors are advised to consult their professional tax advisers concerning their tax reporting obligations and overall Finnish and foreign tax consequences of acquiring, owning and disposing of the Notes.

Non-Resident Holders of Notes

Payments of interest under the Notes are not subject to tax in Finland provided that the recipient is not resident in Finland for tax purposes, unless the Notes relate to business carried on in Finland by the holder of the Notes through a permanent establishment in Finland. The Issuer is required to ascertain that the recipient is 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 Notes, if it is required to do so under Finnish law and the Issuer will not be required to pay the recipient any additional amounts.

Repayments of the principal amount under the Notes are not subject to tax in Finland. Holders of Notes that are not resident in Finland for tax purposes are, furthermore, not subject to Finnish tax on capital gains arising from the transfer of the Notes, unless the transfer relates to business carried on in Finland by a holder of Notes through a permanent establishment in Finland.

Resident Holders of Notes

Payments of interest under the Notes and capital gains on the Notes are in general subject to tax for holders of Notes that are resident in Finland for tax purposes. Repayments of the principal amount under the Notes are not otherwise subject to tax in Finland.

As at the date of this Base Prospectus, payments of interest made to holders of Notes that are physical persons resident in Finland for tax purposes or Finnish estates of deceased persons are in general subject to a tax withholding at a rate of 30 per cent. and subject to income tax under the Income Tax Act (Fi: *Tuloverolaki* 1535/1992, as amended) at capital income tax rates of 30 – 34 per cent. Interest on certain Notes paid to a Finnish tax resident physical person or a Finnish estate of a deceased person may also be subject to tax pursuant to the act on withholding tax for interest income (Fi: *laki korkotulon lähdeverosta* (1341/1990)) at a rate of 30 per cent.

As at the date of this Base Prospectus, where Notes are sold by a Finnish physical person or a Finnish estate of a deceased person prior to the due date, any capital gains and payments of accrued interest (Fi: *jälkimarkkinahyvitys*) are taxable as capital income at tax rates of 30 – 34 per cent. Any payments of accrued interest (*Fi: jälkimarkkinahyvitys*) made to a Finnish physical person or a Finnish estate of a deceased person are subject to tax withholding at the rate of 30 per cent if the paying agent or intermediary effecting the payment is a credit and financial institution or other professional security trader or intermediary resident in Finland for tax purposes or a Finnish branch of a non-resident credit institution.

As at the date of this Base Prospectus, payments of interest made to Holders of Notes that are corporations, as further defined in the Income Tax Act (Fi: *tuloverolaki* (1535/1992)), residing in Finland for tax purposes, are not subject to a tax withholding. For Finnish resident corporations, payments of interest, as well as capital gains arising upon the sale of the Notes, are generally subject to tax at a flat rate of 20 per cent.

Irish Taxation

The following is a summary of the principal Irish withholding tax consequences of beneficial ownership of the Notes for individuals who are resident and ordinarily resident in Ireland for tax purposes and for companies that are resident in Ireland for tax purposes. It is based on the laws and practice of the Revenue Commissioners currently in force in Ireland as at the start of the Offer Period and may be subject to change. The statements in this summary are based on the understanding that the Notes will be treated as debt for Irish tax purposes. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Notes. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of payments thereon under any laws applicable to them.

Tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Notes so long as such payments do not constitute Irish source income. Interest paid on the Notes should not be treated as having an Irish source unless:

(i) the Issuer is resident in Ireland for tax purposes; or

(ii) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which is used to fund the payments on the Notes; or

(iii) the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland or (if the Notes are in bearer form) the Notes are physically held in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer does not and will not have a branch or permanent establishment in Ireland; (iii) bearer Notes will not be physically located in Ireland; and (iv) the Issuer will not maintain a register of any registered Notes in Ireland.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) on any interest paid on the Notes issued by a company not resident in Ireland, where such interest is collected or realised by a bank or encashment agent in Ireland.

Encashment tax does not apply where the holder of the Notes is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

Luxembourg Taxation

The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

A holder of the Notes may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

All payments of interest (including accrued but unpaid interest) and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

(i) regarding resident individual Holders of Notes, the application of the Luxembourg law of 23 December 2005, as amended (the "**Law**"), which has introduced a 20 per cent. withholding tax on savings income paid by a paying agent, within the meaning of the Law, established in Luxembourg.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg law of 23 December 2005 would be assumed by a Luxembourg paying agent (if any) within the meaning of this Law and not by the Issuer.

(ii) Pursuant to the Law, Luxembourg resident individuals who are the beneficial owners of savings income paid by a paying agent within the meaning of the Law established outside Luxembourg, in a Member State of either the European Union or the European Economic Area can opt to self-declare and pay a 20 per cent. tax (the "**Levy**") on these savings income.

The 20 per cent. withholding tax as described above or the Levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Swiss Taxation

The following discussion is a summary of Swiss withholding tax considerations relating to (i) Notes issued by the Issuer where the Holder is tax resident in Switzerland or has a tax presence in Switzerland or (ii) Notes where the Paying Agent, custodian or securities dealer is located in Switzerland. The discussion bases on legislation as of the date of this Base Prospectus. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Notes. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Notes (or options embedded therein) in light of their particular circumstances.

Swiss Federal Withholding Tax

Payments by the Issuer, of interest on, and repayment of principal of, the Notes, will not be subject to Swiss federal withholding tax, provided that the Issuer is at all times resident and managed outside Switzerland for Swiss tax purposes.

On 4 November 2015 the Swiss Federal Council announced a mandate to the Swiss Federal Finance Department to institute a group of experts tasked with the preparation of a new proposal for a reform of the Swiss withholding tax system. The new proposal is expected to include in respect of interest payments the replacement of the existing debtor-based regime by a paying agent-based regime for Swiss withholding tax similar to the one published on 17 December 2014 by the Swiss Federal Council and repealed on 24 June 2015 following the negative outcome of the legislative consultation with Swiss official and private bodies. Under such a new paying agent-based regime, if enacted, a paying agent in Switzerland may be required to deduct Swiss withholding tax on any payments or any securing of payments of interest in respect of a Note for the benefit of the beneficial owner of the payment unless certain procedures are complied with to establish that the owner of the Note is not an individual resident in Switzerland.

Automatic Exchange of Information in Tax Matters

On 19 November 2014, Switzerland signed the Multilateral Competent Authority Agreement (the "**MCAA**"). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the "**AEOI**"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "**AEOI Act**") entered into force on 1 January 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of specialty (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Switzerland has concluded a multilateral AEOI agreement with the EU and has concluded bilateral AEOI agreements with several non-EU countries.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland collects and exchanges data in respect of financial assets, including, as the case may be, Notes, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU Member State or in a treaty state.

Other Tax Considerations

Information gathering and sharing

Tax authorities in various jurisdictions have their own information gathering and sharing powers which may be applicable in addition to those described above.

SUBSCRIPTION AND SALE

Notes 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, Credit Suisse Securities (Europe) Limited, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, Nordea Bank Abp, RBC Europe Limited, Société Générale, UBS Europe SE and UniCredit Bank AG as principal dealers for the Programme or UBS AG as Swiss dealer for the Programme (together with any other dealer appointed from time to time by the Issuer, either generally in relation to the Programme or in relation to a particular Series of Notes, the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealership agreement dated 5 May 2020 (as amended and/or restated and/or supplemented from time to time the "**Dealership Agreement**") and made between the Issuer and the Dealers. Any such agreement will, among other things, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provisions for the delivery of customary conditions precedent and also 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 in respect of any Notes 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 Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or in the United Kingdom.

(a) For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

  (ii) a customer within the meaning of Directive (EU) 2016/97, as amended or superseded, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) in relation to any Exempt Notes with a minimum denomination below €100,000 or its equivalent in any other currency, 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restriction Under the Prospectus Regulation

If the Final Terms in respect of any Notes 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 Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Member State or the United Kingdom except that it may make an offer of such Notes to the public in that Member State or in the United Kingdom:

(a) *Approved prospectus*: if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State or the United Kingdom (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or the United Kingdom or, where appropriate, approved in another Member State or the United Kingdom and notified to the competent authority in that Member State or the United Kingdom, **provided that** any such prospectus which has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (b) to (d) 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 Notes to the public**" in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act**)** in relation to the Notes or the Programme has been, or will be, lodged with or registered by the Australian Securities & Investments Commissions ("**ASIC**") or any other regulatory authority in Australia.

Each Dealer has represented and agreed that it:

(a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of, any Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive offering memorandum, advertisement or other offering material relating to the Programme or any sale of Notes in Australia.

unless:

(i) the aggregate consideration payable by each offeree or invitee is at least AUD 500,000 (or equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act and complies with the terms of any authority granted under the Banking Act of 1959 of Australia;

(ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;

(iii) such action complies with all applicable laws, regulations and directives; and

(iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

By applying for Notes under the Base Prospectus, each person to whom Notes are issued (an "**Investor**"):

(a) will be deemed by the Issuer and each of the Dealers to have acknowledged that if any Investor on-sells Notes within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:

(i) that sale is to an Investor that:

(A) falls within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act; and

(1) is not a "retail client" within the meaning of section 761G of the Corporations Act,

(2) to whom it is lawful to offer Notes in Australia without a prospectus or other disclosure document lodged with ASIC; or

(B) the sale offer is received outside Australia; and

(b) will be deemed by the Issuer and each of the Dealers to have undertaken not to sell those Notes in any circumstances other than those described in paragraphs (a)(i)(A)(1) and (2) above for 12 months after the date of issue of such Notes.

This Base Prospectus is not, and under no circumstances is to be construed as, an advertisement or public offering of any Notes in Australia.

In addition, 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 Banking exemption No. 1 of 2018, dated 21 March 2018 (the "**Banking Exemption 1**"), promulgated by the Australian Prudential Regulation Authority and which requires all offers and transfers to be in parcels of not less than A$500,000 in aggregate principal amount. Banking Exemption 1 does not apply to transfers which occur outside Australia.

Denmark

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer, sell or deliver any of the Notes directly or indirectly in the Kingdom of Denmark by way of public offering, unless in compliance with the Danish 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 Notes in Denmark means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Estonia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not offer or sell any Notes, directly or indirectly, in Estonia or to, or for the benefit of, any resident in Estonia (which term as used in this paragraph means any person resident in Estonia, including any corporation or other entity incorporated under the laws of Estonia), or to others for re-offering or resale, directly or indirectly, in Estonia or to a resident of Estonia, except in compliance with the Estonian Securities Market Act of 2001 (*väärtpaberituru seadus*), as amended, and any other applicable laws or regulations of Estonia, including the Prospectus Regulation.

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 Notes or bring the Notes into general circulation in Finland other than in compliance with all applicable provisions of the laws of Finland. Notes may only be offered and sold to the public in Finland provided that either (i) a prospectus in relation to the Notes 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 Notes 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, Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offer of Notes to the public in France will be made only in compliance with the Prospectus Regulation and the applicable laws, regulations and procedures in France. This Base Prospectus prepared in connection with the Notes has not been submitted to the clearance procedures of the French *Autorité des marchés financiers*.

Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European 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 Notes, 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 Notes otherwise than in conformity with the provisions of the Prospectus Regulation and any rules issued by the Central Bank under Section 1363 of the Companies Act 2014; and

(d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued under Section 1370 of the Companies Act 2014 by the Central Bank.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public and that sales of the Notes 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 Notes or distribute copies of this Base Prospectus and any other document relating to the Notes in the Republic of Italy except:

(a) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("**Decree No. 58**") and defined in Article 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**") or

(b) in any other circumstances which are exempt from the rules on offers to the public pursuant to Article 100 of the Decree No. 58 and Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended (the "**Banking Act**"), Decree No. 58, CONSOB Regulation No. 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 issued on 25 August 2015 (including the reporting requirements, where applicable), as amended from time to time (including on 10 August 2016), 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 Notes 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 Notes 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 Notes 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 Notes were purchased, unless an exemption provided for under Decree No. 58 applies.

Latvia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been offered and will not be offered in Latvia by way of a public offering, unless in compliance with the Financial Instruments Market Law (*Finanšu instrumentu tirgus likums*) (as amended) and the Prospectus Regulation.

Lithuania

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been offered and will not be offered in Lithuania by way of a public offering, unless in compliance with the Law on Securities of the Republic of Lithuania of 18 January 2007 No X-1023 (as amended) and any other applicable laws and regulations in Lithuania.

Luxembourg

The Notes 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 Notes has been duly approved in accordance with the Prospectus Regulation, as applicable, and with a copy of that prospectus; or

(c) the offer of Notes 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 Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands and in reliance on Article 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 as required by Article 5:20(5) of the FSA; or

(iii) such offer is otherwise made in circumstances in which Article 5:20(5) of the FSA is not applicable,

provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 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 Notes to the public**" in relation to any Notes in The Netherlands has the meaning given to it below in the paragraph headed "*Public Offer Selling Restriction Under the Prospectus Regulation*" above.

(b) *Compliance with Dutch Savings Certificates Act*: Zero Coupon Notes (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V. admitted on one or more systems held or operated by Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first Holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

New Zealand

No action has been taken to permit the Notes to be directly or indirectly offered, sold or delivered to any retail investor, or otherwise under any regulated offer, in terms of the Financial Markets Conduct Act 2013 of New Zealand ("**FMCA**"). In particular, no product disclosure statement under the FMCA has been or will be prepared or lodged in New Zealand in relation to the Notes.

Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not directly or indirectly made any offer or sold or delivered and agrees it will not, directly or indirectly, make any offer, sell or deliver any Notes, Receipts, Coupons or Talons in New Zealand in circumstances that would require disclosure to investors under Part 3 of the FMCA.

Each Dealer has agreed that it will not offer, sell or deliver any Notes in New Zealand, or distribute, publish, deliver or disseminate in New Zealand any offering material, information memorandum (including this Base Prospectus), any Final Terms or advertisement in relation to any offer of Notes, Receipts, Coupons or Talons other than to "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the FMCA, being a person who is:

(a) an "investment business";

(b) "large"; or

(c) a "government agency",

in each case as defined in Schedule 1 to the FMCA.

For the avoidance of doubt, Notes, Receipts, Coupons and Talons may not be offered or transferred to any "eligible investor" (as defined in clause 41 of Schedule 1 to the FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the FMCA, meets the investment activity criteria specified in clause 38 of that Schedule.

In addition, no person may distribute, deliver or disseminate any offering material or advertisement (as defined in the FMCA) in relation to any offer of Notes, Receipts, Coupons or Talons in New Zealand other than to such persons as referred to in paragraphs (a) to (c) above.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not directly or indirectly offered, sold or delivered, and will not directly or indirectly offer, sell or deliver, any Notes, Receipts, Coupons or Talons to persons whom it reasonably believes to be persons to whom any amounts payable on the Notes, Receipts, Coupons and Talons are or would be subject to New Zealand resident withholding tax, unless such persons:

(a) certify that they have RWT-exempt status for New Zealand resident withholding tax purposes; and

(b) provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to the Issuer, the Registrar, the Fiscal Agent and each Paying Agent pursuant to the Fiscal Agency Agreement).

Norway

Notes denominated in Norwegian Kroner may not be offered or sold within Norway or to or for the account or benefit of persons domiciled in Norway, unless the regulation relating to the offer of VPS Notes and the registration in the VPS has been complied with.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will comply with all laws, regulations and guidelines applicable to the offering of Notes in Norway.

Portugal

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (*Código dos Valores Mobiliários*) enacted by Decree-Law no. 486/99 of 13 November 1999, as amended, replaced and/or restated from time to time (the "**Portuguese Securities Code**") (or under any legislation which may replace or supplement it in this respect from time to time), unless the requirements and provisions applicable to the public offerings in Portugal are met and the 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 qualificado*) 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 supplement 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 Notes by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including compliance with the rules and regulations that require the publication of a prospectus, when applicable, (i) no action has been or will be taken as to directly or indirectly offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code (or under any legislation which may replace or supplement 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 Notes to the public in Portugal, and (iii) any such distribution or placement of the Notes shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

Spain

Notes may not be offered, sold or distributed in the Kingdom of Spain save in accordance with the requirements of the consolidated text of the Securities Market Law approved by legislative Royal Decree 4/2015 of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), 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 Notes will be offered to the public in Sweden nor admitted to trading on a regulated market in Sweden unless and until (A) a prospectus in relation to those Notes has been approved by the competent authority in Sweden or, where appropriate, approved in another Member State of the European Economic Area 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.

Switzerland

Unless indicated otherwise in the relevant Pricing Supplement, (i) the Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**"), (ii) no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland, (iii) neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and (iv) neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

United Kingdom

Each Dealer has represented and agreed that:

(a) **No deposit-taking**: in relation to any Notes 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 Notes 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 Notes would otherwise constitute a contravention of Section 19 of 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 Notes in circumstances in which section 21(1) of the FSMA does not, or, in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer; and

(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 Notes in, from or otherwise involving the United Kingdom.

The United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations 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 Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Canada

The Notes have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold, distributed, or delivered, and that it will not offer, sell, distribute, or deliver, any Notes, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. Each Dealer has also agreed, and each further Dealer appointed under the Programme may be required to agree, not to distribute or deliver this Base Prospectus, or any other offering materials relating to the Notes, in Canada in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. If the relevant Final Terms or any other offering materials relating to the Notes provide that the Notes may be offered, sold or distributed in Canada, the issue of the Notes will be subject to such additional selling restrictions as the Issuer and the relevant Dealer(s) may agree, as specified in the relevant Final Terms or other offering materials relating to such Notes. Each Dealer, and each further Dealer appointed under the Programme, will be required to agree that it will offer, sell and distribute such Notes only in compliance with such additional Canadian selling restrictions.

In particular, the Notes may be sold only to purchasers in the provinces of Canada purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus or any supplement to this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended, (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (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.

The People's Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold directly or indirectly within the People's Republic of China (for such purposes and under this section, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the "**PRC**")). This Base Prospectus or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Base Prospectus, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC.

The Notes may only be invested by or sold to the PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. PRC investors are responsible for obtaining all relevant governmental approvals, verifications, licences or registrations (if any) themselves from all relevant PRC governmental and regulatory authorities, including, but not limited to, the People's Bank of China, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking and Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**")) other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been 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 Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes 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 Notes, 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 Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities 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 Notes 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 Notes to listing, trading and/or quotation by the relevant listing authorities, stock exchanges and/or quotation systems, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession, publish or distribute such offering material, in all cases at their own expense.

(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.

(c) Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in a supplement to this document or in the Subscription Agreement or Dealer Accession Letter, as relevant.

GENERAL INFORMATION

1. The update of the Programme was authorised by a duly convened meeting of the board of directors of the Issuer held on 5 September 2018.

2. Neither the Issuer nor any of its subsidiaries is, or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in such period significant effects on the financial position or profitability of the Issuer or the Nordea Group.

3. Since 31 December 2019, the date to which the latest consolidated audited financial statements of the Issuer were prepared, there has been no material adverse change in the prospects of the Issuer or the Nordea Group, except for the impact of the coronavirus outbreak referred to in the Risk Factor headed "*The global coronavirus outbreak, which has negatively impacted the economies exposed to the outbreak, 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 page 6 of this Base Prospectus.

4. Since 31 March 2020, the date to which the latest published consolidated financial statements of the Issuer were prepared, (i) there has been no significant change in the financial performance or the financial position of the Issuer or the Nordea Group and (ii) there has been no significant change in the financial or trading position of the Issuer or the Nordea Group.

5. The consolidated financial statements of the Nordea Group have been audited without qualification for the years ended 31 December 2019 and 31 December 2018 by authorised public accountants PricewaterhouseCoopers Oy. The auditors of the Issuer are PricewaterhouseCoopers Oy. The auditors of the Issuer have no material interest in the Issuer.

6. For the 12 months following the date of this Base Prospectus, physical copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent in London and the registered office of the Issuer 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 Notes);

   (c) the Deed of Covenant (as supplemented from time to time);

   (d) the audited consolidated financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018, in each case including the audit reports relating thereto;

   (e) this Base Prospectus, together with any supplements thereto;

   (f) the Final Terms for issues listed on any stock exchange and issued pursuant to this Base Prospectus; and

   (g) the Issuer-ICSDs Agreement.

   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.

   For as long as the Programme remains valid with the Central Bank, copies of the following documents will be available on the website of Euronext Dublin:

   (a) a copy of this Base Prospectus and any Final Terms relating to Notes which are admitted to trading on the Regulated Market of Euronext Dublin; and

(b) any supplements to this Base Prospectus, any future base prospectuses relating to the Programme and any supplements to any future base prospectuses relating to the Programme.

In the case of a Tranche of Notes which is not admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system or which is not offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation (including Exempt Notes), copies of the Final Terms will only be available for inspection during normal business hours at the specified office of the Fiscal Agent in London and the registered office of the Issuer by the Holders of such Notes.

7. It is expected that each Series of Notes which is to be admitted to the Official List of Euronext Dublin and admitted to trading on its regulated market or the Global Exchange Market will be admitted separately as and when issued, subject only to the issue of a Temporary Global Note initially representing the Notes of such Series or, as the case may be, the relevant Registered Notes and the approval of the Programme in respect of such Note(s) will be granted on or about 5 May 2020.

8. It is further expected that the admission of Notes issued under the Programme to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange will be granted after the Central Bank has provided the FCA with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Regulation.

9. Each Tranche of Notes 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. Notes 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 529900ODI3047E2LIV03.

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 Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Noteholders in respect of the Notes being issued.

14. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

15. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

16. 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.

17. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.

ANNEX 1 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2020, INCLUDING THE INCLUDING THE AUDITOR'S REVIEW REPORT AND THE NOTES RELATING THERETO

Income statement

EURm	Note	Q1 2020	Q1 2019	Full year 2019
Operating income				
Interest income calculated using the effective interest rate method		1,557	1,544	6,399
Other interest income		303	353	1,350
Negative yield on financial assets		-62	-57	-309
Interest expense		-739	-817	-3,334
Negative yield on financial liabilities		50	33	212
Net interest income		**1,109**	**1,056**	**4,318**
Fee and commission income		986	955	3,931
Fee and commission expense		-221	-218	-920
Net fee and commission income	**3**	**765**	**737**	**3,011**
Net result from items at fair value	4	109	264	1,024
Profit from associated undertakings and joint ventures accounted for under the equity method		-2	14	50
Other operating income		20	44	232
Total operating income		**2,001**	**2,115**	**8,635**
Operating expenses				
General administrative expenses:				
Staff costs		-699	-718	-3,017
Other expenses	5	-419	-594	-1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets		-130	-140	-1,330
Total operating expenses		**-1,248**	**-1,452**	**-5,986**
Profit before loan losses		**753**	**663**	**2,649**
Net loan losses	6	-154	-42	-536
Operating profit		**599**	**621**	**2,113**
Income tax expense		-139	-178	-571
Net profit for the period		**460**	**443**	**1,542**
Attributable to:				
Shareholders of Nordea Bank Abp		433	417	1,519
Additional Tier 1 capital holders		27	26	26
Non-controlling interests		-	-	-3
Total		**460**	**443**	**1,542**
Basic earnings per share, EUR		0.11	0.10	0.38
Diluted earnings per share, EUR		0.11	0.10	0.38

Statement of comprehensive income

EURm	Q1 2020	Q1 2019	Full year 2019
Net profit for the period	**460**	**443**	**1,542**
Items that may be reclassified subsequently to the income statement			
Currency translation differences during the period	-996	102	18
Tax on currency translation differences during the period	-	-2	1
Hedging of net investments in foreign operations:			
Valuation gains/losses during the period	623	-70	-62
Tax on valuation gains/losses during the period	-	18	16
Fair value through other comprehensive income[1]:			
Valuation gains/losses during the period, net of recycling	-113	41	-16
Tax on valuation gains/losses during the period	26	-9	2
Cash flow hedges:			
Valuation gains/losses during the period, net of recycling	42	-2	-18
Tax on valuation gains/losses during the period	-9	1	4
Other comprehensive income from companies accounted for under the equity method	-	0	1
Tax on other comprehensive income from companies accounted for under the equity method	-	0	0
Items that may not be reclassified subsequently to the income statement			
Changes in own credit risk related to liabilities classified as fair value option:			
Valuation gains/losses during the period	37	-14	-15
Tax on valuation gains/losses during the period	-7	2	2
Defined benefit plans:			
Remeasurement of defined benefit plans	-105	-159	-152
Tax on remeasurement of defined benefit plans	26	34	34
Other comprehensive income, net of tax	**-476**	**-58**	**-185**
Total comprehensive income	**-16**	**385**	**1,357**
Attributable to:			
Shareholders of Nordea Bank Abp	-43	359	1,334
Additional Tier 1 capital holders	27	26	26
Non-controlling interests	-	-	-3
Total	**-16**	**385**	**1,357**

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

Balance sheet

EURm	Note	31 Mar 2020	31 Dec 2019	31 Mar 2019
Assets				
Cash and balances with central banks		41,420	35,509	45,764
Loans to central banks	7	12,633	9,207	8,473
Loans to credit institutions	7	16,074	8,516	14,389
Loans to the public	7	324,028	322,740	325,577
Interest-bearing securities		71,690	64,930	70,559
Financial instruments pledged as collateral		7,742	7,151	11,582
Shares		12,836	14,184	16,137
Assets in pooled schemes and unit-linked investment contracts		25,961	30,799	27,003
Derivatives		56,934	39,111	39,491
Fair value changes of the hedged items in portfolio hedge of interest rate risk		332	217	212
Investments in associated undertakings and joint ventures		557	572	1,620
Intangible assets		3,531	3,695	4,319
Property and equipment		1,955	2,002	2,067
Investment properties		1,478	1,585	1,698
Deferred tax assets		443	487	110
Current tax assets		309	362	335
Retirement benefit assets		163	173	195
Other assets		21,223	12,543	19,335
Prepaid expenses and accrued income		1,085	1,065	1,307
Total assets		**600,394**	**554,848**	**590,173**
Liabilities				
Deposits by credit institutions		63,308	32,304	51,634
Deposits and borrowings from the public		173,992	168,725	176,285
Deposits in pooled schemes and unit-linked investment contracts		27,378	31,859	28,120
Liabilities to policyholders		16,736	19,246	19,067
Debt securities in issue		183,927	193,726	193,263
Derivatives		55,386	42,047	41,448
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,792	2,018	1,828
Current tax liabilities		500	742	386
Other liabilities		33,335	19,868	33,933
Accrued expenses and prepaid income		1,595	1,476	1,933
Deferred tax liabilities		450	481	562
Provisions		531	570	398
Retirement benefit obligations		493	439	489
Subordinated liabilities		8,495	9,819	10,332
Total liabilities		**568,918**	**523,320**	**559,678**
Equity				
Additional Tier 1 capital holders		750	748	750
Non-controlling interests		34	40	52
Share capital		4,050	4,050	4,050
Invested unrestricted equity		1,072	1,080	1,080
Other reserves		-2,538	-2,062	-1,934
Retained earnings		28,108	27,672	26,497
Total equity		**31,476**	**31,528**	**30,495**
Total liabilities and equity		**600,394**	**554,848**	**590,173**
Assets pledged as security for own liabilities		198,314	183,995	177,910
Other assets pledged		4,552	3,919	4,169
Contingent liabilities		17,852	17,792	18,902
Credit commitments[1]		72,163	75,330	71,436
Other commitments		1,788	1,733	1,302

[1] Including unutilised portion of approved overdraft facilities of EUR 28,794m (31 Dec 2019: EUR 28,871m, 31 Mar 2019: EUR 28,865m).

Statement of changes in equity

	Attributable to shareholders of Nordea Bank Abp											
			Other reserves:									
EURm	Share capital[1]	Invested unrestricted equity	Translation of foreign operations	Cash flow hedges	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities classified as fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 1 Jan 2020	**4,050**	**1,080**	**-1,941**	**-26**	**45**	**-135**	**-5**	**27,672**	**30,740**	**748**	**40**	**31,528**
Net profit for the period	-	-	-	-	-	-	-	433	433	27	-	460
Other comprehensive income, net of tax	-	-	-373	33	-87	-79	30	-	-476	-	-	-476
Total comprehensive income	-	-	-373	33	-87	-79	30	433	-43	27	-	-16
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-27	-	-27
Change in additional AT1 capital	-	-	-	-	-	-	-	-	-	2	-	2
Share-based payments	-	-	-	-	-	-	-	3	3	-	-	3
Purchase of own shares[2]	-	-8	-	-	-	-	-	-	-8	-	-	-8
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-6	-6
Balance at 31 Mar 2020	**4,050**	**1,072**	**-2,314**	**7**	**-42**	**-214**	**25**	**28,108**	**30,692**	**750**	**34**	**31,476**
Balance at 1 Jan 2019	**4,050**	**1,080**	**-1,914**	**-12**	**59**	**-17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**
Net profit for the period	-	-	-	-	-	-	-	1,519	1,519	26	-3	1,542
Other comprehensive income, net of tax	-	-	-27	-14	-14	-118	-13	1	-185	-	-	-185
Total comprehensive income	-	-	-27	-14	-14	-118	-13	1,520	1,334	26	-3	1,357
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Change in additional AT1 capital	-	-	-	-	-	-	-	-	-	-2	-	-2
Share-based payments	-	-	-	-	-	-	-	20	20	-	-	20
Dividend 2018	-	-	-	-	-	-	-	-2,788	-2,788	-	-	-2,788
Divestment of own shares[2]	-	-	-	-	-	-	-	29	29	-	-	29
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	37	37
Balance at 31 Dec 2019	**4,050**	**1,080**	**-1,941**	**-26**	**45**	**-135**	**-5**	**27,672**	**30,740**	**748**	**40**	**31,528**
Balance at 1 Jan 2019	**4,050**	**1,080**	**-1,914**	**-12**	**59**	**-17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**
Net profit for the period	-	-	-	-	-	-	-	417	417	26	-	443
Other comprehensive income, net of tax	-	-	48	-1	32	-125	-12	-	-58	-	-	-58
Total comprehensive income	-	-	48	-1	32	-125	-12	417	359	26	-	385
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Share-based payments	-	-	-	-	-	-	-	5	5	-	-	5
Dividend 2018	-	-	-	-	-	-	-	-2,788	-2,788	-	-	-2,788
Purchase of own shares[2]	-	-	-	-	-	-	-	-28	-28	-	-	-28
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	46	46
Balance at 31 Mar 2019	**4,050**	**1,080**	**-1,866**	**-13**	**91**	**-142**	**-4**	**26,497**	**29,693**	**750**	**52**	**30,495**

[1] Total shares registered were 4,050 million (31 Dec 2019: 4,050 million, 31 Mar 2019: 4,050 million). The number of own shares were 12.8 million (31 Dec 2019: 10.8 million, 31 Mar 2019: 19.7 million) which represents 0.3% (31 Dec 2019: 0.3%, 31 Mar 2019: 0.5%) of the total shares in Each share represents one voting right.

[2] Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holdings of own shares related to LTIP were 9.2 million (31 Dec 2019: 9.2 million, 31 Mar 2019: 9.6 million).

Cash flow statement, condensed

EURm	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Operating activities			
Operating profit	599	621	2,113
Adjustments for items not included in cash flow	-808	1,749	5,024
Income taxes paid	-237	-297	-816
Cash flow from operating activities before changes in operating assets and liabilities	**-446**	**2,073**	**6,321**
Changes in operating assets and liabilities	9,209	5,258	-8,853
Cash flow from operating activities	**8,763**	**7,331**	**-2,532**
Investing activities			
Acquisition/sale of business operations	-	-569	-472
Acquisition/sale of associated undertakings and joint ventures	-2	-	853
Acquisition/sale of property and equipment	-15	-33	-55
Acquisition/sale of intangible assets	-106	-135	-517
Cash flow from investing activities	**-123**	**-737**	**-191**
Financing activities			
Issued/amortised subordinated liabilities	-1,330	1,101	511
Divestment/repurchase of own shares including change in trading portfolio	-8	-28	29
Dividend paid	-	-2,788	-2,788
Paid interest on Additional Tier 1 capital	-27	-26	-26
Cash flow from financing activities	**-1,365**	**-1,741**	**-2,274**
Cash flow for the period	**7,275**	**4,853**	**-4,997**

Cash and cash equivalents EURm	31 Mar 2020	31 Mar 2019	31 Dec 2019
Cash and cash equivalents at beginning of the period	41,164	46,009	46,009
Translation difference	-190	294	152
Cash and cash equivalents at end of the period	48,249	51,156	41,164
Change	**7,275**	**4,853**	**-4,997**
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	41,420	45,764	35,509
Loans to central banks	4,721	4,002	4,826
Loans to credit institutions	2,108	1,390	829
Total cash and cash equivalents	**48,249**	**51,156**	**41,164**

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

The consolidated interim financial statements are presented in accordance with IAS 34 “Interim Financial Reporting”, as endorsed by the EU commission.

The accounting policies and methods of computation are unchanged in comparison with Note G1 in the Annual Report 2019, except for related to the items presented in the section “Changed accounting policies and presentation” below. For more information see Note G1 in the Annual Report 2019.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea 1 January 2020.

Changed presentation of trading in own shares (treasury shares)
Acquisitions of own shares are as from 1 January 2020 reported as a deduction in “Invested unrestricted equity” and sales of own shares as an increase of “Invested unrestricted equity”. Nordea’s earlier policy was to present acquisitions and sales in “Retained earnings”. Comparative figures have not been restated.

Changed presentation of operating segments
Nordea has, in order to reflect the current reporting and decision making process in Nordea, changed the presentation of reportable operating segments and the definition of the chief operating decision maker. For more information see Note 2 “Segment reporting” section “Changes in basis of segmentation”.

Other amendments
The following new and amended standards issued by IASB were implemented by Nordea 1 January 2020 but have not had any significant impact on Nordea’s financial statements:

- 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

Changes in IFRSs not yet applied

IFRS 17 “Insurance contracts”
The IASB has published the new standard IFRS 17 “Insurance contracts”. The new standard will change the accounting requirements for recognition, measurement, presentation and disclosure of insurance contracts.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on the three measurement models Building Block Approach (BBA), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with variable fee or short term). The three measurement models include consistent definitions of the contractual cash-flows, risk adjustment margin and discounting. These definitions are based on the similar principles as the measurement principles for technical provisions in the Solvency II capital requirement directives.

Unearned future premiums will be recognised as a provision on the balance sheet and released to revenue when the insurance service is provided. Any unprofitable contracts will be recognised in the income statement at the time when the contract is signed and approved.

IFRS 17 is effective for annual report period beginning on or after 1 January 2021 with earlier application permitted. However, due to comments from the global insurance industry, the IASB board has proposed to amend IFRS 17. The proposed amendments include a two-year deferral of the effective date to 1 January 2023. The original standard is not yet endorsed by the EU commission. Nordea does not currently intend to early adopt the standard. Nordea’s current assessment is that the new standard will not have any significant impact on Nordea’s capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea’s financial statements.

Other amendments to IFRS
Other amendments to IFRS are not assessed to have any significant impact on Nordea’s financial statements, capital adequacy or large exposures in the period of initial application.

Critical judgements and estimation uncertainty

Nordea has applied significant critical judgements in the preparation of the interim report for the first quarter 2020, due to the significant uncertainties in relation to the potential long-term impact of COVID-19 on Nordea’s financial statements. More information on where critical judgements are generally applied and where estimation uncertainty exists can be found in the Annual Report 2019, Note G1 “Accounting policies”, section 4. Areas particularly important in the first quarter are the fair value measurement of certain financial instruments and impairment testing of goodwill and loans to the public/credit institutions, in particular in relation to the assessment of when loans have experienced a significant increase in credit risk (staging) and in the application of macro scenarios when estimating the increase in expected credit losses (management judgement). More information on the impairment testing of loans to the public/credit institutions can be found on page 12. No impairment of goodwill has been identified in the first quarter, but significant uncertainty exists in relation to the long-term impact on Nordea’s financial statements and the impairment need will be continuously reassessed.

Exchange rates

	Jan-Mar 2020	Jan-Dec 2019	Jan-Mar 2019
EUR 1 = SEK			
Income statement (average)	10.6603	10.5848	10.4181
Balance sheet (at end of period)	10.9860	10.4563	10.4098
EUR 1 = DKK			
Income statement (average)	7.4714	7.4661	7.4636
Balance sheet (at end of period)	7.4642	7.4717	7.4649
EUR 1 = NOK			
Income statement (average)	10.4678	9.8499	9.7459
Balance sheet (at end of period)	11.5405	9.8463	9.6805
EUR 1 = RUB			
Income statement (average)	73.7331	72.4524	74.9659
Balance sheet (at end of period)	86.1382	69.7096	73.4988

Note 2 Segment reporting

Jan-Mar 2020	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Recon-ciliation	Total Group
Total operating income, EURm	831	581	410	260	-66	2,016	-15	**2,001**
- of which internal transactions[1]	-161	-60	-92	-2	315	0	-	**-**
Operating profit, EURm	319	219	86	134	-80	678	-79	**599**
Loans to the public[2], EURbn	154	84	50	9	1	298	26	**324**
Deposits and borrowings from the public, EURbn	75	42	37	10	1	165	9	**174**

Jan-Mar 2019								
Total operating income, EURm	861	507	391	253	46	2,058	57	**2,115**
- of which internal transactions[1]	-114	-43	-107	-5	269	0	-	**-**
Operating profit, EURm	289	162	134	107	17	709	-88	**621**
Loans to the public[2], EURbn	149	81	48	8	1	287	39	**326**
Deposits and borrowings from the public, EURbn	73	41	35	10	1	160	16	**176**

[1] IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest related to the funding of the reportable operating segments by the internal bank in Group Finance, included in other operating segment.
[2] The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision Maker.

Reconciliation between total operating segments and financial statements

	Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	Jan-Mar		Jan-Mar		Jan-Mar	
	2020	2019	2020	2019	2020	2019
Total operating segments	678	709	298	287	165	160
Group functions[1]	-54	-37	-	-	-	-
Unallocated items	-19	-62	38	35	14	14
Differences in accounting policies[2]	-6	11	-12	4	-5	2
Total	**599**	**621**	**324**	**326**	**174**	**176**

[1] Consists of Group Business Support, Group Internal Audit, Chief of staff office, Group People, Group Legal and Group Risk & Compliance.
[2] Impact from plan exchange rates used in the segment reporting.

Measurement of operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as the Chief Executive Officer, who is supported by the other members of the Group Leadership Team. The main difference compared with the section "Business areas" in this report is that the information in Note 2 is prepared using plan exchange rates, as this is the basis used in the reporting to the CODM.

Financial results are presented for the main business areas Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management. These are identified as reportable operating segments and reported separately as they are above the quantitative thresholds in IFRS 8. Other operating segments below the thresholds are included in Other operating segments. Group functions (and eliminations) as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Changes in basis of segmentation

In order to reflect the current reporting to the Chief Operating Decision Maker (CODM), and the decision making process in Nordea, the main business areas have been defined as reportable operating segments as from the first quarter 2020. The breakdowns of the different main areas have thus been removed. Group Finance is in addition included in Other operating segments as it is below the threshold to be disclosed separately. Comparative figures have been restated accordingly, in line with the reporting to the CODM, including minor organisational changes, updates to current plan exchange rates and updates to current allocation principles.

The CODM has in addition been changed to the CEO, who is supported by the Group Leadership Team, to better reflect the current decision making process in Nordea. Up until 2019 the Group Leadership Team was defined as the CODM.

Note 3 Net fee and commission income

EURm	Q1 2020	Q4 2019	Q1 2019
Asset management commissions	359	388	347
Life & Pensions	68	66	62
Deposit products	7	7	5
Brokerage, securities issues and corporate finance	64	34	30
Custody and issuer services	5	17	3
Payments	77	74	86
Cards	47	46	57
Lending products	105	115	102
Guarantees	22	31	24
Other	11	-3	21
Total	**765**	**775**	**737**

Break-down
Jan-Mar 2020

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segment	Other and elimination	Nordea Group
Asset management commissions	139	25	2	193	0	0	359
Life & Pensions	47	19	1	1	0	0	68
Deposit products	2	5	0	0	0	0	7
Brokerage, securities issues and corporate finance	7	11	35	11	0	0	64
Custody and issuer services	2	0	5	0	-3	1	5
Payments	17	42	17	0	0	1	77
Cards	37	7	3	0	0	0	47
Lending products	31	34	39	0	1	0	105
Guarantees	2	7	13	0	0	0	22
Other	7	4	6	-3	-1	-2	11
Total	**291**	**154**	**121**	**202**	**-3**	**0**	**765**

Break-down
Jan-Mar 2019

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segment	Other and elimination	Nordea Group
Asset management commissions	131	24	1	191	0	0	347
Life & Pensions	48	18	1	-5	0	0	62
Deposit products	2	3	0	0	0	0	5
Brokerage, securities issues and corporate finance	4	8	10	8	0	0	30
Custody and issuer services	2	0	6	-4	-1	0	3
Payments	18	45	18	0	0	5	86
Cards	36	10	3	0	0	8	57
Lending products	30	28	43	0	1	0	102
Guarantees	2	7	14	0	1	0	24
Other	11	6	8	-2	2	-4	21
Total	**284**	**149**	**104**	**188**	**3**	**9**	**737**

Note 4 Net result from items at fair value

EURm	Q1 2020	Q4 2019	Q1 2019
Equity related instruments	-75	306	235
Interest related instruments and foreign exchange gains/losses	480	-144	-14
Other financial instruments (including credit and commodities)	-322	73	12
Life insurance[1]	26	31	31
Total	**109**	**266**	**264**

[1] Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.

Break-down of life insurance

EURm	Q1 2020	Q4 2019	Q1 2019
Equity related instruments	-1,226	337	668
Interest related instruments and foreign exchange gains/losses	-91	26	150
Investment properties	11	35	20
Change in technical provisions[1]	684	-236	-687
Change in collective bonus potential	637	-137	-130
Insurance risk income	16	15	16
Insurance risk expense	-5	-9	-6
Total	**26**	**31**	**31**

[1] Premium income amounts to EUR 71m for Q1 2020 (Q1 2019: EUR 81m).

Note 5 Other expenses

EURm	Q1 2020	Q4 2019	Q1 2019
Information technology	-120	-140	-128
Marketing and representation	-9	-20	-12
Postage, transportation, telephone and office expenses	-15	-16	-18
Rents, premises and real estate	-27	-64	-30
Resolution fee	-153	-1	-207
Other	-95	-134	-199
Total	**-419**	**-375**	**-594**

Note 6 Net loan losses

EURm	Q1 2020	Q4 2019	Q1 2019
Net loan losses, stage 1	-23	4	-1
Net loan losses, stage 2	13	-8	-9
Net loan losses, non-defaulted	**-10**	**-4**	**-10**
Stage 3, defaulted			
Net loan losses, individually assessed, collectively calculated	-87	-9	-7
Realised loan losses	-69	-148	-85
Decrease of provisions to cover realised loan losses	38	98	66
Recoveries on previous realised loan losses	31	25	7
Reimbursement right	-1	-1	14
New/increase in provisions	-167	-150	-80
Reversals of provisions	111	87	53
Net loan losses, defaulted	**-144**	**-98**	**-32**
Net loan losses	**-154**	**-102**	**-42**

Key ratios

	Q1 2020	Q4 2019	Q1 2019
Net loan loss ratio, amortised cost, bps	26	17	7
- of which stage 1	4	-1	0
- of which stage 2	-2	1	2
- of which stage 3	24	17	5

Excluding COVID-19 management judgement the net loan losses amounts to EUR 34m with net loan losses at EUR 2m in stage 1, net reversals at EUR -42m in stage 2 and net loan losses at EUR 74m in stage 3. More information can be found on page 12.

Note 7 Loans and impairment

	Total		
EURm	31 Mar 2020	31 Dec 2019	31 Mar 2019
Loans measured at fair value	95,206	83,624	95,517
Loans measured at amortised cost, not impaired (stage 1 and 2)	255,255	254,412	250,422
Impaired loans (stage 3)	4,516	4,610	4,555
- of which servicing	2,026	2,312	2,080
- of which non-servicing	2,490	2,298	2,475
Loans before allowances	**354,977**	**342,646**	**350,494**
-of which central banks and credit institutions	*28,719*	*17,737*	*22,862*
Allowances for individually assessed impaired loans (stage 3)	-1,746	-1,686	-1,600
-of which servicing	-858	-783	-711
-of which non-servicing	-888	-903	-889
Allowances for collectively assessed impaired loans (stage 1 and 2)	-496	-497	-455
Allowances	**-2,242**	**-2,183**	**-2,055**
-of which central banks and credit institutions	*-13*	*-14*	*-15*
Loans, carrying amount	**352,735**	**340,463**	**348,439**

On-balance allowances amounting to EUR 110m is accounted for after a management judgement related to COVID-19. EUR 15m in Stage 1, EUR 25m in Stage 2 and EUR 70m in Stage 3. Further EUR 10m is accounted for on off-balance exposures with EUR 5m in Stage 1 and EUR 5m in Stage 2. More information can be found on page 12.

Exposures measured at amortised cost and fair value through OCI, before allowances

	31 Mar 2020		
EURm	Stage 1	Stage 2	Stage 3
Loans to central banks, credit institutions and the public	246,392	8,863	4,516
Interest-bearing securities	35,837	-	-
Total	**282,229**	**8,863**	**4,516**

	31 Mar 2019		
EURm	Stage 1	Stage 2	Stage 3
Loans to central banks, credit institutions and the public	236,500	13,922	4,555
Interest-bearing securities	34,022	-	-
Total	**270,522**	**13,922**	**4,555**

Allowances and provisions

	31 Mar 2020		
EURm	Stage 1	Stage 2	Stage 3
Loans to central banks, credit institutions and the public	-173	-323	-1,746
Interest-bearing securities	-2	-	-
Provisions for off balance sheet items	-29	-68	-35
Total allowances and provisions	**-204**	**-391**	**-1,781**

	31 Mar 2019		
EURm	Stage 1	Stage 2	Stage 3
Loans to central banks, credit institutions and the public	-148	-307	-1,600
Interest-bearing securities	-2	-	-
Provisions for off balance sheet items	-22	-44	-64
Total allowances and provisions	**-172**	**-351**	**-1,664**

Movements of allowance accounts for loans measured at amortised cost

EURm	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2020	**-153**	**-344**	**-1,686**	**-2,183**
Changes due to origination and acquisition	-7	0	-1	-8
Transfer from stage 1 to stage 2	3	-41	0	-38
Transfer from stage 1 to stage 3	0	-	-16	-16
Transfer from stage 2 to stage 1	-44	63	-	19
Transfer from stage 2 to stage 3	-	8	-24	-16
Transfer from stage 3 to stage 1	-3	-	6	3
Transfer from stage 3 to stage 2	-	-10	6	-4
Changes due to change in credit risk (net)	26	-4	-127	-105
Changes due to repayments and disposals	1	0	1	2
Write-off through decrease in allowance account	-	-	37	37
Translation differences	4	5	58	67
Balance as at 31 Mar 2020	**-173**	**-323**	**-1,746**	**-2,242**

The COVID-19 management judgement at EUR 110m is booked out to the full portfolio measured at amortised cost. In the above table most lines are affected by the management judgement.

Note 7 Continued

EURm	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2019	**-146**	**-295**	**-1,599**	**-2,040**
Changes due to origination and acquisition	-4	0	-1	-5
Transfer from stage 1 to stage 2	4	-43	-	-39
Transfer from stage 1 to stage 3	0	-	-12	-12
Transfer from stage 2 to stage 1	-8	29	-	21
Transfer from stage 2 to stage 3	-	6	-20	-14
Transfer from stage 3 to stage 1	0	-	18	18
Transfer from stage 3 to stage 2	-	-10	11	1
Changes due to change in credit risk (net)	-7	1	-49	-55
Changes due to repayments and disposals	18	11	22	51
Write-off through decrease in allowance account	-	-	62	62
Other changes	-5	-6	-27	-38
Translation differences	0	0	-5	-5
Balance as at 31 Mar 2019	**-148**	**-307**	**-1,600**	**-2,055**

Key ratios[1]	31 Mar 2020	31 Dec 2019	31 Mar 2019
Impairment rate (stage 3), gross, basis points	174	178	179
Impairment rate (stage 3), net, basis points	107	113	116
Total allowance rate (stage 1, 2 and 3), basis points	86	84	81
Allowances in relation to impaired loans (stage 3), %	39	37	35
Allowances in relation to loans in stage 1 and 2, basis points	19	20	18

[1] For definitions, see Glossary.

Note 8 Classification of financial instruments

		Fair value through profit or loss (FVPL)				
EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Total
Financial assets						
Cash and balances with central banks	41,420	-	-	-	-	41,420
Loans to central banks	12,579	54	-	-	-	12,633
Loans to credit institutions	8,232	7,842	-	-	-	16,074
Loans to the public	236,718	87,310	-	-	-	324,028
Interest-bearing securities	2,956	33,565	3,796	-	31,373	71,690
Financial instruments pledged as collateral	-	6,236	-	-	1,506	7,742
Shares	-	12,836	-	-	-	12,836
Assets in pooled schemes and unit-linked investment contracts	-	25,450	206	-	-	25,656
Derivatives	-	51,789	-	5,145	-	56,934
Fair value changes of the hedged items in portfolio hedge of interest rate risk	332	-	-	-	-	332
Other assets	3,355	16,959	-	-	-	20,314
Prepaid expenses and accrued income	689	-	-	-	-	689
Total 31 Mar 2020	**306,281**	**242,041**	**4,002**	**5,145**	**32,879**	**590,348**
Total 31 Dec 2019	297,826	210,419	4,257	2,327	29,779	544,608

		Fair value through profit or loss (FVPL)			
EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Total
Financial liabilities					
Deposits by credit institutions	43,181	20,127	-	-	63,308
Deposits and borrowings from the public	167,054	6,938	-	-	173,992
Deposits in pooled schemes and unit-linked investment contracts	-	-	27,378	-	27,378
Liabilities to policyholders	-	-	3,011	-	3,011
Debt securities in issue	129,493	-	54,434	-	183,927
Derivatives	-	53,262	-	2,124	55,386
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,792	-	-	-	2,792
Other liabilities[1]	9,287	22,697	-	-	31,984
Accrued expenses and prepaid income	270	-	-	-	270
Subordinated liabilities	8,495	-	-	-	8,495
Total 31 Mar 2020	**360,572**	**103,024**	**84,823**	**2,124**	**550,543**
Total 31 Dec 2019	339,266	68,123	93,680	1,749	502,818

[1] Of which lease liabilities classified into the category Amortised cost EUR 1,213m.

Note 9 Fair value of financial assets and liabilities

	31 Mar 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
EURm				
Financial assets				
Cash and balances with central banks	41,420	41,420	35,509	35,509
Loans	353,067	362,212	340,680	343,410
Interest-bearing securities	71,690	71,882	64,930	65,047
Financial instruments pledged as collateral	7,742	7,742	7,151	7,151
Shares	12,836	12,836	14,184	14,184
Assets in pooled schemes and unit-linked investment contracts	25,656	25,656	30,493	30,493
Derivatives	56,934	56,934	39,111	39,111
Other assets	20,314	20,314	11,857	11,857
Prepaid expenses and accrued income	689	689	693	693
Total	**590,348**	**599,685**	**544,608**	**547,455**
Financial liabilities				
Deposits and debt instruments	432,514	433,960	406,592	407,337
Deposits in pooled schemes and unit-linked investment contracts	27,378	27,378	31,859	31,859
Liabilities to policyholders	3,011	3,011	3,318	3,318
Derivatives	55,386	55,386	42,047	42,047
Other liabilities	30,771	30,771	17,562	17,562
Accrued expenses and prepaid income	270	270	215	215
Total	**549,330**	**550,776**	**501,593**	**502,338**

The determination of fair value is described in the Annual report 2019, Note G41 "Assets and liabilities at fair value".

Note 10 Financial assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

EURm	Quoted prices in active markets for the same instruments (Level 1)	*Of which Life*	Valuation technique using observable data (Level 2)	*Of which Life*	Valuation technique using non-observable data (Level 3)	*Of which Life*	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	-	-	54	-	-	-	54
Loans to credit institutions	-	-	7,842	-	-	-	7,842
Loans to the public	-	-	87,310	-	-	-	87,310
Interest-bearing securities[2]	41,049	*1,440*	35,179	*2,404*	248	*8*	76,476
Shares	10,159	*8,532*	701	*254*	1,976	*871*	12,836
Assets in pooled schemes and unit-linked investment contracts	25,181	*21,618*	385	*385*	90	*90*	25,656
Derivatives	352	-	54,725	*1*	1,857	-	56,934
Other assets	-	-	16,924	-	35	*34*	16,959
Total 31 Mar 2020	**76,741**	***31,590***	**203,120**	***3,044***	**4,206**	***1,003***	**284,067**
Total 31 Dec 2019	61,634	*37,800*	181,494	*3,353*	3,654	*963*	246,782
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	-	-	20,127	-	-	-	20,127
Deposits and borrowings from the public	-	-	6,938	-	-	-	6,938
Deposits in pooled schemes and unit-linked investment	-	-	27,378	*23,457*	-	-	27,378
Liabilities to policyholders	-	-	3,011	*3,011*	-	-	3,011
Debt securities in issue	44,969	-	7,722	-	1,743	-	54,434
Derivatives	285	-	52,983	*44*	2,118	-	55,386
Other liabilities	8,789	-	13,821	-	87	-	22,697
Total 31 Mar 2020	**54,043**	**-**	**131,980**	***26,512***	**3,948**	**-**	**189,971**
Total 31 Dec 2019	11,801	-	148,334	*30,813*	3,417	-	163,552

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.
[2] Of which EUR 7,742m relates to the balance sheet item Financial instruments pledged as collateral.

Transfers between Level 1 and 2

During the period, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 1,279m from Level 1 to Level 2 and EUR 16,825m from Level 2 to Level 1 of the fair value hierarchy. In addition, Nordea has transferred derivative liabilities of EUR 13m from Level 1 to Level 2 and EUR 23m from Level 2 to Level 1 and derivative assets of EUR 2m from Level 1 to Level 2 and EUR 13m from Level 2 to Level 1. Nordea has also transferred shares of EUR 375m from Level 1 to Level 2. Further Nordea transferred debt securities in issue of EUR 1,561m from Level 1 to Level 2 and EUR 38,050m from Level 2 to Level 1, other liabilities from Level 1 to Level 2 of EUR 8m and other liabilities of EUR 1,847m from Level 2 to Level 1. The main driver for the transfers in the first quarter is an update to the rules for categorisation of financial instruments into Level 1, 2 and 3. This had a significant impact on the categorisation of "Interest bearing securities" and "Debt securities in issue" where the volume and frequency of trading for the individual ISIN are now considered. Transfers between levels are considered to have occurred at the end of the reporting period.

Note 10 Continued

Movements in Level 3

EURm	1 Jan	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Mar
Interest-bearing securities	172	-3	1	-	3	-7	3	73	6	-	248
- of which Life	*13*	-	*-1*	-	-	*-4*	-	-	-	-	*8*
Shares	2,034	-76	46	-	223	-177	-8	18	-	-84	1,976
- of which Life	*860*	*11*	*52*	-	*22*	*-14*	*-8*	-	-	*-52*	*871*
Assets in pooled schemes and unit-linked investment contracts	56	1	22	-	22	-8	-3	1	-	-1	90
- of which Life	*56*	*1*	*22*	-	*22*	*-8*	*-3*	*1*	-	*-1*	*90*
Derivatives (net)	174	-58	-235	-	-	-	58	-51	-149	-	-261
Other assets	35	-	-	-	-	-	-	-	-	-	35
- of which Life	*34*	-	-	-	-	-	-	-	-	-	*34*
Debt securities in issue	2,232	21	-647	17	65	-	-187	245	-3	-	1,743
Other liabilities	2	-	-	-	85	-	-	-	-	-	87
Total 2020, net	**237**	**-157**	**481**	**-17**	**98**	**-192**	**237**	**-204**	**-140**	**-85**	**258**
Total 2019, net	-495	-128	87	3	229	-405	279	28	-2	7	-397

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The main driver for the transfers into and out of Level 3 in the first quarter is an update to the rules of categorisation of financial instruments into Level 1, 2 and 3. This mainly impacted the categorisation of "Derivatives", "Interest bearing securities" and "Debt securities in issue" where the volume and frequency of trading for the individual instrument (ISIN) now are considered. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3

For information about valuation processes for fair value measurement in Level 3, see the Annual report 2019 Note G41 "Assets and liabilities at fair value".

Deferred day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see the Annual report 2019 Note G1 "Accounting policies". The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the period (movement of deferred Day 1 profit).

Deferred day 1 profit - Derivatives, net

EURm	2020	2019
Opening balance at 1 Jan	125	81
Deferred profit on new transactions	27	19
Recognised in the income statement during the period[1]	-18	-10
Closing balance at 31 Mar	**134**	**90**

[1] Of which EUR -7m (EUR -m) due to transfers of derivatives from Level 3 to Level 2.

Note 10 Continued

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

EURm	Fair value	*Of which Life*[1]	Valuation techniques	Unobservable input	Range of fair value[4]
Interest-bearing securities					
Public bodies	35	-	Discounted cash flows	Credit spread	-3/3
Mortgage and other credit institutions	55	*8*	Discounted cash flows	Credit spread	-5/5
Corporates[2]	158	-	Discounted cash flows	Credit spread	-16/16
Total 31 Mar 2020	**248**	***8***			**-24/24**
Total 31 Dec 2019	172	*13*			-16/16
Shares					
Private equity funds	826	*495*	Net asset value[3]		-93/93
Hedge funds	87	*83*	Net asset value[3]		-8/8
Credit funds	440	*168*	Net asset value/market consensus[3]		-37/37
Other funds	253	*119*	Net asset value/Fund prices[3]		-23/23
Other[5]	460	*96*	-		-42/42
Total 31 Mar 2020	**2,066**	***961***			**-203/203**
Total 31 Dec 2019	2,090	*916*			-194/194
Derivatives, net					
Interest rate derivatives	96	-	Option model	Correlations Volatilities	-16/17
Equity derivatives	-62	-	Option model	Correlations Volatilities Dividends	-7/5
Foreign exchange derivatives	8	-	Option model	Correlations Volatilities	0/0
Credit derivatives	-304	-	Credit derivative model	Correlations Volatilities Recovery rates	-44/39
Other	1	-	Option model	Correlations Volatilities	-0/0
Total 31 Mar 2020	**-261**	**-**			**-67/61**
Total 31 Dec 2019	174	-			-61/64
Debt securities in issue					
Issued structured bonds	1,743	-	Credit derivative model	Correlations Recovery rates Volatilities	-8/8
Total 31 Mar 2020	**1,743**	**-**			**-8/8**
Total 31 Dec 2019	2,232	-			-11/11
Other, net					
Other assets and Other liabilities, net	-52	*34*	-	-	4/-4
Total 31 Mar 2020	**-52**	***34***			**4/-4**
Total 31 Dec 2019	33	34			-4/4

[1] Investments in financial instruments is a major part of the life insurance business, acquired to fulfill the obligations behind the insurance- and investments contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.
[2] Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.
[3] The fair values are based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/ custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are a range of 2% to 100% compared to the values received from suppliers/custodians.
[4] The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information see the Annual Report 2019, Note G41 "Assets and liabilities at fair value".
[5] Of which EUR 90m related to assets in pooled schemes and unit-linked investment.

Note 11 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. Supervisory and governmental authorities that administer and enforce those regimes make regular inquiries and conduct investigations with regards to Nordea's compliance in many areas, such as investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law and governance and control. The outcome and timing of these inquiries and investigations is unclear and pending, and accordingly, it cannot be excluded that these inquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigations.

In June 2015, the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding AML. The outcome has resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the police for further handling and possible sanctions. As previously stated, Nordea expects to be fined in Denmark for our weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters.

There is a risk that the outcome of possible fines from authorities could be higher (or potentially lower) than the current provision and that this could also impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, we will maintain the level of provision for ongoing AML related matters while also continuing the dialogue with the Danish Authorities regarding their allegations for historical AML weaknesses.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Amongst other Nordea established in 2015 the Financial Crime Change Programme and has strengthened the organization significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Business Ethics and Values Committee and a culture transformation program to embed stronger ethical standards into our corporate culture. In addition, the group is investing in enhanced compliance standards, processes and resources in both the first and second lines of defense.

The Danish tax authorities have raised a claim for damages against Nordea of approximately DKK 900m relating to Nordea's assistance to a foreign bank in connection with the said bank's reclaim of dividend tax on behalf of one of its customers. It is our assessment that Nordea is not liable, and Nordea disputes the claim.

There are significant risks caused by the COVID-19 outbreak given the uncertainty of the economic impact on the markets in which Nordea operates. The extent of economic disruption caused by 'lock downs' is still not clear. Possibly extended or reintroduced 'lock downs' potentially for a considerable period of time, could cause further significant downside risks. The effect of these developments on Nordea's financial performance is also highly uncertain and could have an impact through further loan losses or reduction in income. Depending on the duration and magnitude of the situation, there is a possibility that the bank is not able to meet its financial targets.

Glossary

Return on equity
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on tangible equity
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital and is reduced with intangible assets.

Return on Risk Exposure Amount
Net profit for the period as a percentage of average Risk Exposure Amount for the period. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued).

Return on equity with amortised resolution fees
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued) and is adjusted for the effect of resolution fees on an amortised basis after tax. Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Total shareholders return (TSR)
Total shareholders return measured as growth in the value of a shareholding during the year, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

Tier 1 capital
The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution. Common Equity Tier 1 capital includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations, the full expected shortfall deduction (the negative difference between expected losses and provisions) and finally other deductions such as cash flow hedges.

Tier 1 capital ratio
Tier 1 capital as a percentage of Risk Exposure Amount. The Common Equity Tier 1 capital ratio is calculated as Common Equity Tier 1 capital as a percentage of Risk Exposure Amount.

Net loan loss ratio, amortised cost
Net loan losses (annualised) divided by quarterly closing balance of loans carrying amount to the public (lending) measured at amortised cost.

Impairment rate (Stage 3), gross
Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.

Impairment rate (Stage 3), net
Impaired loans (Stage 3) after allowances divided by total loans measured at amortised cost before allowances.

Total allowance rate (Stage 1, 2 and 3)
Total allowances divided by total loans measured at amortised cost before allowances.

Allowances in relation to credit impaired loans (stage 3)
Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

Allowance in relation to loans in stage 1 and 2
Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

Economic capital
Economic Capital is Nordea's internal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business Risk and Life Insurance Risk arising from activities in Nordea's various business areas. The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

ROCAR
ROCAR % (Return on Capital at Risk) is defined as Net profit excluding items affecting comparability, in percentage of Economic capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic Capital.

For a list of further Alternative Performance Measures and business definitions, please see https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports/ and the Annual Report.

For further information

- An audio webcast for media, investors and equity analysts will be held on 29 April at 09.00 EET (08.00 CET), at which Frank Vang-Jensen, President and Group CEO, will present the results.
- To participate in the audio webcast, please use the webcast link or dial one of the following numbers: +44 333 300 0804, +46 8 566 426 51, +358 9 817 103 10, +45 35 44 55 77, confirmation code 51372356# no later than 08.50 EET.
- The webcast will be directly followed by a Q&A audio session for investors and analysts with Frank Vang-Jensen, Christopher Rees, Group CFO, and Rodney Alfvén, Head of Investor Relations, starting at approximately 09.30 EET (08.30 CET).
- After the call an indexed on-demand replay will be available here. The replay will be available until 20 May 2020. Please dial one of the following numbers: +44 333 300 0819, +46 8 519 993 85, +358 9 817 105 15, +45 82 33 31 90, confirmation code 301320667#.
- The event will be webcast live and the presentation slides will be posted on www.nordea.com/ir.
- The Q1 2020 report, investor presentations and fact book are available on www.nordea.com.

Contacts

Frank Vang-Jensen
President and Group CEO
+358 503 821 391

Christopher Rees
Group CFO
+45 55 47 23 77

Rodney Alfvén
Head of Investor Relations
+46 72 235 05 15

Sara Helweg-Larsen
Head of Group Communications
+45 22 14 00 00

Financial calendar

17 July 2020 – Second Quarter Report 2020 (Silent period starts 7 July 2020)

23 October 2020 – Third Quarter Report 2020 (Silent period starts 7 October 2020)

Helsinki 28 April 2020

Nordea Bank Abp

Board of Directors

This report is published in one additional language version, in Swedish. In the event of any inconsistencies between the Swedish language version and this English version, the Swedish version shall prevail.

This report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors. Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels. This report does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

Nordea Bank Abp • Hamnbanegatan 5 • 00020 Helsinki • www.nordea.com/ir • Tel. +358 200 70000 • Business ID 2858394-9

Report on review of interim financial information of Nordea Bank Abp for the three months period ended 31 March 2020

To the Board of Directors of Nordea Bank Abp

Introduction
We have reviewed the condensed interim financial information of Nordea Bank Abp, which comprise the balance sheet as at 31 March 2020, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the three-month-period then ended and notes, all consolidated, and parent company's balance sheet as at 31 March 2020 and income statement for the three-month-period then ended. The Board of Directors and the Managing Director are responsible for the preparation of the condensed interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union and with regulations governing the preparation of interim financial information in Finland. We will express a conclusion on this condensed interim financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope, than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information of Nordea Bank Abp for the three months period ended on 31 March 2020 is not prepared, in all material respects, as regards the Group financial information, in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union and other regulation governing the presentation of interim financial information in Finland, and as regards the parent company financial information, in accordance with regulations governing the preparation of interim financial information in Finland.

Helsinki 28 April 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

ANNEX 2 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE YEAR ENDED 31 DECEMBER 2019, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO

Contents

Financial statements

Income statement 64
Statement of comprehensive income 65
Balance sheet 66
Statement of changes in equity 67
Cash flow statement 71

Notes to the financial statements

Accounting policies

G1 Accounting policies 73

Risk and Liquidity management

G2 Risk and Liquidity management 95

Notes to the income statement

G3 Segment reporting 124
G4 Net interest income 128
G5 Net fee and commission income 129
G6 Net result from items at fair value 130
G7 Other operating income 131
G8 Staff costs 131
G9 Other expenses 137
G10 Depreciation, amortisation and impairment charges of tangible and intangible assets 137
G11 Net loan losses 137
G12 Taxes 138
G13 Earnings per share 138

Notes to the balance sheet and memorandum items

G14 Loans and impairment 139
G15 Interest-bearing securities 139
G16 Financial instruments pledged as collateral 139
G17 Shares 139
G18 Assets and deposits in pooled schemes and unit-linked contracts 139
G19 Derivatives and hedge accounting 140
G20 Investments in associated undertakings and joint ventures 145
G21 Intangible assets 148
G22 Properties and equipment 150
G23 Leasing 151
G24 Investment properties 152
G25 Other assets 152
G26 Prepaid expenses and accrued income 152
G27 Deposits by credit institutions 152
G28 Deposits and borrowings from the public 152
G29 Liabilities to policyholders 152
G30 Debt securities in issue 154
G31 Other liabilities 154
G32 Accrued expenses and prepaid income 154
G33 Provisions 154
G34 Retirement benefit obligations 155
G35 Subordinated liabilities 159
G36 Assets pledged as security for own liabilities 159
G37 Other assets pledged 159
G38 Contingent liabilities 160
G39 Commitments 160

Other notes

G40 Classification of financial instruments 161
G41 Assets and liabilities at fair value 164
G42 Financial instruments set off on balance or subject to netting agreements 174
G43 Transferred assets and obtained collaterals 175
G44 Maturity analysis for assets and liabilities 176
G45 Related-party transactions 178
G46 Interests in structured entities 178
G47 Country by country reporting 180
G48 Acquisitions 181

Income statement

EURm	Note	2019	2018
Operating income			
Interest income calculated using the effective interest rate method		6,399	5,978
Other interest income		1,350	1,447
Negative yield on financial assets		–309	–172
Interest expense		–3,334	–2,902
Negative yield on financial liabilities		212	140
Net interest income	**G4**	**4,318**	**4,491**
Fee and commission income		3,931	3,846
Fee and commission expense		–920	–853
Net fee and commission income	**G5**	**3,011**	**2,993**
Net result from items at fair value	G6	1,024	1,088
Profit from associated undertakings and joint ventures accounted for under the equity method	G20	50	124
Other operating income	G7	232	476
Total operating income		**8,635**	**9,172**
Operating expenses			
General administrative expenses:			
Staff costs	G8	–3,017	–2,998
Other expenses	G9	–1,639	–1,566
Depreciation, amortisation and impairment charges of tangible and intangible assets	G10	–1,330	–482
Total operating expenses		**–5,986**	**–5,046**
Profit before loan losses		**2,649**	**4,126**
Net loan losses	G11	–536	–173
Operating profit		**2,113**	**3,953**
Income tax expense	G12	–571	–872
Net profit for the year		**1,542**	**3,081**
Attributable to:			
Shareholders of Nordea Bank Abp		1,519	3,070
Additional Tier 1 capital holders		26	7
Non–controlling interests		–3	4
Total		**1,542**	**3,081**
Basic earnings per share, EUR	G13	0.38	0.76
Diluted earnings per share, EUR	G13	0.38	0.76

Statement of comprehensive income

EURm	Note	2019	2018
Net profit for the year		**1,542**	**3,081**
Items that may be reclassified subsequently to the income statement			
Currency translation differences during the year		18	–240
Tax on currency translation differences during the year		1	–2
Hedging of net investments in foreign operations:	G19		
Valuation gains/losses during the year		–62	67
Tax on valuation gains/losses during the year		16	–19
Fair value through other comprehensive income[1]:	G40		
Valuation gains/losses during the year		21	–48
Tax on valuation gains/losses during the year		–4	11
Transferred to the income statement during the year		–37	–10
Tax on transfers to the income statement during the year		6	2
Cash flow hedges:	G19		
Valuation gains/losses during the year		152	720
Tax on valuation gains/losses during the year		–31	–159
Transferred to the income statement during the year		–170	–676
Tax on transfers to the income statement during the year		35	149
Other comprehensive income from companies accounted for under the equity method during the year	G20	1	–
Tax on other comprehensive income from companies accounted for under the equity method during the year		0	–
Items that may not be reclassified subsequently to the income statement			
Changes in own credit risk related to liabilities classified as fair value option:	G40		
Valuation gains/losses during the year		–15	20
Tax on valuation gains/losses during the year		2	–4
Defined benefit plans:	G34		
Remeasurement of defined benefit plans during the year		–152	–173
Tax on remeasurement of defined benefit plans during the year		34	36
Other comprehensive income, net of tax		**–185**	**–326**
Total comprehensive income		**1,357**	**2,755**
Attributable to:			
Shareholders of Nordea Bank Abp		1,334	2,744
Additional Tier 1 capital holders		26	7
Non-controlling interests		–3	4
Total		**1,357**	**2,755**

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

Balance sheet

EURm	Note	31 Dec 2019	31 Dec 2018
Assets	G40		
Cash and balances with central banks		35,509	41,578
Loans to central banks	G14	9,207	7,642
Loans to credit institutions	G14	8,516	11,320
Loans to the public	G14	322,740	308,304
Interest-bearing securities	G15	64,930	76,222
Financial instruments pledged as collateral	G16	7,151	7,568
Shares	G17	14,184	12,452
Assets in pooled schemes and unit-linked investment contracts	G18	30,799	24,583
Derivatives	G19	39,111	37,025
Fair value changes of the hedged items in portfolio hedge of interest rate risk		217	169
Investments in associated undertakings and joint ventures	G20	572	1,601
Intangible assets	G21	3,695	4,035
Properties and equipment	G22	2,002	546
Investment properties	G24	1,585	1,607
Deferred tax assets	G12	487	164
Current tax assets		362	284
Retirement benefit assets	G34	173	246
Other assets	G25	12,543	14,749
Prepaid expenses and accrued income	G26	1,065	1,313
Total assets		**554,848**	**551,408**
Liabilities	G40		
Deposits by credit institutions	G27	32,304	42,419
Deposits and borrowings from the public	G28	168,725	164,958
Deposits in pooled schemes and unit-linked investment contracts	G18	31,859	25,653
Liabilities to policyholders	G29	19,246	18,230
Debt securities in issue	G30	193,726	190,422
Derivatives	G19	42,047	39,547
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,018	1,273
Current tax liabilities		742	414
Other liabilities	G31	19,868	23,315
Accrued expenses and prepaid income	G32	1,476	1,696
Deferred tax liabilities	G12	481	706
Provisions	G33	570	321
Retirement benefit liabilities	G34	439	398
Subordinated liabilities	G35	9,819	9,155
Total liabilities		**523,320**	**518,507**
Equity			
Additional Tier 1 capital holders		748	750
Non-controlling interests		40	6
Share capital		4,050	4,050
Invested unrestricted equity		1,080	1,080
Other reserves		–2,062	–1,876
Retained earnings		27,672	28,891
Total equity		**31,528**	**32,901**
Total liabilities and equity		**554,848**	**551,408**
Off balance sheet commitments			
Assets pledged as security for own liabilities	G36	183,995	171,899
Other assets pledged	G37	3,919	4,788
Contingent liabilities	G38	17,792	17,819
Commitments	G39	77,063	74,479

Statement of changes in equity

2019

		Attributable to shareholders of Nordea Bank Abp												
				Other reserves:										
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[4]	Cash flow hedges[5]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 1 Jan 2019		**4,050**	**1,080**	**–1,914**	**–12**	**59**	**–17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**
Net profit for the year		–	–	–	–	–	–	–	1 ,519	1,519	26	–3	1,542
Items that may be reclassified subsequently to the income statement													
Currency translation differences during the year		–	–	18	–	–	–	–	–	18	–	–	18
Tax on currency translation differences during the year		–	–	1	–	–	–	–	–	1	–	–	1
Hedging of net investments in foreign operations:	G19												
Valuation gains/losses during the year		–	–	–62	–	–	–	–	–	–62	–	–	–62
Tax on valuation gains/losses during the year		–	–	16	–	–	–	–	–	16	–	–	16
Fair value through other comprehensive income:	G40												
Valuation gains/losses during the year		–	–	–	–	21	–	–	–	21	–	–	21
Tax on valuation gains/losses during the year		–	–	–	–	–4	–	–	–	–4	–	–	–4
Transferred to the income statement during the year		–	–	–	–	–37	–	–	–	–37	–	–	–37
Tax on transfers to the income statement during the year		–	–	–	–	6	–	–	–	6	–	–	6
Cash flow hedges:	G19												
Valuation gains/losses during the year		–	–	–	152	–	–	–	–	152	–	–	152
Tax on valuation gains/losses during the year		–	–	–	–31	–	–	–	–	–31	–	–	–31
Transferred to the income statement during the year[3]		–	–	–	–170	–	–	–	–	–170	–	–	–170
Tax on transfers to the income statement during the year[3]		–	–	–	35	–	–	–	–	35	–	–	35

Statement of changes in equity, cont.

2019

EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[4]	Cash flow hedges[5]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
Items that may not be reclassified subsequently to the income statement													
Changes in own credit risk related to liabilities classified as fair value option:	G40												
Valuation gains/losses during the year		–	–	–	–	–	–	–15	–	–15	–	–	–15
Tax on valuation gains/losses during the year		–	–	–	–	–	–	2	–	2	–	–	2
Defined benefit plans:	G34												
Remeasurement of defined benefit plans during the year		–	–	–	–	–	–152	–	–	–152	–	–	–152
Tax on remeasurement of defined benefit plans during the year		–	–	–	–	–	34	–	–	34	–	–	34
Other comprehensive income from companies accounted for under the equity method during the year	G20	–	–	–	–	–	–	–	1	1	–	–	1
Tax on other comprehensive income from companies accounted for under the equity method during the year		–	–	–	–	–	–	–	0	0	–	–	0
Other comprehensive income, net of tax		**–**	**–**	**–27**	**–14**	**–14**	**–118**	**–13**	**1**	**–185**	**–**	**–**	**–185**
Total comprehensive income		**–**	**–**	**–27**	**–14**	**–14**	**–118**	**–13**	**1,520**	**1,334**	**26**	**–3**	**1,357**
Paid interest on additional Tier 1 capital		–	–	–	–	–	–	–	–	–	–26	–	–26
Change in additional Tier 1 capital holders		–	–	–	–	–	–	–	–	–	–2	–	–2
Share-based payments	G8	–	–	–	–	–	–	–	20	20	–	–	20
Dividend for 2018		–	–	–	–	–	–	–	–2,788	–2,788	–	–	–2,788
Divestment of own shares[2]		–	–	–	–	–	–	–	29	29	–	–	29
Change in non-controlling interests		–	–	–	–	–	–	–	–	–	–	37	37
Balance at 31 Dec 2019		**4,050**	**1,080**	**–1,941**	**–26**	**45**	**–135**	**–5**	**27,672**	**30,740**	**748**	**40**	**31,528**

1) Total shares registered were 4,050 million. The number of own shares were 10.8 million which represents 0.3% of the total shares in Nordea. Each share represents one voting right.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme (LTIP), trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holding of own shares related to LTIP was 9.2 million.
3) The transfer is due to the hedged item affecting the income statement.
4) Relates to foreign exchange risk. Out of the balance per 31 December 2019, EUR 522m relates to hedging relationships for which hedge accounting is applied and EUR -m relates to hedging relationships for which hedge accounting is no longer applied.
5) For more detailed information see Note G19.

Statement of changes in equity, cont.

2018

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Share premium reserve/ Invested unrestricted equity	Translation of foreign operations[6]	Cash flow hedges[7]	Fair value through other com-prehensive income[5]	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 31 Dec 2017		4,050	1,080	–1,720	–46	103	120	–	28,811	32,398	750	168	33,316
Effects from changed accounting policy, net of tax		–	–	–	–	1	–	–8	–237	–244	–	–	–244
Restated opening balance at 1 Jan 2018		4,050	1,080	–1,720	–46	104	120	–8	28,574	32,154	750	168	33,072
Net profit for the year		–	–	–	–	–	–	–	3,070	3,070	7	4	3,081
Items that may be reclassified subsequently to the income statement													
Currency translation differences during the year		–	–	–240	–	–	–	–	–	–240	–	–	–240
Tax on currency translation differences during the year		–	–	–2	–	–	–	–	–	–2	–	–	–2
Hedging of net investments in foreign operations:	G19												
Valuation gains/losses during the year		–	–	67	–	–	–	–	–	67	–	–	67
Tax on valuation gains/losses during the year		–	–	–19	–	–	–	–	–	–19	–	–	–19
Fair value through other comprehensive income:	G40												
Valuation gains/losses during the year		–	–	–	–	–48	–	–	–	–48	–	–	–48
Tax on valuation gains/losses during the year		–	–	–	–	11	–	–	–	11	–	–	11
Transferred to the income statement during the year		–	–	–	–	–10	–	–	–	–10	–	–	–10
Tax on transfers to the income statement during the year		–	–	–	–	2	–	–	–	2	–	–	2
Cash flow hedges:	G19												
Valuation gains/losses during the year		–	–	–	720	–	–	–	–	720	–	–	720
Tax on valuation gains/losses during the year		–	–	–	–159	–	–	–	–	–159	–	–	–159
Transferred to the income statement during the year[4]		–	–	–	–676	–	–	–	–	–676	–	–	–676
Tax on transfers to the income statement during the year[4]		–	–	–	149	–	–	–	–	149	–	–	149

Statement of changes in equity, cont.

2018

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Share premium reserve/ Invested unrestricted equity	Translation of foreign operations[6]	Cash flow hedges[7]	Fair value through other comprehensive income[5]	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Items that may not be reclassified subsequently to the income statement													
Changes in own credit risk related to liabilities classified as fair value option:	G40												
Valuation gains/losses during the year		–	–	–	–	–	–	20	–	20	–	–	20
Tax on valuation gains/losses during the year		–	–	–	–	–	–	–4	–	–4	–	–	–4
Defined benefit plans:	G34												
Remeasurement of defined benefit plans during the year		–	–	–	–	–	–173	–	–	–173	–	–	–173
Tax on remeasurement of defined benefit plans during the year		–	–	–	–	–	36	–	–	36	–	–	36
Other comprehensive income, net of tax		**–**	**–**	**–194**	**34**	**–45**	**–137**	**16**	**–**	**–326**	**–**	**–**	**–326**
Total comprehensive income		**–**	**–**	**–194**	**34**	**–45**	**–137**	**16**	**3,070**	**2,744**	**7**	**4**	**2,755**
Paid interest on additional Tier 1 capital		–	–	–	–	–	–	–	–	–	–7	–	–7
Dividend for 2017		–	–	–	–	–	–	–	–2,747	–2,747	–	–	–2,747
Purchase of own shares[2]		–	–	–	–	–	–	–	–6	–6	–	–	–6
Change in non-controlling interests[3]		–	–	–	–	–	–	–	–	–	–	–166	–166
Balance at 31 Dec 2018		**4,050**	**1,080**	**–1,914**	**–12**	**59**	**–17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**

1) Total shares registered were 4,050 million. The number of own shares were 15.2 million which represents 0.4% of the total shares in Nordea. Each share represents one voting right.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme (LTIP), trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holding of own shares related to LTIP was 9.6 million.
3) Of which EUR –172m refers to the sale of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.
4) The transfer is due to the hedged item affecting the income statement.
5) Due to the implementation of IFRS 9 the Available for sale (AFS) category no longer exists and the assets are instead classified as Fair value through other comprehensive income (FVOCI). Hence, the opening balance 2018 for the FVOCI-reserve is the closing balance 2017 for the AFS-reserve.
6) Relates to foreign exchange risk. Out of the balance per 31 December 2018, EUR 568m relates to hedging relationships for which hedge accounting is applied and EUR – m relates to hedging relationships for which hedge accounting is no longer applied.
7) For more detailed information see Note G19.

Cash flow statement

EURm	Note	2019	2018
Operating activities			
Operating profit		2,113	3,953
Adjustment for items not included in cash flow		5,024	1,238
Income taxes paid	G12	–816	–1,024
Cash flow from operating activities before changes in operating assets and liabilities		**6,321**	**4,167**
Changes in operating assets			
Change in loans to central banks	G14	413	–2,052
Change in loans to credit institutions	G14	1,951	–1,463
Change in loans to the public	G14	–11,079	–2,884
Change in interest-bearing securities	G15	10,485	–90
Change in financial assets pledged as collateral	G16	402	237
Change in shares	G17	–1,379	4,984
Change in derivatives, net	G19	1,281	4,687
Change in investment properties	G24	–36	–218
Change in other assets	G25	–3,921	–1,672
Changes in operating liabilities			
Change in deposits by credit institutions	G27	–10,339	–622
Change in deposits and borrowings from the public	G28	2,050	–5,461
Change in liabilities to policyholders	G29	5,229	–1,531
Change in debt securities in issue	G30	869	12,856
Change in other liabilities	G31	–4,779	–8,307
Cash flow from operating activities		**–2,532**	**2,631**
Investing activities			
Acquisition of business operations	G48	–447	–
Sale of business operations		–25	646
Acquisition of associated undertakings and joint ventures	G20	–26	–81
Sale of associated undertakings	G20	879	90
Acquisition of property and equipment	G22	–70	–32
Sale of property and equipment	G22	15	14
Acquisition of intangible assets	G21	–517	–608
Cash flow from investing activities		**–191**	**29**
Financing activities			
Issued subordinated liabilities	G35	1,401	641
Amortised subordinated liabilities	G35	–890	–669
Paid interest on additional Tier 1 capital		–26	–7
Divestment/repurchase of own shares incl. change in trading portfolio		29	–6
Dividend paid		–2,788	–2,747
Cash flow from financing activities		**–2,274**	**–2,788**
Cash flow for the year		**–4,997**	**–128**
Cash and cash equivalents at beginning of year		46,009	46,213
Translation difference		152	–76
Cash and cash equivalents at end of year		41,164	46,009
Change		**–4,997**	**–128**

Cash flow statement, cont.

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

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

EURm	2019	2018
Depreciation	558	307
Impairment charges	772	175
Loan losses	583	217
Unrealised gains/losses	212	239
Capital gains/losses (net)	–69	–401
Change in accruals and provisions	–26	994
Translation differences	198	–94
Change in bonus potential to policyholders, Life	203	–447
Change in technical reserves, Life	1,794	–20
Change in fair value on the hedge items, assets/liabilities (net)	705	–144
Other	94	412
Total	**5,024**	**1,238**

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 in the following amounts:

EURm	2019	2018
Interest payments received	7,395	7,412
Interest expenses paid	–3,166	–3,138

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

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

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

EURm	31 Dec 2019	31 Dec 2018
Cash and balances with central banks	35,509	41,578
Loans to central banks, payable on demand	4,826	2,759
Loans to credit institutions, payable on demand	829	1,672
Total	**41,164**	**46,009**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:
- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities. Loans to central banks, payable on demand include instruments that Nordea has the right to resell immediately

Reconciliation of liabilities arising from financing activities
The opening balance of subordinated liabilities was EUR 9,155m (EUR 8,987m). During the period cash flows related to bonds were EUR 511m (EUR –28m) and the effects of FX changes and other were EUR 153m (EUR 196m), ending up in a closing balance of EUR 9,819m (EUR 9,155m).

G1. Accounting policies

Content for Note G1

1. Basis for presentation ... 73
2. Changed accounting policies and presentation ... 73
3. Changes in IFRSs not yet applied ... 75
4. Critical judgements and estimation uncertainty ... 75
5. Principles of consolidation ... 78
6. Recognition of operating income and impairment ... 79
7. Income recognition life insurance ... 81
8. Recognition and derecognition of financial instruments on the balance sheet ... 81
9. Translation of assets and liabilities denominated in foreign currencies ... 82
10. Hedge accounting ... 82
11. Determination of fair value of financial instruments ... 83
12. Cash and balances with central banks ... 84
13. Financial instruments ... 84
14. Loans to the public/credit institutions ... 86
15. Leasing ... 88
16. Intangible assets ... 89
17. Properties and equipment ... 89
18. Investment properties ... 90
19. Liabilities to policyholders ... 90
20. Assets and deposits in pooled schemes and unit-linked investment contracts ... 91
21. Taxes ... 91
22. Provisions ... 91
23. Earnings per share ... 91
24. Employee benefits ... 91
25. Equity ... 92
26. Financial guarantee contracts and credit commitments ... 93
27. Share-based payment ... 93
28. Related party transactions ... 93
29. Presentation of disposal groups held for sale ... 94
30. Exchange rates ... 94

1. Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the 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 notes, Capital management section or in other parts of the "Financial statements".

On 20 February 2020 the Board of Directors approved the financial statements, subject to final adoption by the Annual General Meeting on 25 March 2020.

The accounting policies, the basis for calculations and presentations are unchanged in comparison with the Annual Report 2018, except for the 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's financial statements are described below.

IFRS 16 "Leases"

The new standard IFRS 16 "Leases" changes the accounting requirements for lessees. All leases (except for short-term and small ticket leases) are accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments are recognised as amortisation on the lease liability and interest expense. The accounting requirements for lessors are mostly unchanged. Additional disclosures are also required. IFRS 16 was 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 are under IFRS 16 accounted for on the balance sheet to a larger extent than under the earlier requirements. The right of use asset, presented as "Properties and equipment" on the balance sheet, amounted to EUR 1,521m at transition on 1 January 2019. The increase of total assets was EUR 1,163m considering also a reclassification of already existing prepaid lease expenses. There was no impact on equity at transition. The impact on the CET1 ratio was negative by 12 basis points following an increase in REA. 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 asset. 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.

Reconciliation of lease commitments in Annual Report 2018 to lease liabilities at 1 January 2019

EURm	
Future minimum lease payments under non-cancellable leases 31 Dec 2018	1,217
Increase in lease term	157
Discounting effect using the average incremental borrowing rate	–93
Deduction for leases reclassified to short-term leases under IFRS 16	–5
Other changes	–111
Lease liability 1 January 2019	**1,165**

G1. Accounting policies, cont.

Impact on the balance sheet at transition

EURm	31 Dec 2018	Change	1 Jan 2019
Assets			
Properties and equipment	546	1,521	2,067
- of which Owned assets	546	–	546
- of which Right of use assets	–	1,523	1,523
- of which Accumulated impairment on Right of use assets	–	–2	–2
Prepaid expenses	1,313	–358	955
Other	549,549	–	549,549
Total assets	**551,408**	**1,163**	**552,571**
Liabilities			
Other liabilities	23,315	1,165	24,480
- of which Lease liabilities	–	1,165	1,165
Provisions	321	–2	319
Other	494,871	–	494,871
Total liabilities	**518,507**	**1,163**	**519,670**

Impact on the income statement and balance sheet 2019

	Full year 2019		
EURm	Old policy	Change	New policy
Interest expense[1]	–3,110	–12	–3,122
Other expenses	–1,834	195	–1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets	–1,139	–191	–1,330
Income tax expense	–573	2	–571
Impact on net profit for the period		**–6**	

	31 Dec 2019		
EURm	Old policy	Change	New policy
Properties and equipment	496	1,506	2,002
Prepaid expenses and accrued income	1,370	–305	1,065
Other liabilities	18,643	1,225	19,868
Provisions	586	–16	570
Current tax liabilities	744	–2	742
Retained earnings	27,678	–6	27,672

1) Including negative yield on financial liabilities in the Annual Report 2019.

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 the 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 that the hedge relationships in Nordea pass the effectiveness test and that hedge accounting can continue as before during the relief period.

Presentation of fair value adjustments

As from 1 January 2019 Nordea presents all other valuation adjustments than DVA (Debit Valuation Adjustment) as an adjustment to derivatives with positive fair value and DVA as an adjustment to derivatives with negative fair value on the balance sheet. Earlier all valuation adjustments were presented as an adjustment to derivatives with negative fair value on the balance sheet. The impact on 2019 was a decrease of derivatives with positive fair value and derivatives with negative fair value by EUR 223m. There was no impact on the income statement or equity. Comparative figures have not been restated.

Changed recognition and presentation of resolution fees

As from 1 January 2019 Nordea recognises resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents the expense as "Other expenses". The earlier policy was to amortise these fees over the year and present the expense as "Interest expense". The change mainly reflects the change in the structure of the resolution fees following the re-domiciliation to Finland.

Comparative figures have been restated accordingly and the impact, together with the impact on 2019, can be found in the below table.

Resolution fee

	Full year 2019		
EURm	Old policy	Change	New policy
Interest expense[1]	–3,333	211	–3,122
Other expenses	–1,428	–211	–1,639
Income tax expense	–571	–	–571
Impact on net profit for the period		–	
Impact on EPS/DEPS, EUR		**–**	

	Full year 2018		
EURm	Old,policy	Change	New,policy
Interest expense[1]	–2,929	167	–2,762
Other expenses	–1,399	–167	–1,566
Income tax expense	–872	–	–872
Impact on net profit for the period		**–**	
Impact on EPS/DEPS, EUR		**–**	

1) Including negative yield on financial liabilities in the Annual Report 2019.

Presentation of "Net interest income"

To increase the transparency, a more granular presentation of net interest income has been included in the income statement. The negative yield on assets and liabilities has been separated from "Interest income calculated using the effective interest rate method", "Other interest income" and "Interest expense", respectively, and disclosed on separate lines. The comparative figures for 2018 have been restated.

Other amended requirements

The following new and amended standards and interpretations were implemented by Nordea on 1 January 2019 but have not had any significant impact on the financial statements of Nordea:
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement

G1. Accounting policies, cont.

- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle

Changes in the Finnish Accounting Act, the Finnish Credit Institutions 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 not had any significant impact on Nordea's financial statements.

3. Changes in IFRSs not yet applied

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contributions of assets between an investor and its associated undertaking or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU commission. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

IFRS 17 "Insurance contracts"

The IASB has published the new standard IFRS 17 "Insurance contracts". The new standard will change the accounting requirements for recognition, measurement, presentation and disclosure of insurance contracts.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on the three measurement models Building Block Approach (BBA), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with variable fee or short term). The three measurement models include consistent definitions of the contractual cash flows, the risk adjustment margin and discounting. These definitions are based on the similar principles as the measurement principles for technical provisions in the Solvency II Capital Requirement Directives. Unearned future premiums will be recognised as a provision on the balance sheet and released to revenue when the insurance service is provided. Any unprofitable contracts will be recognised in the income statement at the time when the contract is signed and approved.

IFRS 17 is effective for the annual report period beginning on or after 1 January 2021 with earlier application permitted. However, due to comments from the global insurance industry the IASB board has proposed to amend IFRS 17 including a one-year deferral of the IFRS 17 effective date to 1 January 2022. The standard is not yet endorsed by the EU commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

Other changes in IFRS

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

- 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. The actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:

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

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the classification of financial assets
- the derecognition of financial assets
- the impairment testing of:
  - goodwill and other intangible assets and
  - loans to the public/credit institutions
- the amortisation period for capitalised software
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the actuarial calculations of insurance contracts
- the valuation of investment properties
- the assessment of expected lease terms and classification of leases
- the classification of additional tier 1 instruments
- assessing control for consolidation purposes
- the valuation of deferred tax assets
- claims in civil lawsuits and possible fines

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G41 "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 the fair value of financial instruments that lack quoted prices or

G1. Accounting policies, cont.

recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, levels 2 and 3 in the fair value hierarchy, was EUR 185,148m (EUR 178,960m) and EUR 151,751m (EUR 136,412m), respectively, at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note G41 "Assets and liabilities at fair value".

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

Classification of financial assets

Nordea classifies financial assets based on Nordea's business model for managing the assets. When determining the business model for the bonds within the liquidity buffer Nordea makes critical judgements. The bonds within the liquidity buffer is split in two portfolios. For the first portfolio Nordea has determined that the business model is to both keep the bonds and collect contractual cash flows and to sell financial assets. For the second portfolio, Nordea has determined that the business model is to manage the bonds with the objective of realising cash flows through sale. The bonds within the first portfolio are measured at fair value through other comprehensive income (FVOCI) and the bonds within the second portfolio are measured at fair value through profit and loss (FVPL). Interest-bearing securities and Financial instruments pledged as collateral in the liquidity buffer measured at FVOCI (the first portfolio) amount to EUR 29,779m (EUR 33,564m) and interest-bearing securities measured at FVPL (the second portfolio) amount to EUR 34,725m (EUR 39,708m).

Derecognition of financial assets

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. Nordea applies judgements to determine if the terms and conditions of the new loan are substantially different from the old loan. Nordea considers the terms and conditions to be substantially different 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 or if the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa. The carrying amount of loans, interest-bearing securities and financial instruments pledged as collateral on the asset side of the balance sheet amounts to EUR 412,544m (EUR 411,056m).

Impairment testing of goodwill and other intangible assets

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets", and Note G21 "Intangible assets" lists the cash-generating units (CGUs) to which goodwill has been allocated. Also internally developed software for which amortisation has not yet started is included in the impairment test and allocated to the CGUs. Nordea's total goodwill amounted to EUR 1,969m (EUR 1,816m) at the end of the year. Software for which amortisation has not yet started amounted to EUR 768m (EUR 1,300m) at the end of the year.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (generally 3–5 years) and to the estimated sector growth rate for the period beyond 3–5 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

The rates used to discount future expected cash flows are based on the long-term risk-free interest rate plus a risk premium. The risk premium is based on external information of overall risk premiums in the relevant countries.

For information on the sensitivity to changes in relevant parameters, see Note G21 "Intangible assets".

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 14 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. Nordea's total lending before impairment allowances was EUR 342,646m (EUR 329,306m) at the end of the year. For more information, see Note G14 "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 models used to calculate provisions are based on macroeconomic 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.

The amortisation period for capitalised software

Internally developed software is capitalised and amortised over the useful life of the software. As the IT landscape develops rapidly, management exercises judgment to estimate the useful life of the software, which affects the yearly amortisation charge.

Effectiveness testing of cash flow hedges

Nordea's accounting policies for cash flow hedges are described in section 10 "Hedge accounting".

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

Where Nordea applies cash flow hedge accounting the

G1. Accounting policies, cont.

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 the currency risk and the interest component as a fair value hedge of the interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 24 "Employee benefits".

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

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G34 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,790m (EUR 3,494m) at the end of the year.

Actuarial calculations of insurance contracts

Nordea's accounting policy for insurance contracts is described in section 19 "Liabilities to policyholders".

A valuation of insurance liabilities includes estimations and assumptions, both financial and actuarial. One of the important financial assumptions is the interest rate used for discounting future cash flows. Important actuarial assumptions are those on mortality and disability, which affect the size and timing of the future cash flows. The financial and actuarial assumptions are, to a large extent, stipulated in local legislation and therefore not under Nordea's discretion. Also, assumptions about future administrative and tax expenses have an impact on the calculation of policyholder liabilities.

The insurance liability was EUR 15,928m (EUR 15,001m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G29 "Liabilities to policyholders".

Valuation of investment properties

Nordea's accounting policy for investment properties is described in section 18 "Investment properties".

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amount of investment properties was EUR 1,585m (EUR 1,607m) at the end of the year. See Note G24 "Investment properties" for more information on amounts and parameters used in these models.

Assessment of expected lease terms and classification of leases

Nordea's accounting policy for leases are described in section 15 "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 an extension or termination option. The expected lease term for contracts with no end date is estimated in the same way. Backstop rules on the average expected lifetime for different types of real estate contracts are used as a guidance when making the estimate for banking branches. A more detailed analysis is performed for larger contracts as head offices. The head office contracts are estimated to be more long term in nature than the branches where the environment is changing at a more rapid pace. The expected lease term of head office contracts is currently generally close to 25 years. The backstop rule of banking branches is currently limiting the expected lease term of contracts with no end date, or contracts with extension options, to 5 years. It is possible to deviate from the backstop rule if the circumstances show that it is likely that Nordea will stay for a longer/shorter period.

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

The carrying amount of the right of use asset was EUR 1,506m at the end of the year.

More information on lease contracts can be found in Note G23 "Leasing".

Classification of additional tier 1 instruments

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of these instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

Assessing control for consolidation purposes

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

G1. Accounting policies, cont.

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

Judgement also has to be exercised when assessing if a holding of a significant, but less than majority, share of voting rights constitute a so-called de facto control and to what extent potential voting rights need to be considered in the control assessment. Nordea's assessment is that Nordea does currently not control any entities where the share of voting rights is below 50%.

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 21 "Taxes" and Note G12 "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 487m (EUR 164m) at the end of the year.

Claims in civil lawsuits and possible fines

Within framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak anti-money laundering processes and procedures in the past. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea cannot exclude the possibility of fines, which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. See also Note G2 "Risk and Liquidity management", Note G33 "Provisions" and Note G38 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities

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

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

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

For each business combination Nordea measures the non-controlling interest in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceed the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, the income statement and the statement of comprehensive income.

Intra-group transactions and balances between the consolidated group undertakings are eliminated.

The group undertakings are included in the consolidated accounts as from the date on which control is transferred to Nordea and are no longer consolidated as from the date on which control ceases.

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

Note P21 "Investments in group undertakings" lists the major group undertakings in the Nordea Group.

Investments in associated undertakings and joint ventures

The equity method of accounting is used for associated undertakings where the share of voting rights is between 20% and 50% and/or where Nordea has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The equity method of accounting is also used for joint ventures where Nordea has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments within Nordea's investment activities, which are classified as a venture capital organisation within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IFRS 9. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

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

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

Note G20 "Investments in associated undertakings and joint ventures" lists the major associated undertakings in the Nordea Group.

Structured entities

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

Power can exist due to agreements or other types of influ-

G1. Accounting policies, cont.

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

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

Further information about consolidated and unconsolidated structured entities is disclosed in Note G46 "Interests in structured entities".

Currency translation of foreign entities/branches

The consolidated financial statements are presented in euro (EUR). When translating the financial statements of foreign entities and branches into EUR from their functional currency, the assets and liabilities of foreign entities and branches have been translated at the closing rates, while items in the income statement and the statement of comprehensive income are translated at the average exchange rate for the year. The average exchange rates are calculated based on daily exchange rates divided by the number of banking days in the period. Translation differences are recognised in other comprehensive income and are accumulated in the translation reserve in equity.

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

Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

Information on the most important exchange rates is disclosed in the separate section 30 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

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

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

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

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

The yield on financial assets is presented on three rows in the income statement, Interest income calculated using the effective interest rate method, Other interest income and Negative yield on financial assets. On the row Interest income calculated using the effective interest method, Nordea presents interest income from financial assets measured at amortised cost or at fair value through other comprehensive income. This line item also includes the effect from hedge accounting relating to these assets. All other interest income is presented as on the income statement row "Other interest income", except the negative yield on financial assets that is presented on a separate row. The negative yield on financial liabilities is also disclosed separately in the income statement.

Net fee and commission income

Nordea earns commission income from different services provided to customers. The recognition of commission income depends on the purpose for which the fees are received.

The major part of the revenues classified as "Commission income" constitutes revenue from contracts with customers according to IFRS 15. Fee income is recognised either when or as performance obligations are satisfied.

Asset management commissions are generally recognised over time as services are performed and are normally based on assets under management. These fees are recognised based on the passage of time as the amount, and the right to the fee, corresponds to the value received by the customer. Variable fees that are based on relative performance compared with a benchmark are in asset management rare, and they are normally fixed and recognised at least each reporting date. Variable fees that are not fixed on the reporting date cannot generally be recognised as the outcome is uncertain and subject to market development.

Life & Pension commission income includes fee income, referred to as expense loading, from insurance contracts and investment contracts with policyholders. Investments contracts are contracts that do not include enough insurance risk to be classified as insurance contracts. The expense loading is the part of the premium income considered to be compensation for the contract administration. The fee income is recognised over time when the services are performed. These contracts do generally not include any upfront fees.

Fees categorised as Deposit Products, Brokerage, securities issues and corporate finance, Custody and issuer service and Payment commissions are recognised both over time and at a point of time dependent on when the performance obligations are satisfied. Card fees are categorised as interchange fees that are recognised at a point of time when the customer uses the services, and cardholder fees that are recognised over time or at a point of time if the fee is transaction based.

Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time. The

G1. Accounting policies, cont.

amount of loan syndication fees as well as other transaction-based fees received are recognised at a point when the performance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received on bilateral transactions are generally amortised as part of the effective interest of the financial instruments recognised.

Income from issued financial guarantees and expenses for bought financial guarantees are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense", respectively. Other fee income is generally transaction based.

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

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

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

Also, the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Financial assets at fair value through other comprehensive income are recognised in "Net result from items at fair value".

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buybacks 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" or "Impairment of securities held as financial non-current assets" (see also the sub-sections "Net loan losses" and "Impairment of securities held as financial non-current assets" below).

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

The income recognition and descriptions of the lines relating to life insurance are described in section 7 "Income recognition life insurance" below.

Profit from companies accounted for under the equity method

Profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea's share of net assets in associated undertakings and joint ventures. Nordea's share of items accounted for in other comprehensive income in associated undertakings and joint ventures is accounted for in other comprehensive income in Nordea. Profit from companies accounted for under the equity method is, as stated in section 5 "Principles of consolidation", reported in the income statement post-taxes. Consequently, the tax expense related to this profit is excluded from the income tax expense for Nordea.

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

The change in Nordea's share of the net assets is generally based on monthly reporting from the associated undertakings and joint ventures. For some associated undertakings, and joint ventures not individually significant the change in Nordea's share of the net assets is based on the external reporting of the associated undertakings and the joint ventures and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings and the joint ventures is, if applicable, adjusted to comply with Nordea's accounting policies.

Also, impairment on investments in associated undertakings and joint ventures is classified as "Profit from companies accounted for under the equity method" in the income statement. The policies covering impairment of financial assets classified into the category Amortised cost are disclosed in section 13 "Financial instruments" and section 14 "Loans to the public/credit institutions".

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

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

Other operating income and other expenses

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

Resolution fees are presented as other expenses in the income statement.

G1. Accounting policies, cont.

Net loan losses

Impairment losses from financial assets classified into the categories Amortised cost and Fair value through other comprehensive income (see section 13 “Financial instruments”), in the items “Loans to central banks”, “Loans to credit institutions”, “Loans to the public” and “Interest-bearing securities” on the balance sheet, are reported as ”Net loan losses” together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea’s accounting policies for the calculation of impairment losses on loans can be found in section 14 “Loans to the public/credit institutions”.

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

7. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the savings part of life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 “Liabilities to policyholders”.

The total income from life insurance mainly consists of the following components:

- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

The result from these components is, except for the cost result and the risk and performance margin relating to unit-linked and investment contracts, included in “Net result from items at fair value”.

The cost result is the result of expense loading from policyholders and is included in the item “Fee and commission income” together with the risk and performance margin relating to unit-linked and investment contracts. The related expenses are included in the items “Fee and commission expense” and “Operating expenses”. The policyholders’ part of a positive or negative cost result (profit sharing) is included in the note line “Change in technical provisions, Life insurance” within Note G6 “Net result from items at fair value”.

The insurance risk result consists of income from individual risk products and from unbundled life insurance contracts as well as health and personal accident insurance. The risk premiums are amortised over the coverage period as the provisions are reduced when insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive a part of a net income or a net deficit. The risk income and the risk expenses are presented gross on the lines “Insurance risk income, Life insurance” and “Insurance risk expense, Life insurance” in Note G6 “Net result from items at fair value”. The policyholders’ part of the result is included in the line “Change in technical provisions, Life insurance” in the note.

Gains and losses derived from investments in Nordea Life & Pensions are split between the relevant lines in Note G6 “Net result from items at fair value” as for any other investment in Nordea. The lines include investment return on assets held to cover liabilities to policyholders and return on the additional capital allocated to Nordea Life & Pensions (Shareholders’ capital in the Nordea Life & Pensions group).

The note line “Change in technical provisions, Life insurance” in Note G6 “Net result from items at fair value” includes:

- Investment returns on assets held to cover liabilities to policyholders (including liabilities from traditional life insurance, unit-linked insurance and investment contracts), individually transferred to policyholders’ accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to the policyholders.
- The risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders’ part of the cost- and risk result regarding traditional life insurance contracts or unit-linked contracts.

The note line “Change in collective bonus potential, Life insurance” in Note G6 “Net result from items at fair value” relates only to traditional life insurance contracts. The line includes policyholders’ share of investment returns not yet individualised. The line includes also additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

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

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised from (and an asset or a liability is recognised as “Other assets” or “Other liabilities” on the balance sheet between trade date and settlement date) the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on the 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 expires or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterparty 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 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. 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.

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

Financial liabilities are derecognised from the balance

G1. Accounting policies, cont.

sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterparty, 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.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 13 "Financial instruments", as well as Note G43 "Transferred assets and obtained collaterals".

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

10. Hedge accounting

As 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 G2 "Risk and Liquidity management" (the Market risk section) and Note G19 "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, Nordea formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item, as regards the hedged risk, can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125%.

Transactions that are entered into in accordance with Nordea's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out in Note G2 "Risk and Liquidity management" (the Market risk section) and Note G19 "Derivatives and hedge accounting". The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

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

Hedged items

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

Hedging instruments

The hedging instruments used in Nordea are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value.

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

G1. Accounting policies, cont.

Cash flow hedge accounting

In accordance with Nordea's risk management policies set out in Note G2 "Risk and Liquidity management" (the Market risk section) and Note G19 "Derivatives and hedge accounting", cash flow hedge accounting is applied when hedging the exposure to variability in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

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

Hedged items

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

Hedging instruments

The hedging instruments used in Nordea are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. When hedging the interest rate risk in lending with floating interest rates, Nordea uses interest 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, 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 is no longer highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

Hedges of net investments

In accordance with Nordea's risk management policies set out in the Market risk section in Note G2 "Risk and Liquidity management" and Note G19 "Derivatives and Hedge accounting", Nordea hedges its foreign currency translation risk. Translation risk is defined as the risk of loss from investments in foreign operations which have a functional currency different from that of the Group reporting currency (EUR). The hedging instruments used by Nordea are FX forwards where only the spot component is designated in the hedging relationship.

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Hedge ineffectiveness can arise to the extent the hedging instruments exceed in nominal terms the risk exposure from foreign operations. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

See also section 9 "Translation of assets and liabilities denominated in foreign currencies".

11. Determination of fair value of financial instruments

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 ongoing basis. The absolute level for liquidity and volume required for a market to be considered active varies with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

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

G1. Accounting policies, cont.

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

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

- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC derivatives)

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

Note G41 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

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

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

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

For further information, see Note G41 "Assets and liabilities at fair value".

12. Cash and balances with central banks

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

- The central bank or the postal giro system is domiciled in the country where the institutions are established
- The balance is readily available at any time

13. Financial instruments

Classification of financial instruments

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

Financial assets:

- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial 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 has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio, Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the table "Classification of financial instruments" in Note G40 the classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about

G1. Accounting policies, cont.

the effective interest rate method see section 6, "Net interest income". For information about impairment under IFRS 9, see section 14 below.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income" and "Interest expense" in the income statement.

This category consists of mainly all loans and deposits, except for reverse repurchase/repurchase agreements and securities borrowing/lending agreements in Markets and mortgage loans in Nordea Kredit Realkreditaktieselskab. This category also includes interest-bearing securities mainly related to a portfolio of interest-bearing securities in Life & Pension in Norway, subordinated liabilities and debt securities in issue, except for bonds issued in Nordea Kredit Realkreditaktieselskab and issued structured bonds in Markets.

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

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

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

The sub-category Mandatorily measured at fair value through profit and loss contains mainly all assets in Markets, trading liabilities in Markets, interest-bearing securities included in part of the liquidity buffer, derivative instruments, shares, the mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policyholders. The deposits are invested in different types of financial asset on behalf of customers and policyholders.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are issued bonds in Nordea Kredit Realkreditaktieselskab and assets and liabilities in Nordea Life & Pensions.

Liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law, Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. The loans are measured at fair value through profit and loss, and if the bonds were measured at amortised cost, this would give rise to an accounting mismatch. To avoid such an accounting mismatch Nordea measures the bonds at fair value with all changes in fair value, including changes in credit risk recognised in profit or loss.

All assets in Nordea Life & Pensions held under investment contracts are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch with the liabilities to the policyholders that are measured at fair value. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. Changes in own credit risk is recognised in profit and loss as recognising this change in other comprehensive income would create an accounting mismatch. Assets held under insurance contracts (defined in section 19 "Liabilities to policyholders"), except for a portfolio of interest-bearing securities in Norway, are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also, assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. The deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss. The value of these deposits is directly linked to assets in the contacts and there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value of these issued structured bonds is recognised in profit and loss except for the changes in credit risk that are recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in part of the liquidity buffer. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income", foreign exchange effects in "Net result from items at fair value" and impairment losses in the item "Net loan losses" in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value". For information about impairment under IFRS 9, see section 14 below.

Hybrid (combined) financial instruments

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

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The host, the zero-coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from items at fair value".

For structured bonds issued by Markets, Nordea applies

G1. Accounting policies, cont.

the fair value option, and the entire combined instrument, the host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item "Net result from items at fair value" and presented as "Debt securities in issue" on the balance sheet.

Securities borrowing and lending agreements
Generally, securities borrowings and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In cases where the counterparty is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item "Financial instruments pledged as collateral".

Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to counterparties is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from counterparties is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In cases where the counterparty has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities".

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public".

Additionally, the sale of securities received in reverse repurchase agreements triggers the recognition of a trading liability (short sale).

Derivatives
All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities
Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of default, bankruptcy and insolvency of Nordea and the counterparties, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

Exchange-traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received, and the instrument is reset to market terms. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities against central counterparty clearing houses are offset on the balance sheet if the transaction currency and the central counterparty is the same. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities related to bilateral OTC derivative transactions are not offset on the balance sheet.

In addition, loans and deposits related to repurchase and reverse repurchase transaction with CCP are offset on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposits related to repurchase and reverse repurchase transactions that are made in accordance with the Global Master Repurchase Agreement (GMRA) are offset on the balance sheet if the assets and the liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

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

14. Loans to the public/credit institutions
Scope
Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 13 above and Note G40 "Classification of financial instruments".

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation
Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

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

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as Fair value through other comprehen-

G1. Accounting policies, cont.

sive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net loan losses". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing

Nordea classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Nordea monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in Note G2 "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 collateral and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the model described below but based on the fact that the exposures are already in default.

Model-based allowance calculation

For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stages 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition on 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 that it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion.

- 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.

Nordea does not use the "low credit risk exemption" in the banking operations but uses it for a minor portfolio of interest-bearing securities in the insurance operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward-looking information. Nordea applies three macroeconomic 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, requiring 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 derecognition 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 is 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.

G1. Accounting policies, cont.

- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

Discount rate

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

Restructured loans and modifications

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to their financial difficulties and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery, the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

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

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

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

15. Leasing

Nordea as lessor

Finance leases

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

Operating leases

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

Nordea as lessee

At inception Nordea assesses whether a contract is or contains a lease. A lease is a contract that conveys the user the right to control the use of an asset for a period of time in exchange for consideration.

The right to use an asset in a lease contract is recognised on the commencement date as a right of use (ROU) assets and the obligation to pay lease payments is recognised as a lease liability. The ROU assets 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. In significant premises contracts the rate implicit in the contract may be used if available.

The ROU assets are presented as similar owned assets and the lease liabilities as "Other liabilities" on the balance sheet. The depreciation policy is consistent with that of similar owned assets, but the depreciation period is normally capped at the end of the lease term. Impairment testing of the righ 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 mainly comprises vehicles and IT hardware. Nordea applies the practical expedient for short-term contracts (with a contract term of 12 months or less) both for Land and buildings and for Equipment. The practical expedient for 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.

Leases are mainly related to office premises contracts but also to company cars, IT hardware and other assets normal to the business. The premises are mainly divided into banking branches and headoffices. The premises contracts are actively managed with focus on the effective use of the premises and the changes in the business environment. The lease payments generally include fixed payments and especially in premises contracts also variable payments that depend on an index.

G1. Accounting policies, cont.

Residual value guarantees, or purchase options are generally not used.

The lease term is the expected lease term. This comprises the non-cancellable period of lease contracts and any options that Nordea is reasonably certain to exercise. The length of contracts with no end date is estimated by considering all facts and circumstances.

The expected lease term of most of the premises contracts is 1–10 years whereas the expected lease term of the main head office contracts in the Nordic countries is 15–25 years. These contracts generally have renewal options.

Embedded leases

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

16. Intangible assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures are disclosed in section 6 "Recognition of operating income and impairment".

IT development/Computer software

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

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 5 years, and in some circumstances for strategic infrastructure up to a maximum of 10 years.

Customer-related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer-related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over maximum 10 years.

Impairment

Goodwill and IT development not yet taken into use are not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generate largely independent cash flows in relation to other assets. For goodwill and IT development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cashgenerating unit in its current condition and discounted at a rate based on the long-term risk-free interest rate plus a risk premium. If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G21 "Intangible assets" for more information on the impairment testing.

17. Properties and equipment

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

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

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

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

Impairment losses are reversed if the recoverable amount

G1. Accounting policies, cont.

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

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available, discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained, consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision also includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-linked contracts represent life insurance provisions relating to Unit-linked policies written either with or without an investment guarantee. Unit-linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts

Contracts classified as investment contracts are contracts with policyholders which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF contracts (collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabili-

G1. Accounting policies, cont.

ties is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

20. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is borne by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders.

Unit-linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 "Financial instrument" above.

21. Taxes

The item "Income tax expense" in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement, unless the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 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.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Provisions

Provisions (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 24 and provisions relating to Financial guarantees contract and credit commitments are described in section 26.

23. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to shareholders of Nordea Bank Abp by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long-term incentive programmes and contracts on Nordea shares that can be settled in Nordea shares, i.e. derivatives such as options and warrants and their equivalents. Such contracts affect diluted earnings per share when and only when the average price of ordinary shares during the period exceeds the exercise price of the options or warrants (i.e. they are in the money).

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

24. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 27 "Share-based payment".

More information can be found in Note G8 "Staff costs".

G1. Accounting policies, cont.

Post-employment benefits

Pension plans

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

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

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G34 "Retirement benefit obligations").

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

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

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high-quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve are derived from the most liquid long-dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

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

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

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G8 "Staff costs".

25. Equity

Non-controlling interests

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

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

Additional Tier 1 capital holders

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of these instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

Nordea determines payments on financial instrument classified as equity (i.e. Additional Tier 1 instruments) as distributions of profits and for that reason such payments are accounted for as dividends.

Invested unrestricted equity/Share premium reserve

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

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include reserves for cash flow

G1. Accounting policies, cont.

hedges, financial assets classified into the category Financial assets at fair value through other comprehensive income and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

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

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

Treasury shares
Treasury shares are not accounted for as assets. Acquisitions of treasury shares are recognised as a deduction of "Retained earnings" on the balance sheet. Also, own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash, i.e. derivatives such as options and warrants and their equivalents, are either presented as financial assets or financial liabilities.

26. Financial guarantee contracts and credit commitments
Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured and recognised as a provision on the balance sheet at the higher of either the received fee less amortisation, or an amount calculated in accordance with IFRS 9. Changes in provisions are recognised in the income statement in the item "Net loan losses".

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

27. Share-based payment
Equity-settled programmes
Nordea has issued programmes where employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value is the original fair value per right times the best estimate of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

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

For more information see Note G8 "Staff costs".

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

For more information see Note G8 "Staff costs".

28. Related party transactions
Nordea defines related parties as:
- Shareholders with significant influence
- Associated undertakings and joint ventures
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis, apart from loans granted to employees as well as certain other commitments to key management, see Note G8 "Staff costs" and Note G38 "Contingent liabilities".

Shareholders with significant influence
Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

Associated undertakings and joint ventures
For the definition of associated undertakings and joint ventures, see section 5 "Principles of consolidation".

Further information on the associated undertakings and the joint ventures included in the Nordea Group is found in Note G20 "Investments in associated undertakings and joint ventures".

Key management personnel
Key management personnel includes the following positions:
- Board of Directors
- Chief Executive Officer (CEO)
- Group Leadership Team (GLT)

For information about compensation, pensions and other transactions with key management personnel, see Note G8 "Staff costs".

Other related parties
Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in the Nordea Group as well as companies significantly influenced by close family members to key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

G1. Accounting policies, cont.

29. Presentation of disposal groups held for sale

Assets and liabilities related to disposal groups are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale", respectively, as from the classification date. Financial instruments continue to be measured under IFRS 9, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

30. Exchange rates

	Jan–Dec 2019	Jan–Dec 2018
EUR 1 = SEK		
Income statement (average)	10.5848	10.2608
Balance sheet (at end of year)	10.4563	10.2330
EUR 1 = DKK		
Income statement (average)	7.4661	7.4533
Balance sheet (at end of year)	7.4717	7.4672
EUR 1 = NOK		
Income statement (average)	9.8499	9.6033
Balance sheet (at end of year)	9.8463	9.9470
EUR 1 = RUB		
Income statement (average)	72.4524	74.0484
Balance sheet (at end of year)	69.7096	79.3826

G2. Risk and Liquidity management

Maintaining risk awareness in the organisation is engrained in Nordea's 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.

Internal Control Framework

The Internal Control Framework covers the whole Group and it sets out the Group Board's and senior executive management's responsibilities towards internal control, all Group Functions and Business Areas including outsourced activities and distribution channels. Under the Internal Control Framework, all Business Areas, Group Functions and units are responsible for managing the risks they incur in conducting their activities and to have controls in place that aim to ensure compliance with internal and external requirements. As part of the Internal Control Framework, Nordea has established Group Control Functions with appropriate and sufficient authority, independence and access to the Group Board to fulfil their mission, as well as the Risk Management Framework.

The Internal Control Framework ensures effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information (both internal and external) and compliance with applicable laws, regulations, standards, supervisory requirements and the Group internal rules.

The internal control process is carried out by the governing bodies, risk management functions, management and other staff at Nordea. The internal control process is based on five main components: control environment, risk assessment, control activities, information and communication as well as monitoring. The internal control process is created to ensure the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Governing bodies for risk, liquidity and capital management

The Group Board, the Board Risk Committee (BRIC), the President of Nordea Bank Abp and Nordea Group Chief Executive Officer (CEO) in Group Leadership Team (GLT), the Asset and Liability Committee (ALCO) and the Risk Committee (RC) are the key decision-making bodies for risk, liquidity and capital management in Nordea. In addition, the CEO Credit Committee, the Executive Credit Committee and Business Area Credit Committees are the key bodies for Credit decision-making.

Board of Directors and Board Risk Committee

The Group Board has following overarching risk management responsibilities.

- It decides on the Group risk strategy and the Risk Appetite Framework, including the Risk Appetite Statements, with at least annual reviews and additional updates when needed.
- It decides on and oversees an adequate and effective Risk Management Framework and regularly evaluates whether the Group has effective and appropriate controls to manage the risks.

The Group Board decides on the Group Board Directive on Capital including dividend policy, which ensures adequate capital levels within the Group, on an ongoing and forward-looking basis consistent with Nordea's business model, risk appetite and regulatory requirements and expectations.

The Board Risk Committee (BRIC) assists the Group Board in fulfilling its oversight responsibilities concerning management and control of the risk, risk frameworks, controls and processes associated with the Group's operations, including credit, market, liquidity, business, life and operational risk, as well as conduct and compliance risk and related frameworks and processes.

President and Chief Executive Officer

The Group CEO is responsible to the Group Board for the overall management of the Group's operations and risks. Responsibilities include ensuring that the risk strategy and risk management decided by the Group Board is implemented, the necessary practical measures are taken and risks are monitored and limited. The Group CEO is working together with heads of Business Areas and certain heads of Group Functions within GLT for the purposes of supporting the Group CEO's decision-making.

Group-wide committees have been established in order to promote coordination within the Group, thus ensuring commitment to and ownership of Group-wide prioritizations, decisions and implementation. The composition and the areas of responsibility of each committee are established in the Group Board Directives or Group CEO Instructions for the respective committees.

Asset and Liability Committee

The Asset and Liability Committee (ALCO) is subordinated to the Group CEO in GLT and chaired by the Chief Financial Officer (CFO). ALCO decides on changes to the financial operations and the risk profile of the balance sheet, including asset and liability management (ALM), balance sheet management and liquidity management. ALCO also decides on certain issuances and capital injections for all wholly-owned legal entities within the Group. ALCO has established sub-committees for its work and decision-making within specific risk areas.

Risk Committee

Risk Committee (RC) is sub-ordinated to the Group CEO in GLT and chaired by the Chief Risk Officer (CRO). It has been established in order to manage the overall Risk Management Framework and prepares or provides guidance regarding proposals to the Group CEO in GLT and/or the relevant Board of Directors (BoD) on issues of major importance concerning Nordea's Risk Management Framework. Given the BoD decided Risk Appetite Framework, RC decides on the allocation of cascaded risks limits to risk-taking units and on actions relating to the management of all risks. The first line of defence (1st LoD) is responsible for ensuring that limits are further cascaded and operationally implemented. RC has established sub-committees for its work and decision-making within specific risk areas.

Credit decision-making bodies

The governing bodies for Credit Risk and/or the Credit Risk Management Framework are the Group Board and BRIC. The Group Board and the local BoD delegate credit decision-making according to the Powers to Act as described in the Group Board Directive for Risk:

- CEO Credit Committee is chaired by the Group CEO and its members include the members of the Executive Credit Committee.
- Executive Credit Committee is chaired by the Head of Group Credit Management, and BRIC appoints the members of the Executive Credit Committee.
- The Executive Credit Committee establishes credit committees for each Business Area as required by organisational and customer segmentation.

BRIC reviews decisions of the CEO Credit Committee and the Executive Credit Committee, as well as other strategic credit policy matters and development of the credit portfolio. BRIC confirms Industry Group Strategies approved by the RC.

All credit limits within the Nordea Group are based on

G2. Risk and Liquidity management, cont.

credit decisions or authorizations made by an ultimate Decision-Making Authority with the right to decide upon that limit. Credit decisions include, inter alia, pricing, risk mitigation and any terms and conditions related to the limit or expected utilization. Credit decisions also serve to delegate decision making within the approved limit to lower decision makers, unless otherwise explicitly decided.

Subsidiary governance

At subsidiary level, the local BoD is responsible for approving risk appetite limits and capital actions. The proposals for such items are the joint responsibilities of relevant subsidiary management and Group Functions.

The subsidiary BoD has oversight responsibilities concerning the management and control of risk, risk management frameworks as well as the processes associated with the subsidiary's operations. In addition, there are risk management functions responsible for the risk management framework and processes within the subsidiary.

The subsidiary CEO is part of the decision-making process at the subsidiary level and is responsible for the daily operations.

Governance of Risk Management and Compliance

Group Risk and Compliance (GRC) represents Nordea's independent second line of defence (2nd LoD) function. GRC oversees the implementation of the financial and the non-financial risk policies and according to a risk-based approach, monitors and controls the Risk Management Framework including the Compliance Risk Framework and oversees that risks that Nordea is or could be exposed to, are identified, assessed, monitored, managed and reported on. GRC is organised in divisions with individual risk type responsibility.

Risk and Capital Management Processes

The Risk Management Framework ensures consistent processes for identifying, assessing and measuring, responding to and mitigating, controlling and monitoring and reporting risks to enable informed decisions on risk-taking. The Risk Management Framework encompasses all risks to which Nordea is or could be exposed, including off-balance sheet risks and risks in a stressed situation. Detailed risk information, covering all risks as well as capital adequacy, is regularly reported to the RC, GLT, BRIC and the Group Board. In addition to this Nordea's compliance with regulatory requirements is reported to the GLT and the Group Board. The Group Board and the CEO in each legal entity regularly receive local risk reporting.

The Risk Identification and Materiality Assessment Process starts with identifying potential risks to which Nordea is or could be exposed. Risks are then assessed for relevance, classified, and included in the Common Risk Taxonomy.

All risks within the Nordea Common Risk Taxonomy need to be classified as material or not material for risk management and capital purposes. Material risks are those assessed as having a material impact on Nordea's current and future financial position, its customers and stakeholders. These risks will typically, though not always, refer to a higher-level risk within the Risk Taxonomy which captures a number of underlying risks in which losses arise from a common source.

Risk appetite

The Risk Appetite Framework (RAF) supports effective risk management and a sound risk culture by enabling informed decisions on risk-taking, with the objective of ensuring that risk-taking activities are conducted within the organisation's risk appetite and that emerging risks are identified and addressed in a timely way.

Risk capacity is the maximum level of risk Nordea is deemed able to assume given its capital (own funds), its risk management and control capabilities and its regulatory constraints. Risk appetite is the aggregate level and types of risk Nordea is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives. The Risk Appetite Statements (RAS) are the articulation of the Group Board approved risk appetite and comprises the qualitative statements and quantitative Limits and Triggers by main risk type, which are deemed appropriate to be able to operate with a prudent risk profile.

Credit concentration metrics cover e.g. sectors and geographic regions of size or importance. Stress test metrics are applied to credit, market and liquidity risk metrics to ensure a forward-looking approach to risk management. Operational risk metrics cover both residual risk levels and requirements for mitigating actions as well as limits for incidents and losses.

Risk appetite processes

The RAF contains all processes and controls to establish, monitor and communicate Nordea's risk appetite:

- Risk capacity setting based on capital position: On an annual basis, the Group's overall risk capacity is aligned with the financial and capital planning process, based on Nordea's risk strategy. Risk capacity is set in line with Nordea's capital position, including an appropriate shock absorbing capacity.
- Risk appetite allocation by risk type: Risk appetite includes Risk Appetite Limits for the main risk types that Nordea is or could be exposed to in line with the Risk Taxonomy. Risk Appetite Triggers are also set for these main risk types, to act as early indicators for key decision-makers that the risk profile for a particular risk type is approaching its Risk Appetite Limit.
- Risk limit setting: Measurable risk limits are established and set at an appropriate level to manage risk-taking effectively. Risk Appetite Limits are set by the Group Board. These inform the risk limits which are established and approved at lower decision-making levels at Nordea, including RC and sub-RC levels, and also other levels as appropriate. Subsidiary risk limits must be set by the appropriate governing body in alignment with local regulatory requirements and consistent with the Group Risk Limits.
- Controlling and monitoring risk exposures against risk limits: Regular controlling and monitoring of risk exposures compared to risk limits is carried out to ensure that risk-taking activity remains within risk appetite.
- Risk appetite limit breach management process: GRC oversees that any Risk Appetite Limit breaches are appropriately escalated to RC and BRIC. GRC reports monthly on any breaches of the risk appetite to the Group Board and other relevant governing bodies including a follow-up on the status of actions to be taken, until the relevant risk exposure is within appetite. The reporting includes a consistent status indicator to communicate the current risk exposure compared to Risk Appetite Limit for all risk types covered by the RAS.

Embedding risk appetite in business processes

The end-to-end risk appetite process cycle is aligned with other strategic processes, including the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Ade-

G2. Risk and Liquidity management, cont.

quacy Assessment Process (ILAAP) and the Recovery and Resolution Plan.

Moreover, the risk appetite is embedded in business processes and communicated across the organisation in order to meet Nordea's objectives of maintaining a sound risk culture. This includes but is not limited to ensuring a strong link between the assessed risk appetite and the business plans and budgets, the capital and liquidity position, the systemic risk profile, the recoverability and resolvability assessments as well as the incentive structures and remuneration framework.

Disclosure requirements of the CRR – Capital and Risk Management Report 2019

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2019, in accordance with the Capital Requirements Regulation (CRR), which is based on the Basel III framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Credit Risk management

Credits granted within the Group shall conform to the common principles established for the Group. Nordea strives to have a well-diversified credit portfolio that is adapted to the structure of its home markets and economies.

The key principles for managing Nordea's risk exposures are:

- the three Lines of Defence (LoD), as further described in the Policy for Internal Control in the Nordea Group;
- independency, i.e. the risk control function should be independent of the business it controls; and
- risk-based approach, i.e. the risk control functions should be aligned to the nature, size and complexity of Nordea's business, ensuring that efforts undertaken are proportional to the risks in question.

Group Credit Management in 1st LoD is responsible for the credit process framework and operational credit risk guidelines and SOPs. Group Credit Risk Control in 2nd LoD is responsible for the credit risk framework, consisting of policies and instructions for the Group. Group Credit Risk Control is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

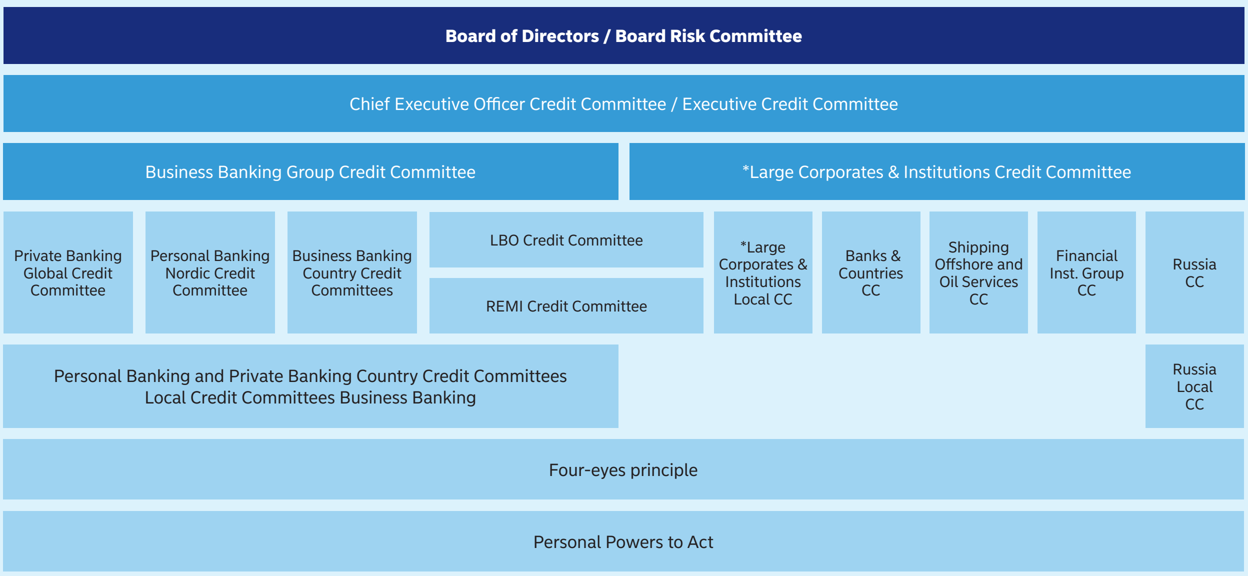
The basis of credit risk management in Nordea is limits to customers and customer groups that are aggregated and assigned to units responsible for their continuous monitoring and development. An additional dimension of concentration risk limits, based on industries, segments, products or geographies, shall likewise be aggregated, assigned to units responsible for their monitoring and development and serve as caps on those limits. Each division/unit is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting.

Within the powers to act granted by the Board of Directors, Internal credit risk limits are approved by credit decision making authorities on different levels in the organisation constituting the maximum risk appetite on the customer in question. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU). The risk categorisation together with the exposure of the customer decides at what level the credit decision will be made. Responsibility for a credit risk lies with the customer responsible unit. Customers are risk-categorized by a rating or score in accordance with Nordea's rating and scoring guidelines. The rating and scoring of customers aim to predict their probability of default and consequently rank them according to their respective default risk. Rating and scoring are used as integrated parts of the credit risk management and decision-making process. Representatives from 1st LoD credit organization approve the rating independently.

Credit risk definition and identification

Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet its obligations to clear a debt in accordance with agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. Credit risk stems mainly from various forms of lending, but also from

Credit Committee Structure



*Reflects organisational name change as of 1 January 2020.

There is currently an additional Baltic Desk Credit Committee on level 4. This committee handles carve out cases from the merger to Luminor. This committee will continue to exist as long as there are remaining customers to handle, or until other decision is taken.

G2. Risk and Liquidity management, cont.

issued guarantees and documentary credits and includes counterparty credit risk, transfer risk and settlement risk. Nordea's loan portfolio is furthermore broken down by segment, industry and geography. Industry credit policies are established for those industries that have a significant weight in the portfolio and are either highly cyclical or volatile or require special industry competencies.

Credit decisions are reached after a credit risk assessment, based on principles that are defined consistently across the Group. These principles emphasize the need to adjust the depth and scope of the assessment according to the risk. The same credit risk assessments are used as input for determining the internal ratings. Credit decisions in Nordea reflect Nordea's view of both the customer relationship and credit risk.

All credit assessments in Nordea shall adequately reflect a consideration of relevant environmental, social and governmental risks and conform to the Nordea Sustainability Policy. The total credit risk assessment shall be a combined risk conclusion on the obligor's repayment capacity and the Group's recovery position. The risk conclusion must be sufficiently forward-looking as compared to the risk profile of the customer and maturity of the transaction.

In addition to credit risk assessment in conjunction with new or changed exposure towards a customer, an annual or continuous credit review process is in place. The review process is an important part of the continuous credit analysis process.

If credit weakness is identified in relation to a customer exposure, the customer is categorized as "High Risk" and receives special attention in terms of more frequent reviews. In addition to continuous monitoring, an action plan is established outlining how to minimise the potential credit loss. If necessary, a work-out team is set up to support the customer responsible unit.

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered as well as the adequacy of covenants and other risk mitigations. Pledge of collateral is a fundamental credit risk mitigation technique in the bank and collaterals are always sought, when reasonable and possible, to minimize the potential for credit losses. In every credit decision and review, the value of collaterals must be considered.

In corporate exposures, the main collateral types are real estate, floating charges and leasing objects. Collateral coverage should generally be higher for exposures of financially weaker customers than for those who are financially strong. Independent from the strength of collateral position, the repayment capacity is the starting point in credit assessment and assigning credit limits. Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation using credit default swaps is applied to a limited extent. Covenants in credit agreements are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

The collateral value shall always be based on the market value. The market value is defined as the estimated amount for which the asset or liability would exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. From this market value, a haircut is applied. The haircut is defined as a percentage by which the asset's market value is reduced ensuring a margin against loss. The margin reflects the adjustments needed to assess the cash proceeds when the collateral is liquidated in a forced

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	G14	11,627	6,110	15,287	3,689
Loans to the public	G14	247,395	77,514	236,497	73,833
Interest-bearing securities	G15, G16	33,269	38,813	36,951	46,841
Derivatives	G19	–	39,111	–	37,025
Off balance sheet items	G38, G39	91,776	200	89,495	175
Total		**384,067**	**161,748**	**378,230**	**161,563**

Allowances for credit risk

EURm	Note	31 Dec 2019	31 Dec 2018
Loans to central banks and credit institutions	G14	14	15
Loans to the public	G14	2,169	2,025
Interest-bearing securities measured at fair value through other comprehensive income or amortised cost	G15	1	2
Off balance sheet items	G33	144	121
Total		**2,328**	**2,163**

G2. Risk and Liquidity management, cont.

sale situation. A maximum collateral ratio is set for each collateral type.

The same principles of calculation must be used for all exposures. For High Risk customers, the foreclosure value may differ from the maximum collateral values and should be based on a realistic assessment for the particular asset at that time. Risk transfer to other creditworthy parties, through guarantees and insurance, shall be based on legally enforceable documentation.

Collateral distribution

Distribution of collateral has remained stable between 2019 and 2018, with the majority of the collateral stemming from residential and commercial real estate. The shares of financial collateral, receivables, and other physical collaterals have slightly decreased during 2019, while the share of commercial real estate has increased by 2% in 2019.

Collateral distribution

	31 Dec 2019	31 Dec 2018
Financial Collateral	0.8%	1.1%
Receivables	0.7%	0.9%
Residential Real Estate	73.2%	72.9%
Commercial Real Estate	18.7%	18.3%
Other Physical Collateral	6.6%	6.8%
Total	**100.0%**	**100.0%**

Assets taken over for protection of claims

The table below presents assets taken over distributed by asset type. Lands and buildings make up 87% of the total assets taken over end of December 2019. During 2019 the Assets have been brought down by 57%. The level of assets taken over is at a low level and has been so for several years.

Assets taken over for protection of claims[1]

EURm	31 Dec 2019	31 Dec 2018
Current assets, carrying amount:		
Land and buildings	8	19
Shares and other participations	0	0
Other assets	1	2
Total	**9**	**21**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets used as collateral for the loan are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest disposed when full recovery is reached.

Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table, IRB retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

Loan-to-value

	31 Dec 2019		31 Dec 2018	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	113.6	81	110.9	81
50–70%	20.3	14	19.6	14
70–80%	4.5	3	4.3	3
80–90%	1.2	1	1.2	1
>90%	0.9	1	0.6	1
Total	**140.5**	**100**	**136.6**	**100**

Individual and collective assessment of impairment

Requirements for impairment are set forth in IFRS 9, and are based on an expected loss model.

Impairment testing (individual and collective) applies to three forward looking and weighted scenarios. Assets tested 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. All assets are assessed individually for staging. Significant assets in stage 3 are tested for impairment individually. Assets in stage 1, stage 2 and insignificant assets in stage 3 are tested for impairment collectively.

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

Nordea recognises only certain specific credit risk adjustments (SCRAs). SCRAs comprise individually and collectively assessed provisions. SCRAs during the year are referred to as loan losses, while SCRAs in the balance sheet are referred to as allowances and provisions.

Individual provisioning

A need for individual provisioning is recognised if, based on credit events and observable data, a negative impact is likely on the customer's expected future cash flow to the extent that full repayment is unlikely (pledged collaterals taken into account).

Exposures with individually assigned provisions are credit impaired. The size of the provision is equal to the estimated loss, which is the difference between the book value of the outstanding exposure and the discounted value of the expected future cash flow, including the value of pledged collateral.

Default

Customers with exposures that are past due more than 90 days, being in bankruptcy or considered unlikely to pay are regarded as defaulted and can be either servicing debt or non-servicing.

If a customer recovers from being in default, the customer is seen as cured. Typically, this situation occurs if the customer succeeds in creating a balance in financials. In order to be cured, the recovery should include the customer's total liabilities, an established satisfactory repayment plan and an assessment that the recovery is underway.

Collective provisioning

The collective model is executed quarterly and assessed for each legal unit/branch. One important driver for provisions is the trigger for the transferring of assets from stage 1 to stage 2. For assets recognised from 1 January 2018, changes to the lifetime Probability of Default (PD) are used as the trigger. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2. In stage 1, the provisions equal the 12 months expected loss. In stages 2 and 3, the provisions equal the lifetime expected loss. The output is complemented with an expert-based analysis process to ensure adequate provisioning. Defaulted customers without individual provisions have collective provisions.

G2. Risk and Liquidity management, cont.

Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting forbearance for a limited time period is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis, approved according to Powers to Act and followed by impairment testing. Forborne exposures can be performing or non-performing. Individual loan loss provisions are recognised if necessary.

Forbearance

EURm	31 Dec 2019	31 Dec 2018
Forborne loans	2,992	3,561
- of which defaulted	1,984	2,267
Allowances for individually assessed impaired and forborne loans	679	714
- of which defaulted	664	693

Key ratios	31 Dec 2019	31 Dec 2018
Forbearance ratio[1]	0.9%	1.1%
Forbearance coverage ratio[2]	23%	20%
- of which defaulted	33%	31%

1) Forborne loans/Loans before allowances.
2) Individual allowances/Forborne loans.

Sensitivities

One important factor in estimating expected credit losses in accordance with IFRS 9 is to assess what constitutes a significant increase in credit risk. To understand the sensitivities to these triggers, Nordea has calculated model-based provisions under two different scenarios:

	Scenario 1	Scenario 2
Retail portfolios		
Relative threshold	50%	150%
Absolute 12-month threshold	35 bp	55 bp
Absolute lifetime threshold	250 bp	350 bp
Notching[1]	1 less	1 more
Non-Retail portfolios		
Relative threshold	100%	200%
Absolute 12-month threshold	15 bp	25 bp
Absolute lifetime threshold	350 bp	450 bp
Notching[1]	1 less	1 more

1) For exposures with initial recognition before the transition to IFRS 9 (1 Jan 2018), stage classification is decided based on changes in rating grades. The trigger in scenario 1 is set at one notch less than in the model actually used and in scenario 2 the trigger is set at one notch more than in the model used.

The provisions would have increased by EUR 38m in scenario 1 and decreased by EUR 44m in scenario 2. For more information on the rating scale and average PDs, see table "Rating/scoring information on loans measured at amortised cost" below.

The provisions are sensitive to rating migration even if triggers are not reached. The table below shows the impact on provisions from a one notch downgrade on all exposures in the bank. It includes both the impact of the higher risk for all exposures as well as the impact of transferring exposures from stage 1 to stage 2 that reach the trigger. It also includes the impact from the exposures with one rating grade above default becoming default, which is estimated at EUR 141m (EUR 120m). This figure is based on calculations with the statistical model rather than individual estimates that would be the case in reality for material defaulted loans.

Sensitivities

	2019		2018	
EURm	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
Personal Banking	412	566	339	472
Business Banking	1,038	1,184	998	1,145
Large Corporates & Institutions	868	945	752	838
Other	10	20	74	84
Group	**2,328**	**2,715**	**2,163**	**2,539**

G2. Risk and Liquidity management, cont.

Forward looking information

Forward looking information is used both for assessing significant increase in credit risk and in the calculation of expected credit losses. Nordea estimates three macro-economic scenarios, a baseline together with an upside and a downside scenario.

The baseline macroeconomic and financial scenario is provided by Nordea Advisory & Analytics based on an Oxford Economics model. The macro economic forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historic relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years and for periods beyond, a long-term average is used.

The definition of the upside and downside scenarios are based on Oxford Economics' quarterly Global Risk Survey. In this survey respondents report what they see as the top upside and downside global economic risks over the next two years. Based on these answers Oxford Economics create a number of global economic scenarios, each simulating a potential materialisation of one of these top risk factors. Oxford Economics also assign a probability to each scenario, based on the Global Risk Survey. Nordea use these scenarios and probabilities from Oxford Economics when defining the upside and downside scenarios. For 2019, the following weights have been applied: base 60%, adverse 20% and favourable 20%. The model results are assessed and, if needed, adjusted by Nordea's country responsible macro and financial analysts, using judgement based on previous similar episodes to ensure consistency across countries and asset prices. Adjustments are for instance needed when certain industries are impacted, or when sanctions are placed on individual countries, but changes have not yet been reflected in rating migrations.

Checks of the model results are performed by reviewing quantitative data before and after reactions. As part of the process to ensure accurate and consistent data deliveries from Nordea's economists, the data is also subject to a number of statistical tests.

G2. Risk and Liquidity management, cont.

Scenarios and provisions

Denmark		2020	2021	2022	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment model based provisions, EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	2.1	2.1	2.1	237	20%				
	Unemployment, %	3.5	3.2	3.0						
	Change in household consumption, %	1.7	1.5	1.8						
	Change in house prices, %	2.3	3.8	3.4						
Base scenario	GDP growth, %	1.4	1.7	2.0	239	60%	240	123	454	817
	Unemployment, %	3.8	3.8	3.7						
	Change in household consumption, %	1.4	1.6	1.9						
	Change in house prices, %	2.0	2.6	3.0						
Adverse scenario	GDP growth, %	0.9	0.9	1.4	245	20%				
	Unemployment, %	3.9	4.1	4.3						
	Change in household consumption, %	1.1	1.3	1.4						
	Change in house prices, %	1.8	2.1	1.8						
Finland										
Favourable scenario	GDP growth, %	1.5	1.7	1.3	182	20%				
	Unemployment, %	6.4	6.3	6.4						
	Change in household consumption, %	1.9	1.2	1.0						
	Change in house prices, %	1.1	1.3	1.5						
Base scenario	GDP growth, %	1.1	1.1	0.9	185	60%	185	26	262	473
	Unemployment, %	6.6	6.7	6.8						
	Change in household consumption, %	1.4	1.0	1.0						
	Change in house prices, %	0.9	1.1	1.1						
Adverse scenario	GDP growth, %	0.8	0.5	0.4	187	20%				
	Unemployment, %	6.6	6.7	7.0						
	Change in household consumption, %	1.1	0.9	1.1						
	Change in house prices, %	1.0	0.8	0.3						

G2. Risk and Liquidity management, cont.

Scenarios and provisions, cont.

Norway		2020	2021	2022	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment model based provisions, EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	2.2	2.3	2.0	94	20%				
	Unemployment, %	3.3	3.0	2.7						
	Change in household consumption, %	2.6	1.8	1.8						
	Change in house prices, %	3.6	4.3	4.0						
Base scenario	GDP growth, %	2.0	1.8	1.7	97	60%	98	86	322	506
	Unemployment, %	3.4	3.4	3.3						
	Change in household consumption, %	2.3	2.0	1.8						
	Change in house prices, %	3.5	3.8	3.8						
Adverse scenario	GDP growth, %	1.3	1.0	1.3	104	20%				
	Unemployment, %	3.7	4.1	4.7						
	Change in household consumption, %	1.5	1.6	2.0						
	Change in house prices, %	2.3	0.0	1.7						
Sweden										
Favourable scenario	GDP growth, %	1.7	2.7	2.6	96	20%				
	Unemployment, %	6.7	6.3	5.7						
	Change in household consumption, %	1.8	2.6	2.1						
	Change in house prices, %	1.1	2.6	3.3						
Base scenario	GDP growth, %	1.4	1.9	2.3	97	60%	97	12	171	280
	Unemployment, %	6.9	6.7	6.3						
	Change in household consumption, %	1.4	2.0	2.2						
	Change in house prices, %	1.1	2.4	2.9						
Adverse scenario	GDP growth, %	1.1	1.3	1.7	98	20%				
	Unemployment, %	6.9	7.0	7.1						
	Change in household consumption, %	1.0	1.6	2.9						
	Change in house prices, %	1.0	1.8	2.9						
Non-Nordic							15	2	235	252
Total							**635**	**249**	**1,444**	**2,328**

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost and fair value to the public[1]

31 Dec 2019, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total	Of which lending at fair value
Financial institutions	2,992	2,055	1,996	7,731	14	644	15,428	2,418
Crops etc	3,410	171	21	90	0	7	3,698	2,738
Animal husbandry	2,358	111	9	79	0	0	2,558	1,916
Fishing and aquaculture	41	8	1,220	1	0	0	1,271	10
Paper, forest and mining	279	867	147	824	16	69	2,202	199
Oil, gas and offshore	451	74	848	246	0	320	1,940	1
Consumer staples (food and health care)	1,714	741	521	662	0	84	3,723	650
Media, leisure and telecom	1,235	893	550	1,387	2	0	4,068	961
Consumer durables	203	309	95	731	0	159	1,497	68
Retail trade	929	971	490	1,066	0	18	3,473	557
Land transportation and IT	883	1,308	681	929	19	100	3,920	417
Materials	266	459	236	680	231	5	1,877	58
Capital goods	617	1,583	151	648	128	135	3,262	89
Commercial & prof. services	3,462	1,137	3,184	3,342	0	274	11,400	1,236
Construction	1,312	1,173	3,051	976	0	60	6,572	851
Wholesale trade	1,753	1,130	474	1,533	7	52	4,950	225
Maritime (shipping)	396	246	4,864	106	0	2,113	7,726	121
Utilities and public services	1,224	1,868	1,036	3,560	84	56	7,829	3,054
Real estate commercial properties	6,893	4,211	7,524	7,018	3	707	26,356	5,815
Real estate residential properties	3,634	3,862	1,529	8,491	0	0	17,517	2,554
Other industries	1,165	0	100	94	0	0	1,358	1,051
Total Corporate	**35,219**	**23,179**	**28,728**	**40,194**	**501**	**4,804**	**132,625**	**24,986**
Housing loans	33,395	29,939	33,499	44,956	0	0	141,789	33,395
Collateralised lending	7,838	5,385	2,582	2,419	0	0	18,225	244
Non-Collateralised lending	1,087	3,168	578	2,317	0	0	7,151	0
Household	**42,321**	**38,492**	**36,659**	**49,692**	**0**	**0**	**167,164**	**33,639**
Public sector	**1,131**	**1,331**	**28**	**1,572**	**0**	**0**	**4,062**	**0**
Reversed repurchase agreements	**0**	**18,889**	**0**	**0**	**0**	**0**	**18,889**	**18,889**
Lending to the public by country	**78,671**	**81,891**	**65,415**	**91,458**	**501**	**4,804**	**322,740**	**77,514**
Excl. reversed repurchase agreements	**78,671**	**63,002**	**65,415**	**91,458**	**501**	**4,804**	**303,851**	**58,625**

1) Based on domicile of Nordea company granting the loans.

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost and fair value to the public[1]

31 Dec 2018, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total	Of which lending at fair value
Financial institutions	2,982	1,903	1,682	7,570	0	134	14,271	3,147
Crops etc	3,666	153	17	76	0	8	3,920	2,902
Animal husbandry	2,706	109	11	79	0	3	2,908	2,094
Fishing and aquaculture	32	8	1,130	7	0	0	1,176	9
Paper, forest and mining	297	961	175	930	36	85	2,484	227
Oil, gas and offshore	583	82	486	437	7	359	1,953	203
Consumer staples (food and health care)	1,310	723	465	673	1	62	3,234	655
Media, leisure and telecom	1,200	908	508	1,130	2	1	3,748	990
Consumer durables	205	353	79	671	4	162	1,473	77
Retail trade	1,092	988	394	955	0	35	3,465	587
Land transportation and IT	900	1,161	654	961	9	115	3,800	427
Materials	253	576	254	749	393	8	2,232	57
Capital goods	542	1,137	91	757	183	73	2,783	87
Commercial & prof. services	3,550	1,245	2,264	2,925	1	278	10,263	1,241
Construction	1,278	1,035	2,418	996	0	74	5,801	817
Wholesale trade	2,169	1,094	543	1,826	10	35	5,676	223
Maritime (shipping)	298	328	4,895	132	0	2,583	8,236	85
Utilities and public services	3,466	2,155	913	2,752	213	144	9,643	3,632
Real estate commercial properties	6,480	4,247	7,260	6,886	18	852	25,743	5,424
Real estate residential properties	3,371	3,716	1,810	8,524	0	0	17,420	2,367
Other industries	160	0	327	0	0	0	488	488
Total Corporate	**36,539**	**22,880**	**26,377**	**39,036**	**876**	**5,009**	**130,717**	**25,738**
Housing loans	31,354	29,268	27,894	43,581	0	130	132,227	31,354
Collateralised lending	8,012	5,356	1,685	2,294	0	55	17,402	30
Non-Collateralised lending	1,147	3,218	117	2,919	0	0	7,400	0
Household	**40,512**	**37,841**	**29,697**	**48,794**	**0**	**185**	**157,029**	**31,384**
Public sector	**1,514**	**843**	**44**	**1,447**	**0**	**0**	**3,848**	**0**
Reverse repurchase agreements	**0**	**16,711**	**0**	**0**	**0**	**0**	**16,711**	**16,711**
Lending to the public by country	**78,566**	**78,274**	**56,117**	**89,277**	**876**	**5,194**	**308,304**	**73,833**
Excl. reverse repurchase agreements	**78,566**	**61,564**	**56,117**	**89,277**	**876**	**5,194**	**291,594**	**57,122**

1) Based on domicile of Nordea company granting the loans.

Loans to the public measured at amortised cost, geographical breakdown[1]

	Gross			Allowances			
EURm, 31 Dec 2019	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Denmark	22,243	1,427	804	51	175	488	23,759
Finland	56,852	4,710	1,309	20	66	344	62,441
Norway	57,530	2,769	1,142	36	45	527	60,834
Sweden	79,460	1,426	429	16	35	187	81,077
Russia	1,005	1	44	1	0	40	1,009
US	1,835	14	4	2	1	0	1,850
Other	13,190	323	878	25	20	91	14,256
Total	**232,115**	**10,670**	**4,610**	**150**	**342**	**1,677**	**245,226**

1) Based on domicile of the customers.

G2. Risk and Liquidity management, cont.

Loans to the public measured at amortised cost, geographical breakdown[1]

	Gross			Allowances			
EURm, 31 Dec 2018	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Denmark	23,454	1,622	1,171	33	116	641	25,457
Finland	54,318	5,810	1,258	25	95	338	60,928
Norway	48,184	3,481	911	18	24	263	52,271
Sweden	76,274	2,141	247	12	18	60	78,572
Russia	1,356	38	56	18	0	39	1,394
US	1,547	84	6	1	1	0	1,634
Other	12,093	1,513	931	33	34	255	14,215
Total	**217,225**	**14,690**	**4,581**	**141**	**289**	**1,596**	**234,471**

1) Based on domicile of the customer.

Loans to the public measured at amortised cost, broken down by sector and industry

	Gross				Allowances				
EURm, 31 Dec 2019	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net
Financial institutions	12,668	302	127	13,097	9	20	58	87	13,010
Crops etc	862	85	54	1,001	2	10	30	41	960
Animal husbandry	499	69	193	760	2	10	108	119	642
Fishing and aquaculture	1,201	24	37	1,263	0	1	0	1	1,261
Paper, forest and mining	1,875	107	44	2,027	1	3	20	23	2,003
Oil, gas and offshore	1,474	17	747	2,238	1	0	298	299	1,939
Consumer staples (food and health care)	2,916	144	33	3,094	2	5	13	20	3,073
Media, leisure and telecom	2,925	170	54	3,149	2	6	33	42	3,107
Consumer durables	1,276	135	47	1,458	1	6	22	29	1,429
Retail trade	2,677	221	88	2,985	4	17	49	69	2,917
Land transportation and IT	3,167	303	74	3,544	2	9	29	40	3,504
Materials	1,704	78	117	1,899	4	5	71	80	1,819
Capital goods	2,896	251	110	3,256	1	9	73	84	3,173
Commercial & prof. services	9,646	355	273	10,274	8	15	86	109	10,164
Construction	5,294	399	119	5,812	5	12	74	91	5,721
Wholesale trade	4,261	429	94	4,784	4	20	36	59	4,725
Maritime (shipping)	7,000	175	706	7,881	24	22	230	276	7,605
Utilities and public services	4,701	60	34	4,795	2	1	16	19	4,775
REMI	34,457	932	224	35,614	15	14	81	110	35,504
Other	291	23	7	322	7	7	0	14	308
Total Corporate	**101,789**	**4,280**	**3,183**	**109,251**	**95**	**191**	**1,327**	**1,612**	**107,639**
Housing loans	103,768	4,047	630	108,446	10	13	29	52	108,393
Collateralised lending	16,569	1,221	444	18,233	26	48	186	260	17,973
Non-Collateralised lending	5,952	1,095	354	7,401	19	89	134	242	7,159
Household	**126,289**	**6,363**	**1,427**	**134,079**	**55**	**149**	**350**	**554**	**133,525**
Public sector	**4,038**	**27**	**0**	**4,065**	**0**	**2**	**0**	**2**	**4,062**
Lending to the public by country	**232,115**	**10,670**	**4,610**	**247,395**	**150**	**342**	**1,677**	**2,169**	**245,226**
Excl. reverse repurchase agreements	**232,115**	**10,670**	**4,610**	**247,395**	**150**	**342**	**1,677**	**2,169**	**245,226**

G2. Risk and Liquidity management, cont.

Loans to the public measured at amortised cost, broken down by sector and industry

	Gross				Allowances				
EURm, 31 Dec 2018	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net
Financial institutions	10,402	464	285	11,151	19	9	0	27	11,124
Crops etc	878	94	93	1,065	1	6	40	48	1,018
Animal husbandry	580	133	248	962	1	7	139	147	814
Fishing and aquaculture	1,142	23	3	1,168	0	0	0	0	1,167
Paper, forest and mining	2,115	150	49	2,314	8	4	45	57	2,269
Oil, gas and offshore	1,296	73	555	1,924	8	1	165	174	1,757
Consumer staples (food and health care)	2,407	147	57	2,612	1	4	28	33	2,578
Media, leisure and telecom	2,611	140	41	2,792	2	5	26	33	2,761
Consumer durables	1,288	94	37	1,419	1	3	19	22	1,398
Retail trade	2,503	333	142	2,978	3	13	84	100	2,881
Land transportation and IT	2,921	419	70	3,410	6	8	23	37	3,371
Materials	1,789	376	60	2,225	5	19	25	49	2,170
Capital goods	2,377	280	123	2,780	1	4	79	84	2,691
Commercial & prof. services	8,344	461	307	9,112	6	12	71	90	9,021
Construction	4,416	525	128	5,069	3	11	72	86	4,983
Wholesale trade	4,984	386	168	5,538	3	9	74	86	5,448
Maritime (shipping)	6,654	1,008	677	8,338	16	18	154	188	8,150
Utilities and public services	5,808	192	18	6,018	6	2	0	8	6,006
REMI	34,238	1,014	234	35,487	11	10	94	115	35,372
Other	0	148	67	215	3	6	206	216	0
Total Corporate	**97,004**	**6,254**	**3,298**	**106,696**	**103**	**151**	**1,344**	**1,598**	**104,978**
Housing loans	94,787	5,540	649	100,976	10	43	50	103	100,873
Collateralised lending	15,812	1,375	375	17,562	16	38	136	190	17,372
Non-Collateralised lending	6,079	1,196	258	7,533	11	56	65	133	7,400
Household	**116,678**	**8,110**	**1,282**	**126,071**	**37**	**137**	**252**	**425**	**125,645**
Public sector	**3,729**	**119**	**0**	**3,849**	**0**	**1**	**0**	**1**	**3,848**
Lending to the public by country	**217,411**	**14,484**	**4,581**	**236,615**	**141**	**289**	**1,596**	**2,025**	**234,471**
Excl. reverse repurchase agreements	**217,411**	**14,484**	**4,581**	**236,615**	**141**	**289**	**1,596**	**2,025**	**234,471**

G2. Risk and Liquidity management, cont.

Impaired loans (Stage 3) by country and industry

31 Dec 2019, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total amortised cost loans	Defaulted fair value loans
Financial institutions	92	16	5	14	0	0	127	9
Crops etc	52	2	0	0	0	0	54	79
Animal husbandry	178	13	1	1	0	0	193	214
Fishing and aquaculture	0	0	37	0	0	0	37	0
Paper, forest and mining	17	21	6	0	0	0	44	6
Oil, gas and offshore	0	0	307	79	0	360	747	0
Consumer staples (food and health care)	4	20	5	4	0	0	33	2
Media, leisure and telecom	4	35	3	11	0	0	54	0
Consumer durables	37	6	0	4	0	0	47	0
Retail trade	38	25	6	19	0	0	88	6
Land transportation and IT	8	25	33	4	0	3	74	1
Materials	2	67	6	42	0	0	117	6
Capital goods	20	74	1	15	0	0	110	2
Commercial & prof. services	29	23	62	79	0	80	273	2
Construction	21	66	23	10	0	0	119	3
Wholesale trade	44	28	18	5	0	0	94	1
Maritime (shipping)	49	6	406	0	0	245	706	0
Utilities and public services	1	2	28	2	0	0	34	0
REMI	60	103	58	2	0	0	224	86
Other industries	3	0	4	0	0	0	7	0
Total Corporate	**662**	**532**	**1,010**	**291**	**0**	**688**	**3,183**	**418**
Housing loans	0	440	134	56	0	0	630	304
Collateralised lending	188	182	67	7	0	0	444	0
Non-Collateralised lending	49	178	71	56	0	0	354	0
Household	**237**	**799**	**272**	**119**	**0**	**0**	**1,427**	**304**
Public sector	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reverse repurchase agreements	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lending to the public by country	**899**	**1,331**	**1,282**	**410**	**0**	**688**	**4,610**	**722**
Excl. reverse repurchase agreements	**899**	**1,331**	**1,282**	**410**	**0**	**688**	**4,610**	**722**

G2. Risk and Liquidity management, cont.

Impaired loans (Stage 3) by country and industry

31 Dec 2018, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total amortised cost loans	Defaulted fair value loans
Financial institutions	195	8	64	19	0	0	285	0
Crops etc	91	1	0	0	0	0	93	75
Animal husbandry	241	6	1	0	0	0	248	54
Fishing and aquaculture	0	0	2	0	0	0	3	0
Paper, forest and mining	21	25	2	1	0	0	49	5
Oil, gas and offshore	0	0	183	0	0	372	555	167
Consumer staples (food and health care)	6	46	2	4	0	0	57	17
Media, leisure and telecom	7	22	5	7	0	0	41	25
Consumer durables	23	10	0	3	0	0	37	2
Retail trade	93	24	8	17	0	0	142	15
Land transportation and IT	12	25	31	2	0	0	70	11
Materials	3	45	5	0	4	2	60	2
Capital goods	16	95	1	9	2	0	123	3
Commercial & prof. services	88	24	58	55	0	82	307	32
Construction	39	50	28	11	0	0	128	21
Wholesale trade	72	31	14	50	0	1	168	6
Maritime (shipping)	51	7	348	1	0	270	677	2
Utilities and public services	7	3	4	2	2	0	18	6
REMI	82	84	66	2	0	0	234	200
Other industries	2	0	0	0	0	0	2	0
Total Corporate	**1,048**	**508**	**822**	**184**	**9**	**728**	**3,298**	**645**
Housing loans	0	438	127	53	0	32	649	330
Collateralised lending	148	178	32	4	0	12	375	0
Non-Collateralised lending	34	162	8	54	0	0	258	0
Household	**182**	**778**	**167**	**111**	**0**	**44**	**1,282**	**330**
Public sector	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reverse repurchase agreements	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lending to the public by country	**1,230**	**1,286**	**989**	**295**	**9**	**771**	**4,581**	**975**
Excl. reverse repurchase agreements	**1,230**	**1,286**	**989**	**295**	**9**	**771**	**4,581**	**975**

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost

31 Dec 2019, EURm	Net loan losses[1]	Loan loss ratio, bps	Impaired loans Stage 3	Impairment ratio bps	Allowances total[1]	Provision-ing ratio,%	Allowances Stage 3[1]	Allowances Stage 1 and 2[1]	Loans measured at amor-tised cost
Financial institutions	27	21	127	97	104	83	81	24	13,010
Crops etc	16	171	54	550	30	56	23	7	960
Animal husbandry	23	359	193	2,454	144	75	126	18	642
Fishing and aquaculture	0	1	37	295	1	4	0	1	1,261
Paper, forest and mining	–3	–15	44	219	26	59	21	5	2,003
Oil, gas and offshore	129	664	747	3,335	301	40	300	2	1,939
Consumer staples (food and health care)	–3	–10	33	107	23	70	14	9	3,073
Media, leisure and telecom	18	57	54	171	45	83	34	11	3,107
Consumer durables	13	92	47	320	31	67	23	9	1,429
Retail trade	6	21	88	294	78	88	53	25	2,917
Land transportation and IT	16	46	74	208	43	58	29	14	3,504
Materials	–7	–38	117	615	81	70	72	9	1,819
Capital goods	6	18	110	337	86	78	72	14	3,173
Commercial & prof. services	35	34	273	266	119	44	90	29	10,164
Construction	13	23	119	205	97	81	75	21	5,721
Wholesale trade	4	9	94	197	66	70	38	28	4,725
Maritime (shipping)	62	81	706	895	284	40	233	50	7,605
Utilities and public services	7	14	34	72	1	4	1	0	4,775
REMI	7	2	224	63	117	52	82	34	35,504
Other	8	269	7	216	35	477	0	35	308
Total Corporate	**377**	**35**	**3,183**	**291**	**1,713**	**54**	**1,368**	**346**	**107,639**
Housing loans	–29	–3	630	58	36	6	9	26	108,393
Collateralised lending	48	27	444	243	294	66	216	78	17,973
Non-Collateralised lending	138	192	354	475	281	80	134	147	7,159
Household	**157**	**12**	**1,427**	**106**	**612**	**43**	**360**	**252**	**133,525**
Public sector	**1**	**3**	**0**	**0**	**3**	**–**	**0**	**3**	**4,062**
Reverse repurchase agreements	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lending to the public by country	**536**	**22**	**4,610**	**186**	**2,328**	**50**	**1,728**	**600**	**245,226**
Excl. reverse repurchase agreements	**536**	**22**	**4,610**	**186**	**2,328**	**50**	**1,728**	**600**	**245,226**

1) Including provisions for off-balance sheet exposures.

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost

31 Dec 2018, EURm	Net loan losses[1]	Loan loss ratio, bps	Impaired loans Stage 3	Impairment ratio bps	Allowances total[1]	Provision-ing ratio, %	Allowances Stage 3[1]	Allowances Stage 1 and 2[1]	Loans measured at amor-tised cost
Financial institutions	43	39	285	252	172	60	139	32	11,124
Crops etc	15	147	93	885	34	37	33	1	1,018
Animal husbandry	30	369	248	2,544	162	65	153	9	814
Fishing and aquaculture	0	3	3	25	1	22	0	0	1,167
Paper, forest and mining	8	36	49	212	58	118	45	13	2,269
Oil, gas and offshore	37	209	555	2,872	176	32	167	9	1,757
Consumer staples (food and health care)	–15	–56	57	220	35	61	29	6	2,578
Media, leisure and telecom	1	2	41	147	34	83	26	8	2,761
Consumer durables	–14	–103	37	259	23	63	19	4	1,398
Retail trade	48	166	142	474	108	76	89	19	2,881
Land transportation and IT	0	–1	70	206	37	52	20	16	3,371
Materials	9	42	60	271	51	86	28	24	2,170
Capital goods	–8	–31	123	443	84	68	78	6	2,691
Commercial & prof. services	37	42	307	336	124	40	101	23	9,021
Construction	–12	–23	128	252	102	80	85	17	4,983
Wholesale trade	2	3	168	304	96	57	76	20	5,448
Maritime (shipping)	–36	–45	677	809	218	32	172	46	8,150
Utilities and public services	–13	–22	18	30	3	15	0	3	6,006
REMI	–16	–4	234	66	123	52	100	23	35,372
Other	–42		2	296	62		40	22	0
Total Corporate	**74**	**7**	**3,298**	**309**	**1,702**	**52**	**1,400**	**302**	**104,978**
Housing loans	28	3	649	64	109	17	54	56	100,873
Collateralised lending	–3	–2	375	213	225	60	168	57	17,372
Non-Collateralised lending	77	104	258	342	125	49	40	86	7,400
Household	**102**	**8**	**1,282**	**102**	**460**	**36**	**262**	**198**	**125,645**
Public sector	**–3**	**–7**	**0**	**0**	**1**	**0**	**0**	**1**	**3,848**
Reverse repurchase agreements	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lending to the public by country	**173**	**7**	**4,581**	**194**	**2,163**	**47**	**1,661**	**502**	**234,471**
Excl. reverse repurchase agreements	**173**	**7**	**4,581**	**194**	**2,163**	**47**	**1,661**	**502**	**234,471**

1) Including provisions for off-balance sheet exposures.

G2. Risk and Liquidity management, cont.

Credit portfolio

Including on- and off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 509bn (EUR 505bn last year). Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 462bn (EUR 468bn).

Credit risk is measured, monitored and segmented in different ways. On-balance lending consists of fair value lending and amortised cost lending and constitutes the major part of the credit portfolio. Amortised cost lending is the basis for impaired loans, allowances and loan losses. Credit risk in lending is measured and presented as the principal amount of on-balance sheet claims, i.e. loans to credit institutions and to the public, and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing.

Nordea's loans to the public increased by 4.7% to EUR 323bn during 2019 (EUR 308bn in 2018). The corporate portfolio increased approximately 1.5%, the household portfolio increased by 7.8% mostly related to Norway, where the acquisition of Gjensidige Bank had a significant impact. The overall credit quality is solid with strongly rated customers. Of the lending to the public portfolio, corporate customers accounted for 46.9% (47.8%), household customers for 51.8% (50.9%) and the public sector for 1.3% (1.3%). Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 18bn at the end of 2019 (EUR 19bn).

Impaired loans and ratios

	2019	2018
Gross impaired loans, Group, EURm	4,610	4,581
- of which servicing	2,311	2,097
- of which non-servicing	2,298	2,484
Impairment rate, (stage 3) gross, basis points	**178**	**182**
Impairment rate, (stage 3) net, basis points	**113**	**118**
Allowances in relation to loans, stage 1 and 2, basis points	**20**	**18**
Total allowance ratio (stage 1, 2 and 3), basis points	**84**	**81**
Allowances in relation to impaired loans (stage 3), %	**37**	**35**

Net loan losses and loan loss ratios

	2019	2018
Net loan losses, EURm	536	173
Net loan loss ratio, amortised cost, Group, basis points	22	7
- of which Stage 3	18	9
- of which Stage 1 & 2	4	–1
Net loan loss ratio, including fair value mortgage loans, Group, basis points	18	7
Net loan loss ratio, including fair value mortgage loans, Personal Banking, basis points	8	5
Net loan loss ratio, including fair value mortgage loans, Business Banking, basis points	17	7
Net loan loss ratio, including fair value mortgage loans, Large Corporates & Institutions, basis points	51	19

Loans to corporate customers

Loans to corporate customers at the end of 2019 amounted to EUR 152bn (EUR 147bn). The sector that increased the most in 2019 was Commercial & Prof. Services while Utilities and Public Services decreased the most. The contribution of the three largest industries (Real Estate, Financial Institutions and Industrial Commercial & Prof. Services) is approximately 47% of total corporate lending. Real Estate (commercial & residential) remains the largest industry in Nordea's lending portfolio, at EUR 43.9bn (EUR 43.2bn). The Real Estate (commercial & residential) portfolio predominantly consists of relatively large and financially strong companies, with 92% (91%) of the lending in rating grades 4– and higher. Loans to Maritime decreased to EUR 7.7bn (EUR 8.2bn) during the year. The Russian lending portfolio continued to decrease significantly during 2019 and now amounts to 0.5bn (EUR 0.9bn).

The distribution of loans to corporate customers by size of loans, seen in the table below, shows a high degree of diversification where approximately 65% (68%) of the corporate volume represents loans up to EUR 50m per customer.

Loans to corporate customers, by size of loans

	31 Dec 2019		31 Dec 2018	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	62.6	41	62.6	42
10–50	36.1	24	35.0	24
50–100	20.7	14	19.4	13
100–250	19.8	13	17.4	12
250–500	4.1	3	5.4	4
500–	8.2	5	7.6	5
Total	**151.5**	**100**	**147.4**	**100**

Loans to household customers

In 2019 lending to household customers increased by 6.5% to EUR 167bn (EUR 157bn). The increase was primarily driven by the acquisition of Gjensidige Bank in Norway, which had lending to the public of EUR 5.2bn at the time of acquisition. Mortgage lending increased to EUR 142bn (EUR 132bn) and consumer lending remained at EUR 25bn (EUR 25bn). The proportion of mortgage lending of total household lending increased to 85% (84%).

Geographical distribution

Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries account for 98% (98%). The portfolio is geographically well diversified with no market accounting for more than 30% of total lending. Other EU countries represent the largest part of lending outside the Nordic countries. At the end of 2019, lending in Russia was EUR 0.5bn (EUR 0.9bn).

Rating and scoring distribution

One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. retail exposures. The average credit quality was roughly unchanged in the corporate portfolio, while it improved slightly in the scoring portfolio in 2019. 19% of the number of corporate customers migrated upwards (21%) while 33% was down-rated (28%). Exposure-wise, 16% (20%) of the corporate customer exposure migrated upwards while 20% (23%) was down-rated. 87% (85%) of the corporate exposure was rated 4– or higher, with an average rating for the portfolio of 4+.

G2. Risk and Liquidity management, cont.

Rating/scoring information for loans measured at amortised cost

EURm Rating/scoring grade	Average PD (%)	Gross carrying amount, 31 Dec 2019 Stage 1	Stage 2	Stage 3[1]	Total	Allowances
7	0.00	8,922	23	–	8,945	2
6 / A	0.03	92,278	227	7	92,512	8
5 / B	0.13	56,651	883	46	57,580	29
4 / C	1.97	57,349	2,191	20	59,560	82
3 / D	18.42	13,593	3,198	58	16,849	124
2 / E	19.72	3,159	2,086	27	5,272	121
1 / F	22.89	1,152	1,439	73	2,664	97
Standardised / Unrated	2.06	9,333	1,484	184	11,001	51
0 (default)	100.00	278	167	4,195	4,640	1,669
Total		**242,715**	**11,698**	**4,610**	**259,023**	**2,183**

EURm Rating/scoring grade	Average PD (%)	Gross carrying amount, 31 Dec 2018 Stage 1	Stage 2	Stage 3[1]	Total	Allowances
7	0.01	9,958	116	0	10,074	2
6 / A	0.05	86,849	659	5	87,513	9
5 / B	0.19	54,017	1,696	6	55,719	51
4 / C	0.80	55,279	2,789	15	58,083	69
3 / D	5.46	12,318	4,581	40	16,939	100
2 / E	14.64	2,968	2,640	90	5,698	108
1 / F	34.96	1,058	1,531	72	2,661	92
Standardised / Unrated	0.24	10,029	319	95	10,443	56
0 (default)	100.00	211	186	4,258	4,655	1,553
Total		**232,687**	**14,517**	**4,581**	**251,785**	**2,040**

1) The stage classification and calculated provision for each exposure are based on the situation as per end of October 2019, while the exposure amount and rating grades are based on the situation as per end of December 2019. Some of the exposures in default according to the rating grade as per end of December were not in default as per end of October, and hence this is reflected in the stage classification.

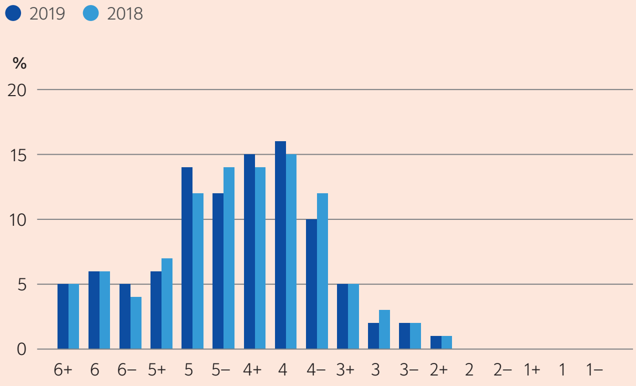
Rating/scoring information for off balance sheet items

EURm Rating/scoring grade	Nominal amount 31 Dec 2019 Stage 1	Stage 2	Stage 3	Total	Provisions
7	4,542	–	–	4,542	2
6 / A	21,905	11	–	21,916	4
5 / B	28,970	23	1	28,994	10
4 / C	24,357	1,625	3	25,985	20
3 / D	4,479	1,723	6	6,208	33
2 / E	384	496	5	885	16
1 / F	45	250	2	297	10
Standardised / Unrated	2,001	464	4	2,469	5
0 (default)	–	–	679	679	44
Total	**86,683**	**4,592**	**700**	**91,975**	**144**

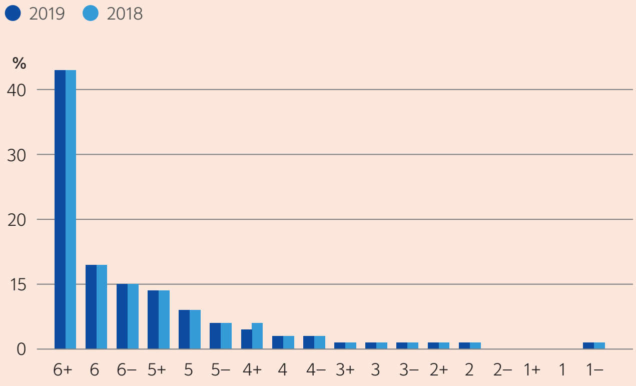
EURm Rating/scoring grade	Nominal amount 31 Dec 2018 Stage 1	Stage 2	Stage 3	Total	Provisions
7	4,503	–	–	4,503	0
6 / A	22,981	22	0	23,003	2
5 / B	29,365	160	0	29,525	14
4 / C	21,598	766	1	22,365	13
3 / D	3,481	1,861	7	5,349	19
2 / E	376	569	5	950	9
1 / F	72	234	2	308	7
Standardised / Unrated	2,343	452	3	2,798	2
0 (default)	–	0	694	694	55
Total	**84,719**	**4,064**	**712**	**89,495**	**121**

G2. Risk and Liquidity management, cont.

Rating distribution IRB Corporate customers



Risk grade distribution IRB Retail customers



Institutions and Retail customers on the other hand show a distribution that is biased towards the higher rating grades. 92% (92%) of the retail exposures is scored C– or higher, which indicates a probability of default of 1% or lower. Defaulted loans are not included in the rating/scoring distributions. The total effect on credit risk exposure amount (REA) from migration was an increase of approx. 0.47% during the full year 2019.

Loan classes
The loan portfolio consists of two classes; loans measured at amortised cost of EUR 247bn and loans measured at fair value of EUR 78bn. Loans measured at amortised cost are the basis used for impaired loans, allowances and loan losses.

Impaired loans (Stage 3)
Impaired loans gross in the Group increased slightly to EUR 4,610m (EUR 4,581m), corresponding to 178 basis points of total loans. 50% of impaired loans gross are servicing and 50% are non-servicing. Impaired loans net, after allowances for Stage 3 loans amount to EUR 2,924m, corresponding to 113 basis points of total loans. Allowances for Stage 3 loans amount to EUR 1,686m. Allowances for Stages 1&2 loans amount to EUR 497m. The ratio of allowances in relation to impaired loans is 37% and the allowance ratio for loans in Stages 1&2 is 20 basis points. The increase in impaired loans was mainly related to the Oil, Gas and Offshore industry and the Household sector. The portfolios with the largest impaired loan amounts were Household, Oil, Gas & Offshore and Commercial & Prof. Services.

Past due loans
Past due loans, 6 days or more, for corporate customers make up EUR 978m, and past due loans to household sum up to EUR 2,229m in 2019.

The table below shows loans past due 6 days or more, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, were at end of 2019 EUR 978m, down from EUR 1,235m one year ago, and past due loans for household customers increased to EUR 2,229m (EUR 1,636m).

	31 Dec 2019		31 Dec 2018	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	405	1,054	701	657
31–60 days	127	273	89	233
61–90 days	84	144	35	111
>90 days	362	758	410	635
Total	**978**	**2,229**	**1,235**	**1,636**
Past due (incl. impaired) loans divided by loans to the public after allowances, %	0.63	1.33	0.82	1.04

Net loan losses
Net loan losses increased to EUR 536m (from EUR 173m in 2018), corresponding to an annual net loan loss ratio including fair value mortgage loans of 18bps (up 11bps from 2018). The change in the level of net loan losses compared to 2018 primarily related to net loan losses of EUR 282m made in Q3 2019 after dialogue with the ECB on Asset Quality Review findings, reflecting weaker outlook for certain sectors, and to IFRS9 model updates.

Excluding these items affecting comparability, net loan losses for 2019 were EUR 253m, and 8 bps on total loan exposure, including fair value mortgages. Net loan losses increased in Personal Banking to EUR 122m (EUR 79m) and Business Banking to EUR 91m (EUR 24m) compared to last year while net loan losses decreased in Large Corporates & Institutions to EUR 40m (EUR 92m).

Of the net loan losses, EUR 157m relates to corporate customers (EUR 82m), and EUR 377m (EUR 102m) to household customers. Within the corporate portfolio the main net loan losses were in the industries Oil, Gas & Offshore and Maritime.

Counterparty credit risk
Counterparty credit risk is the risk that Nordea's counterpart in an FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. Current exposure net (after close-out netting and collateral reduction) represents EUR 7.1bn of which 29% was towards financial institutions. For information about financial instruments subject to master netting agreement, see Note G42.

G2. Risk and Liquidity management, cont.

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**15,258**	**30**	**0**	**15,288**	**217,160**	**14,691**	**4,646**	**236,497**	**232,418**	**14,721**	**4,646**	**251,785**
Origination and acquisition	2,088	0	–	2,088	59,495	1,000	422	60,917	61,583	1,000	422	63,005
Transfers between stage 1 and stage 2, (net)	−7	7	–	0	982	−982	–	0	975	−975	0	0
Transfers between stage 2 and stage 3, (net)	–	–	–	0	–	−213	213	0	0	−213	213	0
Transfers between stage 1 and stage 3, (net)	–	–	–	0	−357	–	357	0	−357	0	357	0
Repayments and disposals	−3,272	−16	–	−3,288	−52,422	−2,774	−613	−55,809	−55,694	−2,790	−613	−59,097
Write-offs	–	–	–	0	–	–	−437	−437	0	0	−437	−437
Other changes	−2,489	58	–	−2,431	8,150	−1,042	−4	7,104	5,661	−984	−4	4,673
Translation differences	−29	0	–	−29	−893	−9	25	−877	−922	−9	25	−906
Closing balance at 31 Dec 2019	**11,549**	**79**	**0**	**11,628**	**232,115**	**10,671**	**4,609**	**247,395**	**243,664**	**10,750**	**4,609**	**259,023**

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**11,161**	**88**	**6**	**11,255**	**218,421**	**14,040**	**5,397**	**237,858**	**229,582**	**14,128**	**5,403**	**249,113**
Origination and acquisition	932	6	–	938	37,466	1,058	491	39,015	38,398	1,064	491	39,953
Transfers between stage 1 and stage 2, (net)	4	−4	–	0	−279	288	–	9	−275	284	0	9
Transfers between stage 2 and stage 3, (net)	–	0	0	0	–	−245	285	40	0	−245	285	40
Transfers between stage 1 and stage 3, (net)	0	–	0	0	−49	–	83	34	−49	0	83	34
Repayments and disposals	−2,808	−7	−11	−2,826	−45,978	−3,336	−1,462	−50,776	−48,786	−3,343	−1,473	−53,602
Write-offs	–	–	−1	−1	–	–	−466	−466	0	0	−467	−467
Other changes	5,922	−53	6	5,875	9,611	2,946	324	12,881	15,533	2,893	330	18,756
Translation differences	47	0	–	47	−2,032	−60	−6	−2,098	−1,985	−60	−6	−2,051
Closing balance at 31 Dec 2018	**15,258**	**30**	**0**	**15,288**	**217,160**	**14,691**	**4,646**	**236,497**	**232,418**	**14,721**	**4,646**	**251,785**

G2. Risk and Liquidity management, cont.

Movements in allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**–5**	**–8**	**–3**	**–16**	**–141**	**–287**	**–1,596**	**–2,024**	**–146**	**–295**	**–1,599**	**–2,040**
Origination and acquisition	–1	0	–	–1	–31	–9	–1	–41	–32	–9	–1	–42
Transfers from stage 1 to stage 2	0	0	–	0	6	–73	–	–67	6	–73	0	–67
Transfers from stage 1 to stage 3	–	–	–	0	1	–	–57	–56	1	0	–57	–56
Transfers from stage 2 to stage 1	0	0	–	0	–15	57	–	42	–15	57	0	42
Transfers from stage 2 to stage 3	–	–	–	0	–	13	–159	–146	0	13	–159	–146
Transfers from stage 3 to stage 1	–	–	–	0	–10	–	14	4	–10	0	14	4
Transfers from stage 3 to stage 2	–	–	–	0	–	–19	24	5	0	–19	24	5
Changes in credit risk without stage transfer	1	0	–5	–4	23	–12	–214	–203	24	–10	–221	–207
Repayments and disposals	1	6	–	7	23	32	52	107	24	37	53	114
Write-off through decrease in allowance account	–	–	–	0	–	–	312	312	0	0	312	312
Changes due to update in the institution's methodology for estimation (net)	–	–	–	0	0	–40	–13	–53	0	–40	–13	–53
Other changes	–	–	–	0	–5	–5	–28	–38	–5	–5	–28	–38
Translation differences	0	0	–2	–2	0	1	–10	–9	0	0	–11	–11
Closing balance at 31 Dec 2019	**–4**	**–2**	**–10**	**–16**	**–149**	**–342**	**–1,676**	**–2,167**	**–153**	**–344**	**–1,686**	**–2,183**

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**–8**	**–17**	**–7**	**–32**	**–125**	**–343**	**–1,809**	**–2,277**	**–133**	**–360**	**–1,816**	**–2,309**
Origination and acquisition	–3	0	–	–3	–30	–21	–9	–60	–33	–21	–9	–63
Transfers from stage 1 to stage 2	0	–1	–	–1	7	–63	–	–56	7	–64	0	–57
Transfers from stage 1 to stage 3	–	–	–	0	0	–	–90	–90	0	0	–90	–90
Transfers from stage 2 to stage 1	0	5	–	5	–13	52	–	39	–13	57	0	44
Transfers from stage 2 to stage 3	–	–	–	0	–	16	–97	–81	0	16	–97	–81
Transfers from stage 3 to stage 1	0	–	2	2	–4	–	12	8	–4	0	14	10
Transfers from stage 3 to stage 2	–	–	–	0	–	–7	73	66	0	–7	73	66
Changes in credit risk without stage transfer	1	4	0	5	8	42	28	78	9	46	28	83
Repayments and disposals	5	1	2	8	16	36	34	86	21	37	36	94
Write-off through decrease in allowance account	–	–	–	0	–	–	280	280	0	0	280	280
Other changes	–	–	–	0	0	–	–22	–22	0	0	–22	–22
Translation differences	0	0	0	0	0	1	4	5	0	1	4	5
Closing balance at 31 Dec 2018	**–5**	**–8**	**–3**	**–16**	**–141**	**–287**	**–1,596**	**–2,024**	**–146**	**–295**	**–1,599**	**–2,040**

The tables shows the changes in exposure/allowances for each stage during the year. If an exposure moves into stage 2 from stage 1, there will be a reversal for stage 1 and an increase for stage 2.

G2. 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	**18**	**41**	**62**	**121**
Origination and acquisition	5	2	0	7
Transfers from stage 1 to stage 2	0	21	–	21
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	2	–9	–	–7
Transfers from stage 2 to stage 3	–	0	3	3
Transfers from stage 3 to stage 1	0	–	–1	–1
Transfers from stage 3 to stage 2	–	0	–4	–4
Changes in credit risk without stage transfer	12	18	–21	9
Repayments and disposals	–4	–3	0	–7
Write-off through decrease in allowance account	–	–	–	0
Translation differences	0	0	0	0
Closing balance at 31 Dec 2019	**33**	**70**	**41**	**144**

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**17**	**48**	**74**	**139**
Origination and acquisition	6	5	0	11
Transfers from stage 1 to stage 2	–1	12	–	11
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	2	–8	–	–6
Transfers from stage 2 to stage 3	–	–1	8	7
Transfers from stage 3 to stage 1	0	–	–2	–2
Transfers from stage 3 to stage 2	–	0	–2	–2
Changes in credit risk without stage transfer	–2	–10	–5	–17
Repayments and disposals	–4	–5	0	–9
Write-off through decrease in allowance account	–	–	–13	–13
Translation differences	–	–	–	0
Closing balance at 31 Dec 2018	**18**	**41**	**62**	**121**

G2. Risk and Liquidity management, cont.

Market risk

Market risk is the risk of loss in Nordea's positions in either the trading book or non-trading book as a result of changes in market rates and parameters that affect the market values or net interest income flows. Market risk exists irrespective of the accounting treatment of the positions.

The market risk appetite for the Group is expressed through risk appetite statements issued by the Board of Directors. The statements are defined for trading and banking books.

The 2nd LoD ensures that the risk appetite is appropriately translated through the Risk Committee into specific risk appetite limits for the Business Areas and Group Treasury and ALM (TALM).

As part of the overall risk appetite framework (RAF), holistic and bespoke stress tests are used to measure the market risk appetite and calibrate limits to monitor and control the full set of material market risk factors to which the bank is exposed.

Traded market risk

Traded market risk arises mainly from client-driven trading activities and related hedges in Nordea Markets which is part of Nordea Large Corporates & Institutions.

Nordea Markets takes market risks as part of its business model to support corporate and institutional clients through a range of fixed income, equity, foreign exchange and structured products. The market risks Nordea Markets is exposed to include interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodity risk and inflation risk.

Furthermore, Nordea is one of the major mortgage lenders in the Nordics and market makers in Nordic corporate and government bonds. Holding inventory is a consequence of providing secondary market liquidity. As a result, Nordea's business model naturally gives rise to a concentration in Nordic mortgage and corporate bonds as well as in local market currencies.

Non-traded market risk

Non-traded market risk principally arises from the core banking business of Nordea, related hedges and regulatory or other external requirements (e.g. liquid asset buffer).

TALM is responsible for the comprehensive risk management of all non-traded market risk exposures in the Group's balance sheet. For transparency and a clear division of responsibilities within TALM, the comprehensive banking book risk management is divided across several frameworks – each with a clear risk mandate and specific limits and controls.

The non-traded market risks that Nordea is exposed to are interest rate risk, credit spread risk, foreign exchange risk (both structural and non-structural) and equity risk.

Interest rate risk in the banking book (IRRBB) is the current or prospective risk to Nordea's capital and earnings arising from adverse movements in interest rates. Business Areas transfer their banking book exposures to TALM through a funds transfer pricing framework. The market risks are then managed centrally and include gap risk, spread risks, basis risks, credit spread risk, behavioural risk and non-linear risks. These risks are also delineated by currency.

Due to the lending structure in Nordea's home markets, most of the contractual interest rate exposures are floating rate. Consequently, wholesale funding is also swapped to floating rate. The resulting repricing gap risk is managed on an aggregated basis by currency and where applicable by legal entity (primarily the mortgage companies). The net outright interest rate risk stemming from the repricing gaps, together with the limited fixed interest rate risk, is hedged with interest rate swaps (IRS) and overnight index swaps (OIS).

Liquid assets are managed in accordance with the Liquidity Buffer and Pledge/Collateral frameworks. Most of the directional interest rate risk arising from bond holdings is hedged primarily with maturity matched IRS payer swaps and to a smaller degree with OIS payer swaps. Forward Rate Agreements and listed futures contracts are also used to hedge credit spread and interest rate fixing risks.

The tail hedging framework operates a running portfolio of tail hedges across listed equity futures and options, main credit indices and interest rate swaps and options. Due to the nature of the framework, asymmetrical hedging structures are natural building blocks of the tail hedging portfolio. Tail hedges run across Nordea's other banking book frameworks, including the liquid asset bond and derivative portfolios, the strategic equity investments and the structural risks.

Measurement of market risk

Nordea uses several quantitative risk measurement methods for traded market risk: Value-at-Risk (VaR), stress testing, sensitivity analysis, parametric methods and Monte Carlo simulation.

VaR is based on historical scenarios and is the primary market risk measurement metric, complemented by stress testing. Nordea calculates VaR using historical simulation. The current portfolio is revalued based on historical daily changes in market prices, rates and other market risk factors observed during the last 500 business days and translated to changes in the current market risk factors. Nordea uses absolute, relative and mixed translation methods for different risk categories. The revaluation of the current portfolio is performed for each position using either a linear approximation method or a full revaluation method, depending on the nature of the position.

Parametric methods are used to capture equity event risk including the impact of defaults on equity related positions (these risks are part of specific equity risk).

Monte Carlo simulation is used in the Incremental Risk Measure model and the Comprehensive Risk Measure model to capture the default and migration risks.

The Value-at-Risk, Stressed Value-at-Risk, Equity Event Risk, Incremental Risk Measure and the Comprehensive Risk Measure models were all approved by the bank's previous regulator, the Swedish FSA, for use in calculating market risk own funds requirements under the Internal Model Approach (IMA). The same models, with same calibration and settings, as used for regulatory capital requirements are used for internal risk management purposes.

The Standardised Approach is applied to risk exposure which is not covered by the IMA. It is used for calculating market risk exposures for commodity related products, specific risk for mortgage and government bonds, commercial papers, credit/rate hybrids and credit spread options, as well as for equity risk related to structured equity and Tier 1 and Tier 2 bonds.

Nordea Bank Abp is the only legal entity for which this model is in use. After the relocation to Finland in October 2018, Nordea is operating under a temporary tolerance decision from the ECB, allowing the bank to continue to use its IMA approved by the Swedish FSA. The ECB's temporary tolerance is conditioned on Nordea applying to the ECB for a new permanent IMA approval, which the bank is currently preparing for.

IRRBB is measured, monitored and managed using three key risk metrics:

- Economic Value (EV),
- Fair Value (FV), and
- Structural Interest Income Risk (SIIR).

The three different risk metrics are used to assess differing aspects of the manifestation of interest rate risk. These are described in more detail below.

Economic value (EV) of Equity stress tests consider the

G2. Risk and Liquidity management, cont.

change in the economic value of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independently of accounting classification and ignoring credit spreads and commercial margins. The model assumes a run-off balance sheet and includes behavioural modelling for non-maturing deposits and prepayments. Changes in the Economic Value of Equity of the banking book are measured using the 6 standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS) plus a range of internal parallel shocks. The exposure limit under EV is measured against the worst outcome out of the six Basel scenarios measured. The EV Basel scenarios are estimated daily for management information purposes, but fully calculated and monitored monthly against the risk appetite limits. The fair value risk stress measure considers the potential revaluation risk relating to positions held under fair value accounting classifications. Fair value sensitivities in the banking book are monitored against five severe but plausible market stress scenarios. The scenarios are calibrated to reflect severe events designed to test specific exposures that are or may be held under the approved mandate. The risk is measured daily, and a risk appetite limit is set against the worst outcome of the five scenarios. The FV scenarios are applied to both the banking book and trading book portfolios, and the Board risk appetite limit considers the combined impact across both. The FV stress metric is monitored daily.

The earnings risk 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, implied forward rates and behavioural modelling for the non-maturing deposits and prepayments. Similarly to EV, SIIR is measured using the six standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS) for management information, plus a range of internal parallel shocks. The SIIR risk appetite limit is set against a +/– 50bps parallel shock. The SIIR earnings metric is monitored monthly.

The measurement of IRRBB is dependent on key assumptions applied in the models. The most material assumptions relate to the modelling of embedded behavioural options in both assets and liabilities. The behavioural option held by Nordea's lending customers to execute early loan prepayments is estimated using prepayment models. On the liability side, Nordea has an option to change deposit rates, and customers have an option to withdraw non-maturing deposits (NMD) at any given day. Both embedded options are modelled using NMD models. Both assumptions are calculated based on historical average by core asset and liability class features. Assets and liabilities are grouped according to key metrics including product type, geography and customer segment. Assumptions are based on historically observed values. Regular back-testing and model monitoring are performed for both prepayment models and NMD models to ensure that the models remain accurate.

The Pillar 2 IRRBB capital allocations consist of a Fair Value Risk component and an Earnings Risk component. The Fair Value Risk component covers the impact on the bank's equity due to adverse movements in the MtM values of positions accounted for at Fair Value through Profit and Loss (FVTPL) or Fair Value through other comprehensive income (FVOCI). The Earnings Risk component covers the impact of rate changes on future earnings capacity, and the resulting implications for internal capital buffer levels.

Nordea is exposed to structural FX risk defined as the mismatch between the currency composition of its common equity tier 1 (CET1) and risk exposure amounts. CET1 is largely denominated in euro with the only significant non-euro equity amounts stemming from mortgage subsidiaries and Nordea Bank Russia. Changes in FX rates can therefore negatively impact Nordea's CET1 ratio.

Market risk analysis

The market risk for the Nordea trading book is presented in the table below.

The Market risk measured by VaR showed an average utilisation of EUR 14.8m in 2019 (average in 2018 was EUR 13m) and was primarily driven by interest rate VaR. Stressed VaR showed an average utilisation of EUR 46.6m which is higher compared to 2018 (average in 2018 was EUR 33m) and primarily driven by interest rate stressed VaR with additional contributions from credit spread stressed VaR. The highs in VaR were reached in Q3 and Q4 while highs in stressed VaR were reached in Q1 and Q4. VaR and stressed VaR are primarily driven by market risk in Northern European and Nordic countries.

The Incremental Risk Charge (IRC) at the end of 2019 was significantly lower than

Market risk figures for the trading book[1]

EURm	31 Dec 2019	2019 high	2019 low	2019 avg	31 Dec 2018
Total VaR	21.1	22.5	10.1	14.8	18.3
Interest rate risk	18.1	20.6	8.4	14.0	16.4
Equity risk	6.1	9.6	1.4	3.4	2.5
Credit spread risk	4.3	10.5	3.1	5.1	6.5
Foreign exchange risk	1.6	6.3	0.7	2.9	1.9
Inflation risk	1.8	2.8	1.4	2.0	2.2
Diversification effect	34.1	58.1	34.1	45.7	37.9
Total Stressed VaR	66.8	86.1	27.9	46.6	61.9
Incremental Risk Charge (IRC)	21.3	41.2	7.3	16.1	34.8
Comprehensive Risk Charge (CRC)	16.5	29.0	9.3	19.6	28.7

1) Equity Event Risk, which equalled EUR 0.2m at end of 2019.

Market risk for the banking book figures

EURm	31 Dec 2019	2019 high	2019 low	2019 avg	31 Dec 2018
Total VaR	33.5	57.8	26.5	42.1	37.5

G2. Risk and Liquidity management, cont.

at the end of 2018. The decrease was driven by a reduction in both default and migration exposure. The lowest exposure occurred during Q3 2019, while IRC peaked in Q1 2019. The average IRC decreased by EUR 8.7m compared to the previous year, especially driven by a consistently lower default component.

Comprehensive Risk Charge (CRC) at the end of 2019 was lower than at the end of 2018 driven by buy-backs and spread tightening. The lowest exposure occurred during Q4 2019, while CRC peaked during Q1 2019. Average CRC for 2019 dropped by EUR 5.6m compared to 2018.

The VaR for Banking Book has reduced slightly over the year, driven by higher concentration on high rated government bonds and a small reduction in mortgage bond exposure over the year. Overall Banking Book market risk is within appetite and under control.

The fair value of illiquid alternative investments was EUR 852.6m at the end of 2019 (EUR 644.9m at the end of 2018), of which private equity funds EUR 338.9m, hedge funds EUR 1.4m, credit funds EUR 253.3m and seed-money investments EUR 258.9m. All four types of investments are spread over a number of funds.

Structural Interest Income Risk (SIIR)/EV

At the end of the year, the worst loss out of the six Basel scenarios for SIIR was driven by the Steepener Basel scenario, where the loss was EUR 1,030m (against the worst loss in 2018 of EUR 1,176m, also taken from the Steepener shock scenario). These figures imply that net interest income would decrease if short term interest rates fall while long rates rise.

The most severe impact from the Basel scenarios on EV is from the Flattener shock scenario, where the loss was EUR 263.9m at end of year 2019.

Other market risks / Pension risk

Pension risk (including market and longevity risks) arises from Nordea-sponsored defined benefit pension schemes for past and current employees. The ability of the pension schemes to meet the projected pension payments is maintained through investments and ongoing scheme contributions.

Pension risks can manifest through increases in the value of liabilities or through falls in the values of assets. These risks are regularly reported and monitored and include consideration of sub components of market risk such as interest rate, inflation, credit spread, real estate and equity risk. To minimise the risks to Nordea, limits are imposed on potential losses under severe but plausible stress events and by limits on capital drawdown. In addition, regular reviews of the schemes strategic asset allocation are undertaken to ensure the investment approach reflects Nordea's risk appetite. See note G34 for more information.

Operational risk

Nordea defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

Operational risks are inherent in all of Nordea's businesses and operations. Consequently, managers throughout Nordea are accountable for the operational risks related to their mandate and for managing these risks within risk limits and risk appetite in accordance with the operational risk management framework.

Group Operational Risk (GOR) within Group Risk and Compliance (GRC) constitutes the second line of defence (2nd LoD) risk control function for operational risk and is responsible for developing and maintaining the overall operational risk management framework as well as for monitoring and controlling the operational risk management of the first line of defence (1st LoD). GOR monitors and controls that operational risks are appropriately identified, assessed and mitigated, follows-up risk exposures towards risk appetite and assesses the adequacy and effectiveness of the operational risk management framework and the implementation of the frameworks.

The focus areas of the monitoring and control work performed by GOR are decided during an annual planning process that includes business areas, key risk areas and operational risk processes. GOR is responsible for preparing and submitting regular risk reports on all material risk exposures including risk appetite limit utilisation and incidents to the Chief Risk Officer (CRO), who thereafter reports to the Chief Executive Officer (CEO) in Group Leadership Team (GLT), the Group Board and relevant committees.

The Risk Appetite Statement (RAS) for operational risk is expressed in terms of:

- residual risk level in breach of risk appetite and requirements for mitigating actions for risks; and
- total loss amount from incidents and management of incidents.

Management of operational risk

Management of operational risk includes all activities aimed at identifying, assessing and measuring, responding and mitigating, controlling and monitoring and reporting on risks. The risk management is supported by various processes including e.g. the Risk and Control Self-Assessment, Change Risk Management and Approval, Incident Management, Scenario Analysis, Business Continuity and Crisis Management, Information Security Management, Third Party Risk Management and Significant Operating Processes.

Some of these processes are described below and additional details on processes for managing and controlling operational risks are included in the Capital and Risk Management Report.

Risk and Control Self-Assessment

The Risk and Control Self-Assessment (RCSA) process provides a risk-based view of operational and compliance risks across Nordea. The process improves risk awareness and enables effective assessment, control, and mitigation of identified risks. For risks identified in the RCSA process, the level of risk and the controls in place to mitigate the risks are assessed. If mitigating actions are required to reduce the risk exposure, these are identified and implemented.

Change Risk Management and Approval framework

The objective of the Change Risk Management and Approval (CRMA) framework is to ensure that there is a full understanding of both financial and non-financial risks when executing changes. Associated risks shall be adequately managed consistent with Nordea's risk strategy, risk appetite and corresponding risk limits before a change is approved, executed or implemented.

Changes in scope of the CRMA framework include e.g. new or significant changes to products, services, or IT systems.

Incident Management

The objective of Incident Management is to ensure appropriate handling of detected incidents in order to minimise the impact on Nordea and its customers, to prevent reoccurrence, and to reduce the impact of future incidents. In addition, the Incident Management shall enable timely, accurate and complete information for internal and external reporting and capital modelling, and secure timely notification to relevant supervisory authorities.

G2. Risk and Liquidity management, cont.

Business Continuity and Crisis Management
The objective of the Business Continuity and Crisis Management is to protect Nordea's employees, customers, stakeholders and assets by ensuring that Nordea builds, maintains, and tests the ability to continue and recover prioritised activities and assets, should an extraordinary event or crisis occur. Crisis Management shall ensure that extraordinary events or crisis situations are identified, escalated and managed to minimize impact.

Financial Reporting Risk
Financial reporting risk is defined as the risk of misstatements in external financial reporting and regulatory capital reporting. The risk arises from erroneous interpretation and implementation of accounting standards and regulation, the use of judgement in reporting, as well as from inadequate governance and control frameworks around valuation and financial reporting. The framework for managing financial reporting risk is designated as the Accounting Key Controls (AKC), framework, based on the the Committee of Sponsoring Organizations of the Treadway Commission (COSO), framework, which provides the structure and guidance for designing, operating and evaluating the system of internal control over financial reporting across the group. The AKC framework is the mechanism through which management expresses its various assertions over its financial statements. GRC control function for financial reporting risk is responsible for the independent monitoring, assessment and oversight of the risks and the group's implementation of the AKC framework, and reports to Board Audit Committee on a quarterly basis.

Compliance Risk
Nordea defines compliance risk 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.

Nordea's Code of Conduct and corporate values underpin Nordea's culture and set the parameters for how Nordea's employees should conduct themselves. All Nordea's employees are required to complete annual training in the Code of Conduct to ensure proper awareness and knowledge of the ethical principles.

In 2019, Nordea continued the development to ensure that Nordea's culture and behaviours are consistent with Nordea's values and that Nordea delivers fair outcomes for its customers throughout the entire stage of the customer lifecycle. The quality of investment advice is monitored continuously to ensure customer protection and recent outcomes indicating improvement. The improved results are driven by the changes made in the advisory tool, instructions and training of advisors. It is also important to manage conflicts of interest in relation to products and services. In 2019, enhancements have been implemented in regular product reviews and the approval process. The complaints handling framework has in the recent years been developed and the process is renewed with clear and regular reporting, a strong feedback culture, root cause analysis and mitigating activities.

Nordea's Raising Your Concern (RYC or "whistleblowing") process ensures that Nordea employees, customers and external stakeholders have the right to and feel safe when speaking up if they witness or suspect misconduct or unethical behaviour. The RYC process encompasses ways to report a suspected breach of ethical standards, or breach of internal or external rules. Concerns can be raised openly, confidentially or anonymously by individuals ("whistle-blow"). The RYC process also outlines rules and procedures for how RYC investigations are conducted.

Nordea further strengthened the financial crime defences in 2019. Significant compliance enhancements have been achieved within the areas of: i) governance, ii) IT support of customer due diligence processes, iii) participation in the development of a Nordic KYC Utility (a cross-bank initiative to centrally collect customer due diligence data), iv) transaction monitoring and sanction screening capabilities by e.g. upgrading systems, introducing additional automated processes and improving timeliness of suspicious activity reporting, v) updating Nordea's policies in light of changes in regulation, and vi) strengthening of Nordea's Anti-Bribery and Corruption programme.

Managers throughout Nordea are accountable for the compliance risks related to their mandate and for managing these in accordance with the compliance risk management framework.

Group Compliance (GC) within Group Risk and Compliance (GRC) constitutes the independent compliance function and is responsible for developing and maintaining the risk management framework for compliance risks and for guiding the business in their implementation of and adherence to the framework.

Compliance activities are presented in the form of an annual compliance oversight plan to the Chief Executive Officer (CEO) and the Board of Directors (BoD). The annual compliance oversight plan represents a comprehensive approach to the compliance activities of Nordea, combining GC's overall approach to key risk areas. The plan is supported by granular plans in each Business Area, Group Function, Consolidated Group Subsidiaries and Nordea Bank Abp branches and for each risk area.

GC is responsible for regular reporting to the BoD, the CEO in Group Leadership Team (GLT), branch management and relevant committees, at least quarterly.

The Risk Appetite Statement (RAS) for compliance risk is expressed in terms of the residual risk level in breach of risk appetite and requirements for mitigating actions for risks. The RAS for conduct risk includes metrics regarding the Code of Conduct as well as customer outcomes and market integrity.

Details on key processes for managing and controlling compliance risks are included in the Capital and Risk Management Report.

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. Supervisory and governmental authorities that administer and enforce those regimes make regular inquiries and conduct investigations with regards to Nordea's compliance in many areas, such as investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law and governance and control. The outcome and timing of these inquiries and investigations is unclear and pending, and accordingly, it cannot be excluded that these inquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigations.

In June 2015, the Danish Financial Supervisory Authority investigated how Nordea Bank Denmark A/S had followed the regulations regarding AML. The outcome has resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the police for further handling and possible sanctions. As previously stated, Nordea expects to be fined in Denmark for our weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters.

There is a risk that the outcome of possible fines from authorities could be higher (or potentially lower) than the current provision and that this could also impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, we will maintain the level of provision for ongoing AML related matters while also continuing the dialogue with the Danish Authorities regarding their allegations for historical AML weaknesses.

G2. Risk and Liquidity management, cont.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Amongst other Nordea established in 2015 the Financial Crime Change Programme and has strengthened the organization significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Business Ethics and Values Committee and a culture transformation program to embed stronger ethical standards into our corporate culture. In addition, the group is investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

The Danish tax authorities have raised a claim for damages against Nordea of approximately DKK 900m relating to Nordea's assistance to a foreign bank in connection with the said bank's reclaim of dividend tax on behalf of one of its customers. It is our assessment that Nordea is not liable, and Nordea disputes the claim.

Life insurance risk and market risks in the Life & Pensions operations

The life insurance business of Nordea Life & Pensions (NLP) consists of a range of different life & health products, from endowments with duration of a few years to very long-term pension savings contracts, with durations of more than 40 years. Market return products (unit- linked products) clearly dominate NLP's business. Traditional products (participating savings and life insurance products) and health insurance take minor roles in NLP's business profile.

The main risks that NLP is exposed to are market risks and life & health insurance risks.

Market risks at NLP arise from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices or interest rates. Within market risk, the interest rate risk, equity risk, credit spread risk and currency risk are the most relevant risks.

Market risks are measured and monitored through exposure calculations and adequate limit setting. In addition, NLP regularly performs stress tests and macroeconomic scenario analyses to assess the need for future capitalization. The results of stress tests and scenario analysis are monitored against limits specified in the internal policies.

Market risk is mitigated by applying hedging and asset allocation strategies.

Life & health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality, longevity, disability and surrender/ lapse rates. The risks are measured and monitored through calculations of the Solvency II capital requirements. To assess the resilience of the business to sudden changes in the lapse rate, regular sensitivity tests are performed at NLP group and local entity level.

Life & health insurance risk is mitigated using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and setting up adequate provisions for risks.

Liquidity risk management

During 2019, Nordea continued to benefit from its prudent liquidity risk management, in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea had access to all relevant financial markets and was able to actively use all of its funding programmes. Nordea issued approximately EUR 19.2bn in long-term debt (excluding subordinated debt and covered bonds issued by Nordea Kredit Realkreditaktieselskab) of which approx. EUR 13bn included covered bonds issued in Sweden, Finland and Norway. Throughout 2019, Nordea remained compliant with the requirement in EBA Delegated Act Liquidity Coverage Ratio (LCR) in all currencies on a combined basis.

Liquidity risk definition and identification

Liquidity risk is the risk that Nordea is unable to service its cash flow obligations when they fall due; or unable to meet its cash flow obligations without incurring significant additional funding costs. Nordea is exposed to liquidity risk in its lending, investment, funding, off-balance sheet exposures and other activities which result in a negative cash flow mismatch. Cash flow mismatches can occur at the end of a day or intraday.

Management principles and control

Liquidity risk at Nordea is managed across three Lines of Defence:

The First Line of Defence comprises Group Treasury & Asset Liability Management (TALM) and the Business Areas. TALM is responsible for the day to day management of the Group's liquidity positions, liquidity buffers, external and internal funding including the mobilisation of cash around the Group, and Funds Transfer Pricing (FTP).

The Second Line of Defence, Group Risk and Compliance, is responsible for providing independent oversight of and challenge to the first line of defence.

The Third Line of Defence includes Group Internal Audit (GIA), which is responsible for providing independent oversight of the first – and second lines of defence.

The Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk metrics. The most central metric is the Liquidity Stress Horizon, which defines the risk appetite by setting a minimum survival of 90 days under institution-specific and market-wide stress scenarios with limited mitigation actions.

A framework of limits and monitoring metrics is in place to ensure Nordea stays within various risk parameters including the risk appetite.

A Funds Transfer Pricing (FTP) framework is in place that recognises that liquidity is a scarce and costly resource. By quantifying and allocating the liquidity and funding costs and benefits to the respective business areas, behaviours and strategic decisions are appropriately incentivised.

Liquidity risk management strategy

Nordea's liquidity management strategy is based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

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

Trust is fundamental in the funding market; therefore, Nordea periodically publishes information on the liquidity situation of the Group. Furthermore, Nordea regularly performs stress testing of the liquidity risk position and has put in place business contingency plans for liquidity crisis management.

G2. Risk and Liquidity management, cont.

Liquidity risk measurement

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The liquidity buffer consists of central bank eligible, high credit quality and liquid securities and central bank cash that can be readily sold or used as collateral in funding operations.

Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. Liquidity risk is limited by the Board of Directors via Internal Liquidity Coverage and Liquidity Stress Horizon metrics stipulating that the liquidity buffer needs to be sufficient to cover peak cumulative stressed outflows experienced over the first 90 days of a combined stress event, whereby Nordea is subject to a market-wide stress similar to what many banks experienced in 2007–08; and an idiosyncratic stress corresponding to a three-notch credit rating downgrade. These metrics form the basis for Nordea's liquidity risk appetite, which is reviewed and approved by the Board at least annually.

Furthermore, short-term funding risk is measured via the Liquidity Coverage Ratio (LCR) and a funding gap risk metric. The funding gap risk metric expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined.

Structural liquidity risk of Nordea is measured via many metrics of which the Net Stable Funding Ratio (NSFR) and the internally defined Net Balance of Stable Funding (NBSF) are very important. Furthermore, the loan to deposit ratio is closely monitored together with the wholesale funding refinancing profile and rating agency metrics.

Liquidity risk analysis

Nordea continues to have a strong and prudent liquidity risk profile with a strong funding base. As of year-end 2019, the total volume utilised under short-term programmes was EUR 44.3bn (EUR 46.8bn) with an average maturity of 0.3 (0.3) years. The total volume under long-term programmes was EUR 159.3bn (EUR 152.8bn) with an average maturity being 6.3 (6.0) years. Nordea's funding sources are presented in a table below.

The liquidity risk position remained at a low level throughout 2019. The Liquidity Stress Horizon was 504 days as of year-end 2019 (533 days as of year-end 2018) with a yearly average of 642 days (332 days) – the Group limit is not below 90 days.

The yearly average of the funding gap risk was EUR +29.7bn (EUR +17.7bn in 2018) against a limit of EUR –15bn. Nordea's liquidity buffer ranged between EUR 88.1bn and 108.2bn throughout 2019 (EUR 86.9bn and 110.1bn) with an average liquidity buffer of EUR 97.2bn (EUR 97.8bn).

The combined LCR according to EBA Delegated Act rules for the Nordea Group was at the end of 2019 166% (185%) with a yearly average of 188% (184%). At the end of 2019 the LCR in EUR was 236% (257%) and in USD 146% (214%), with yearly averages of 201% (190%) and 187% (183%), respectively. At the end of 2019 Nordea's NSFR was 108.6% according to CRR2.

Net balance of stable funding

EURbn	31 Dec 2019	31 Dec 2018
Stable liabilities and equity		
Tier 1 and Tier 2 capital	31	32
Secured/unsecured borrowing >1Y	124	126
Stable retail deposits	68	65
Less stable retail deposits	17	16
Wholesale deposits <1Y	71	72
Total Stable Liabilities	**311**	**311**

Net balance of stable funding, cont.

Stable assets	31 Dec 2019	31 Dec 2018
Wholesale and retail loans >1Y	238	240
Long term lending to banks and financial companies	1	1
Other illiquid assets	25	26
Total Stable Assets	**264**	**266**
Off-balance-sheet items	**2**	**2**
Net balance of stable funding (NBSF)	**44**	**43**

Funding sources, 31 December 2019

Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
Shorter than 3 months	Euribor etc.	0.1	31,456
Longer than 3 months	Euribor etc.	0.5	848
Deposits and borrowings from the public			
Deposits on demand	Administrative	0.0	149,012
Other deposits	Euribor etc.	0.2	19,712
Debt securities in issue			
Certificates of deposits	Euribor etc.	0.4	22,094
Commercial papers	Euribor etc.	0.2	22,192
Mortgage covered bond loans	Fixed rate, market-based	7.7	115,346
Other bond loans	Fixed rate, market-based	2.6	34,094
Derivatives			42,047
Other non-interest-bearing items			57,452
Subordinated debt			
Tier 2 subordinated bond loans	Fixed rate, market-based	4.8	7,410
Additional Tier 1 subordinated bond loans (undated)	Fixed rate, market-based		2,409
Equity			31,528
Total			**535,602**
Liabilities to policyholders			19,246
Total, including life insurance operations			**554,848**

Net Stable Funding Ratio (NSFR), 31 December 2019

	EURbn
Available stable funding	290,5
Required stable funding	267,6
Net stable funding	22,9
Net Stable Funding Ratio (NSFR)[1]	**108.6%**

1) According to CRR2 regulation.

G3. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. At Nordea, the CODM has been defined as Group Leadership Team (former Group Executive Management). The main differences compared to the section "Business areas" in this report are that the information to CODM is prepared using plan exchange rates and that different allocation principles between operating segments have been applied.

Basis of segmentation

Financial results are presented for the four main business areas Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management, with further breakdown into operating segments where relevant, and for the operating segment Group Finance. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations, as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Compared with the 2018 Annual Report there is a change in the presentation of the business area Personal Banking. Personal Banking is only presented on a Nordic level and has no further break-down by country in order to align with other segments. The business area Commercial & Business Banking has changed name to Business Banking and the business area Wholesale Banking has changed name to Large Corporates & Institutions. The changes are reflected in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note G3. Comparative figures have been restated accordingly.

Reportable Operating segments

Personal Banking serves Nordea's household customers in the Nordic markets, through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets.

Business Banking and Business Banking Direct work with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The business area also consists of Transaction Banking, which include Cards, Trade Finance and Cash Management, and Nordea Finance. These units services both personal and corporate customers across the Nordea Group.

Large Corporates & Institutions provides banking and other financial solutions to large Nordic and international corporates as well as institutional and public companies. The division Corporate & Investment Banking is a customer oriented organisation serving the largest globally operating corporates. The division Financial Institutions Group & International Banks is responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. Nordea Bank Russia offers a full range of banking services to corporate customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas.

Asset & Wealth Management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The Asset Management division is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions that is not allocated to the main business areas.

The main objective of Group Finance is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Finance originates from Group Treasury & ALM (TALM).

G3. Segment reporting, cont.

Income statement 2019

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other Operating segments[3]	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,166	1,352	863	54	33	0	4,468	–150	4,318
Net fee and commission income	1,184	615	454	1,430	–4	3	3,682	–671	3,011
Net result from items at fair value	173	210	308	112	151	12	966	58	1,024
Profit from associated undertakings accounted for under the equity method	0	2	0	33	0	18	53	–3	50
Other income	2	20	1	14	7	138	182	50	232
Total operating income	**3,525**	**2,199**	**1,626**	**1,643**	**187**	**171**	**9,351**	**–716**	**8,635**
- of which internal transactions[1]	–678	–275	–464	–22	1,454	–15	0	–	–
Staff costs	–631	–422	–356	–402	–127	–191	–2,129	–888	–3,017
Other expenses	–1,308	–710	–564	–321	92	–117	–2,928	1,289	–1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets	–63	–19	–14	–12	–3	–751	–862	–468	–1,330
Total operating expenses	**–2,002**	**–1,151**	**–934**	**–735**	**–38**	**–1,059**	**–5,919**	**–67**	**–5,986**
Profit before loan losses	**1,523**	**1,048**	**692**	**908**	**149**	**–888**	**3,432**	**–783**	**2,649**
Net loan losses	–135	–140	–255	–1	0	2	–529	–7	–536
Operating profit	**1,388**	**908**	**437**	**907**	**149**	**–886**	**2,903**	**–790**	**2,113**
Income tax expense	–333	–218	–105	–218	–34	215	–693	122	–571
Net profit for the year	**1,055**	**690**	**332**	**689**	**115**	**–671**	**2,210**	**–668**	**1,542**

Balance sheet 31 Dec 2019, EURbn									
Loans to the public[2]	154	83	51	8	–	1	297	26	323
Deposits and borrowings from the public[2]	73	42	35	10	–	1	161	8	169

Income statement 2018

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other Operating segments[3]	Total operating segments[3]	Recon-ciliation	Total Group
Net interest income	2,116	1,320	920	69	40	14	4,479	12	4,491
Net fee and commission income	1,176	578	472	1,411	–19	0	3,618	–625	2,993
Net result from items at fair value	167	297	412	167	73	26	1,142	–54	1,088
Profit from associated undertakings accounted for under the equity method	0	9	0	13	8	91	121	3	124
Other income	6	21	1	21	1	126	176	300	476
Total operating income	**3,465**	**2,225**	**1,805**	**1,681**	**103**	**257**	**9,536**	**–364**	**9,172**
- of which internal transactions[1]	–518	–236	–469	–15	1,251	–13	0	–	–
Staff costs	–635	–427	–393	–460	–128	–24	–2,067	–931	–2,998
Other expenses	–1,279	–757	–544	–316	140	–14	–2,770	1,204	–1,566
Depreciation, amortisation and impairment charges of tangible and intangible assets	–51	–15	–9	–9	–3	0	–87	–395	–482
Total operating expenses	**–1,965**	**–1,199**	**–946**	**–785**	**9**	**–38**	**–4,924**	**–122**	**–5,046**
Profit before loan losses	**1,500**	**1,026**	**859**	**896**	**112**	**219**	**4,612**	**–486**	**4,126**
Net loan losses	–79	–24	–92	–6	0	21	–180	7	–173
Operating profit	**1,421**	**1,002**	**767**	**890**	**112**	**240**	**4,432**	**–479**	**3,953**
Income tax expense	–341	–240	–184	–205	–24	–58	–1,052	180	–872
Net profit for the year	**1,080**	**762**	**583**	**685**	**88**	**182**	**3,380**	**–299**	**3,081**

Balance sheet 31 Dec 2018, EURbn									
Loans to the public[2]	144	81	49	7	–	1	282	26	308
Deposits and borrowings from the public[2]	68	41	35	9	–	1	154	11	165

1) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined inter-segment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Business Support.

2) The volumes are only disclosed separate for operating segments if separately reported to the Chief Operating Decision Maker.

3) Items effecting comparability are generally included in Other Operating segments.

G3. Segment reporting, cont.

Break-down of Business Banking

	Business Banking		Business Banking Direct		Business Banking Other[1]		Total Business Banking	
Income statement, EURm	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	1,135	1,096	220	209	–3	15	1,352	1,320
Net fee and commission income	475	459	172	164	–32	–45	615	578
Net result from items at fair value	176	289	33	17	1	–9	210	297
Profit from associated undertakings accounted for under the equity method	–2	5	0	0	4	4	2	9
Other income	0	1	1	0	19	20	20	21
Total operating income	**1,784**	**1,850**	**426**	**390**	**–11**	**–15**	**2,199**	**2,225**
- of which internal transactions	–280	–233	5	–4	0	1	–275	–236
Staff costs	–170	–173	–49	–51	–203	–203	–422	–427
Other expenses	–649	–681	–203	–216	142	140	–710	–757
Depreciation, amortisation and impairment charges of tangible and intangible assets	–4	–5	–1	–2	–14	–8	–19	–15
Total operating expenses	**–823**	**–859**	**–253**	**–269**	**–75**	**–71**	**–1,151**	**–1,199**
Profit before loan losses	**961**	**991**	**173**	**121**	**–86**	**–86**	**1,048**	**1,026**
Net loan losses	–120	–14	–10	–3	–10	–7	–140	–24
Operating profit	**841**	**977**	**163**	**118**	**–96**	**–93**	**908**	**1,002**
Income tax expense	–202	–234	–39	–29	23	23	–218	–240
Net profit for the year	**639**	**743**	**124**	**89**	**–73**	**–70**	**690**	**762**
Balance sheet 31 Dec, EURbn								
Loans to the public	72	70	11	11	–	–	83	81
Deposits and borrowings from the public	31	30	11	11	–	–	42	41

1) Business Banking Other includes the areas COO, Transaction Banking and Digital Banking.

G3. Segment reporting, cont.

Break-down of Large Corporates & Institutions

	Corporate & Investment Banking		Financial Institutions Group & International Banks		Banking Russia		Capital Markets unallocated		Large Corporates & Institutions Other[1]		Total Large Corporates & Institutions	
Income statement, EURm	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net interest income	814	845	33	33	42	57	–6	1	–20	–16	863	920
Net fee and commission income	376	396	149	132	8	11	–79	–66	0	–1	454	472
Net result from items at fair value	141	146	146	139	12	8	9	119	0	0	308	412
Profit from associated undertakings accounted for under the equity method	–	–	–	–	–	–	–	–	–	–	–	–
Other income	0	0	0	0	1	0	1	1	–1	0	1	1
Total operating income	**1,331**	**1,387**	**328**	**304**	**63**	**76**	**–75**	**55**	**–21**	**–17**	**1,626**	**1,805**
- of which internal transactions	–342	–306	–31	–42	–50	–54	–34	–56	–7	–11	–464	–469
Staff costs	–74	–98	–10	–10	–18	–21	–201	–214	–53	–50	–356	–393
Other expenses	–412	–407	–231	–208	–14	–19	68	86	25	4	–564	–544
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–3	–2	0	0	–11	–7	–14	–9
Total operating expenses	**–486**	**–505**	**–241**	**–218**	**–35**	**–42**	**–133**	**–128**	**–39**	**–53**	**–934**	**–946**
Profit before loan losses	**845**	**882**	**87**	**86**	**28**	**34**	**–208**	**–73**	**–60**	**–70**	**692**	**859**
Net loan losses	–307	–43	–1	–1	53	–48	0	0	0	0	–255	–92
Operating profit	**538**	**839**	**86**	**85**	**81**	**–14**	**–208**	**–73**	**–60**	**–70**	**437**	**767**
Income tax expense	–129	–201	–21	–20	–19	3	50	18	14	16	–105	–184
Net profit for the year	**409**	**638**	**65**	**65**	**62**	**–11**	**–158**	**–55**	**–46**	**–54**	**332**	**583**
Balance sheet 31 Dec, EURbn												
Loans to the public	48	45	2	2	1	2	–	–	–	–	51	49
Deposits and borrowings from the public	24	24	10	10	1	1	–	–	–	–	35	35

1) Large Corporates & Institutions Other includes the areas International Divisions and COO.

Break-down of Asset & Wealth Management

	Private Banking		Asset Management		Life & Pensions unallocated		Asset & Wealth Management Other[1]		Total Asset & Wealth Management	
Income statement, EURm	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net interest income	58	77	–2	–3	0	0	–2	–5	54	69
Net fee and commission income	447	444	920	899	310	318	–247	–250	1,430	1,411
Net result from items at fair value	34	32	–2	9	79	127	1	–1	112	167
Profit from associated undertakings accounted for under the equity method	–	–	–	–	33	13	–	–	33	13
Other income	0	5	7	9	0	11	7	–4	14	21
Total operating income	**539**	**558**	**923**	**914**	**422**	**469**	**–241**	**–260**	**1,643**	**1,681**
- of which internal transactions	–19	–12	1	1	0	0	–4	–4	–22	–15
Staff costs	–116	–162	–175	–164	–64	–85	–47	–49	–402	–460
Other expenses	–222	–233	–90	–124	–131	–61	122	102	–321	–316
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	–1	–4	0	–3	–6	–5	–2	–12	–9
Total operating expenses	**–338**	**–396**	**–269**	**–288**	**–198**	**–152**	**70**	**51**	**–735**	**–785**
Profit before loan losses	**201**	**162**	**654**	**626**	**224**	**317**	**–171**	**–209**	**908**	**896**
Net loan losses	–1	–6	–	–	–	–	–	–	–1	–6
Operating profit	**200**	**156**	**654**	**626**	**224**	**317**	**–171**	**–209**	**907**	**890**
Income tax expense	–48	–36	–157	–144	–54	–73	41	48	–218	–205
Net profit for the year	**152**	**120**	**497**	**482**	**170**	**244**	**–130**	**–161**	**689**	**685**
Balance sheet 31 Dec, EURbn										
Loans to the public	8	7	–	–	–	–	–	–	8	7
Deposits and borrowings from the public	10	9	–	–	–	–	–	–	10	9

1) Asset & Wealth Management Other includes the areas Savings and COO.

G3. Segment reporting, cont.

Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2019	2018	2019	2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Total Operating segments	9,351	9,536	2,903	4,432	297	282	161	154
Group functions[1]	−7	25	−222	−141	–	–	–	–
Unallocated items	27	235	−85	140	29	28	9	12
Eliminations	−8	−7	–	–	–	–	–	–
Differences in accounting policies[2]	−728	−617	−483	−478	−3	−2	−1	−1
Total	**8,635**	**9,172**	**2,113**	**3,953**	**323**	**308**	**169**	**165**

1) Consists of Group Business Risk Management, Group People, Group Legal, Group Internal Audit, Chief of staff office, Group Business Support and Group Risk & Compliance.
2) Impact from different plan exchange rates and internal allocation principles used in the segment reporting.

Total operating income split on product groups

EURm	2019	2018
Banking products	5,642	5,811
Capital Markets products	927	931
Savings products & Asset management	1,455	1,440
Life & Pensions	418	468
Other	193	522
Total	**8,635**	**9,172**

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds are a bundled product in which the fund company invests in stocks, bonds, derivatives or other standardised products on behalf of the funds shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advice is a service provided to support customers investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2019	2018	31 Dec 2019	31 Dec 2018
Sweden	2,232	2,665	139	144
Finland	1,726	1,731	127	133
Norway	1,684	1,660	97	86
Denmark	2,447	2,493	177	168
Other	546	623	15	20
Total	**8,635**	**9,172**	**555**	**551**

Nordea's main geographical markets comprise the Nordic countries. Revenues and assets are distributed to geographical areas based on the location of customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G4. Net interest income

Interest income

EURm	2019	2018
Interest income calculated using the effective interest rate method[1]	6,399	5,978
Other interest income	1,350	1,447
Negative yield on financial assets	−309	−172
Interest expense	−3,334	−2,902
Negative yield on financial liabilities	212	140
Net interest income	**4,318**	**4,491**

1) Of which contingent leasing income amounts to EUR 78m (EUR 70m). Contingent leasing income at Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases, there will be an offsetting impact from lower funding expenses. Interest income on the net investment in finance leases amounts to EUR 155m (EUR 147m).

G4. Net interest income, cont.

Interest income calculated using the effective interest rate method

EURm	2019	2018
Loans to credit institutions	589	529
Loans to the public	5,345	5,066
Interest-bearing securities	254	274
Yield fees and interest on hedges of assets	211	109
Interest income calculated using the effective interest rate method	**6,399**	**5,978**

Other interest income

EURm	2019	2018
Loans at fair value to the public	1,177	793
Interest-bearing securities measured at fair value	181	210
Yield fees and other interest income on fair value assets	–8	444
Other interest income	**1,350**	**1,447**

Interest expense

EURm	2019	2018
Deposits by credit institutions	–328	–336
Deposits and borrowings from the public	–523	–457
Debt securities in issue	–2,729	–2,585
Subordinated liabilities	–417	–335
Other interest expenses[1]	663	811
Interest expense	**–3,334**	**–2,902**

1) The net interest income from derivatives, measured at fair value, related to Nordea´s funding. This can have both a positive and negative impact on other interest expenses, for further information see Note G1 "Accounting policies".

Interest from categories of financial instruments

EURm	2019	2018
Financial assets at fair value through other comprehensive income	214	253
Financial assets at amortised cost	5,929	5,675
Financial assets at fair value through profit or loss (related to hedging instruments)	–7	–85
Financial assets at fair value through profit or loss	1,304	1,410
Financial liabilities at amortised cost	–3,129	–2,879
Financial liabilities at fair value through profit or loss	7	117
Net Interest Income	**4,318**	**4,491**

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

G5. Net fee and commission income

EURm	2019	2018
Asset management commissions	1,455	1,440
- of which income	1,748	1,741
- of which expense	–293	–301
Life & Pension	251	258
- of which income	259	290
- of which expense	–8	–32
Deposit Products	23	23
- of which income	23	23
Brokerage, securities issues and corporate finance	157	173
- of which income	368	280
- of which expense	–211	–107
Custody and issuer services	41	49
- of which income	74	90
- of which expense	–33	–41
Payments	307	302
- of which income	413	419
- of which expense	–106	–117
Cards	220	218
- of which income	350	341
- of which expense	–130	–123
Lending Products	429	399
- of which income	458	425
- of which expense	–29	–26
Guarantees	111	116
- of which income	131	133
- of which expense	–20	–17
Other	17	15
- of which income	107	104
- of which expense	–90	–89
Total	**3,011**	**2,993**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 390m (EUR 383m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 2,375m (EUR 2,311m). The corresponding amount for fee expenses is EUR –8m (EUR –32m).

G5. Net fee and commission income, cont.

Break down by Business Areas

EURm, 2019	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & Elimination	Nordea Group
Asset management commissions	179	33	5	1,238	0	0	1,455
Life & Pension	59	27	5	160	0	0	251
Deposit Products	9	13	1	0	0	0	23
Brokerage, securities issues and corporate finance	23	29	75	33	0	–3	157
Custody and issuer services	6	5	36	3	–7	–2	41
Payments	83	160	69	1	1	–7	307
Cards	149	48	13	1	0	9	220
Lending Products	139	133	154	3	0	0	429
Guarantees	9	36	66	0	0	0	111
Other	16	10	20	–23	1	–7	17
Total	**672**	**494**	**444**	**1,416**	**–5**	**–10**	**3,011**

EURm, 2018	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & Elimination	Nordea Group
Asset management commissions	179	37	11	1,213	0	0	1,440
Life & Pension	60	24	4	170	0	0	258
Deposit Products	10	11	2	0	0	0	23
Brokerage, securities issues and corporate finance	25	20	102	31	–2	–3	173
Custody and issuer services	8	7	36	9	–10	–1	49
Payments	89	164	53	–1	1	–4	302
Cards	170	35	12	1	0	0	218
Lending Products	117	101	179	1	0	1	399
Guarantees	7	40	71	0	0	–2	116
Other	21	18	3	–15	–4	–8	15
Total	**686**	**457**	**473**	**1,409**	**–15**	**–17**	**2,993**

G6. Net result from items at fair value

EURm	2019	2018
Equity related instruments	734	226
Interest related instruments and foreign exchange gains/losses	110	684
Other financial instruments (including credit and commodities)	103	55
Life insurance[1,2]	77	123
Total	**1,024**	**1,088**

1) Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.

2) Premium income amounts to EUR 394m (EUR 840m).

Break-down of life insurance

EURm	2019	2018
Equity related instruments	1,571	–515
Interest related instruments and foreign exchange gains/losses	283	–65
Investment properties	123	125
Change in technical provisions	–1,794	20
Change in collective bonus potential	–139	512
Insurance risk income	66	91
Insurance risk expense	–33	–45
Total	**77**	**123**

Net result from categories of financial instruments

EURm	2019	2018
Financial assets at fair value through other comprehensive income	90	–45
Financial assets designated at fair value through profit or loss	199	–41
Financial liabilities designated at fair value through profit or loss	–5,167	1,385
Financial assets and liabilities mandatorily at fair value through profit or loss[1]	7,651	–1,885
Financial assets at amortised cost[2]	206	104
Financial liabilities at amortised cost	–732	315
Foreign exchange gains/losses excluding currency hedges	94	512
Non-financial assets and liabilities	–1,317	743
Total	**1,024**	**1,088**

1) Of which amortised deferred day one profit amounts to EUR 41m (EUR 39m).

2) Gain or loss recognised in the income statement arising from derecognition of financial assets measured at amortised cost amounts to EUR 65m (EUR 53m) of which EUR 65m (EUR 53m) is gains and EUR 0m (EUR 0m) is losses. The reason for derecognition is that the assets have been prepaid by the customer or sold.

G7. Other operating income

EURm	2019	2018
Divestments of shares[1]	138	385
Income from real estate	3	2
Sale of tangible and intangible assets	9	9
Other	82	80
Total	**232**	**476**

1) 2019: Gain related to sale of LR Realkredit EUR 138m. 2018: Gain related to sale of Nordea Liv & Pension Denmark EUR 262m, gain related to divestment of UC EUR 87m and sale of Ejendomme EUR 36m.

G8. Staff costs

EURm	2019	2018
Salaries and remuneration (specification below)[1]	−2,370	−2,361
Pension costs (specification below)	−269	−292
Social security contributions	−452	−434
Other staff costs[2]	74	89
Total	**−3,017**	**−2,998**
Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	−19	−22
- Performance-related compensation	−7	−11
Total	**−26**	**−33**
To other employees	−2,344	−2,328
Total	**−2,370**	**−2,361**

1) Of which allocation to profit sharing 2019 EUR 10m (EUR 57m), consisting of a new allocation of EUR 22m (EUR 46m) and an adjustment related to prior years of EUR 12m (EUR 10m).
2) Including capitalisation of IT project with EUR 166m (EUR 190m).
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Leadership Team in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are also included. Executives amount to 137 (130) individuals.

Pension costs[1]

EURm	2019	2018
Defined benefits plans (Note G34)[2]	−37	−43
Defined contribution plans	−232	−249
Total	**−269**	**−292**

1) Pension cost for executives, as defined in footnote 3 above, amounts to EUR 4m (EUR 3m) and pension obligations to EUR 8m (EUR 13m).
2) Excluding social security contributions. Including social security contributions EUR 46m (EUR 54m).

G8. Staff costs, cont.

Remuneration for the Board of Directors, the CEO and Group Leadership Team

Board remuneration

The Annual General Meeting (AGM) 2019 decided on annual remuneration for the Board of Directors (the Board), for the Chairman amounting to EUR 300,000, for the Deputy Chairman EUR 145,000 and for other members to EUR 95,000.

In addition, the annual remuneration paid for board committee work on the Board Operations and Sustainability Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 60,000 for the committee chairmen and EUR 30,000 for the other members. Remuneration for board committee work on the Board Remuneration Committee amounts to EUR 42,000 for the committee chairman and EUR 26,000 for the other members.

Separate remuneration is not paid to members who are employees of the Nordea Group.

Nordea covers or reimburses all direct expenses for the members of the Board of Directors, including travel, logistics and accommodation, related to board work.

There are no commitments for severance pay, pension or other remuneration for the members of the Board at 31 December 2019.

Remuneration to the Board of Directors[1]

EUR	2019	2018
Chairman of the Board:		
Torbjörn Magnusson[6]	267,000	–
Björn Wahlroos[4]	80,088	320,045
Vice Chairman of the Board:		
Kari Jordan[5]	128,250	–
Lars G Nordström[4]	42,725	180,323
Other Board members[2]:		
Pernille Erenbjerg	146,638	121,434
Nigel Hinshelwood	181,300	120,818
Petra von Hoeken[5]	116,250	–
Robin Lawther	134,750	127,879
Torbjörn Magnusson[6]	30,388	91,552
John Maltby[5]	116,250	–
Sarah Russell	151,400	140,467
Silvija Seres[4]	30,388	121,435
Kari Stadigh[3]	–	34,566
Birger Steen	173,900	140,467
Maria Varsellona	124,138	121,434
Lars Wollung[3]	–	29,882
Total	**1,723,465**	**1,550,302**

1) Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. Any benefits are included at taxable values.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2018.
4) Resigned as member of the Board as from the AGM 2019.
5) New member of the Board as from the AGM 2019.
6) Elected as Chairman of the Board as from the AGM 2019

G8. Staff costs, cont.

Remuneration to the Chief Executive Officer (CEO) and Group Leadership Team (GLT)

	Fixed salary[1]		GLT Executive Incentive Programme[2]		Benefits[1]		Total	
EUR	2019	2018	2019	2018	2019	2018	2019	2018
Chief Executive Officer:								
Frank Vang-Jensen[3]	408,314	–	158,416	–	7,844	–	574,574	–
Casper von Koskull[4]	958,339	1,334,678	229,145	691,000	50,509	92,571	1,237,993	2,118,249
Interim Deputy Managing Director:								
Jussi Koskinen[5]	131,729	–	59,905	–	4,414	–	196,048	–
Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen[6]	877,633	1,258,392	214,972	775,699	43,921	58,399	1,136,526	2,092,490
Group Leadership Team:								
9 (9) individuals excluding CEO and Interim Deputy Managing Director[7]	5,232,982	5,600,291	1,454,983	3,298,847	86,786	86,987	6,774,751	8,986,125
Total	**7,608,997**	**8,193,361**	**2,117,421**	**4,765,546**	**193,474**	**237,957**	**9,919,892**	**13,196,864**
Former Chief Executive Officer:								
Casper von Koskull	417,852	–	109,470	–	18,649	–	545,971	–
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	302,702	–	–	–	833	–	303,535	–
Total[8]	**8,329,551**	**8,193,361**	**2,226,891**	**4,765,546**	**212,956**	**237,957**	**10,769,398**	**13,196,864**

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable. Benefits are included at taxable values after salary deductions (if any).

2) Up until 2012 the CEO and members of GLT were offered a Variable Salary Part (VSP) and a share-based Long Term Incentive Programme (LTIP). Since 2013, an Executive Incentive Programme (formerly GEM EIP, now GLT EIP) was offered. The outcome from GLT EIP 2019 has been expensed in full in 2019 but will be paid out over a five-year deferral period with forfeiture clauses compliant to remuneration regulations. Part of the GLT EIP 2019 deferred outcome is delivered in Nordea shares (excluding dividends), with a post-deferral one-year retention period.

3) The annual fixed base salary of Frank Vang-Jensen as CEO was EUR 1,250,000 in 2019. Benefits included primarily car benefits, amounting to EUR 7,293. Frank Vang-Jensen took up the position as CEO on 5 September 2019.

4) The annual fixed base salary to Casper von Koskull as CEO was EUR 1,354,462 in 2019. Benefits included primarily housing benefits and tax consultation, amounting to EUR 45,370. Casper von Koskull stepped down as CEO on 5 September 2019.

5) The annual fixed base salary to Jussi Koskinen as Interim Deputy Managing Director was EUR 450,000 in 2019. Benefits included primarily car benefits, amounting to EUR 4,059. Jussi Koskinen took up the position as Interim Deputy Managing Director on 10 September 2019.

6) The annual fixed base salary to Torsten Hagen Jørgensen as Group COO and Deputy CEO was DKK 8,560,000 (EUR 1,146,516) in 2019. In addition, car and holiday allowance paid amount to DKK 608,053 (EUR 81,442). Benefits included primarily housing benefits, amounting to EUR 41,846. Torsten Hagen Jørgensen stepped down as Group COO and Deputy CEO by 10 September 2019.

7) Remuneration to other GLT members is included for the period they have been appointed and eligible for GLT EIP 2019. Two GLT members left Nordea during 2019, one on 8 May 2019 and one on 10 September 2019. Two new GLT members were appointed on 17 December 2019.

8) Severance pay committed during 2019 to the five executives leaving Nordea amounts to EUR 2,427,212, of which EUR 0 is to the former CEO. Total remuneration to be paid in 2020 during the notice period to the five executives after leaving Nordea amounts to EUR 3,547,455, of which EUR 1,540,425 is to the former CEO and includes fixed salary, pension cost and benefits. These provisions are not included in the above table.

Long Term Incentive Programmes (LTIP) 2012

LTIP 2012 was fully expensed in May 2015. All shares in LTIP 2012 are fully vested and consequently not conditional. 60% of the vested shares were deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2012 starting May 2015. See also the separate Remuneration section on page 56 for more details. The numbers of outstanding shares are presented as of 31 December 2019.

No current GLT members have outstanding LTIP shares.

Number of outstanding shares	LTIP 2012
Former Chief Executive Officers (former CEOs):	
Christian Clausen	15,075
Casper von Koskull	10,620
Former Group Chief Operating Officer and Deputy Chief Executive Officer (former Group COO and Deputy CEO):	
Torsten Hagen Jørgensen	9,848
Total	**35,543**

Salary and benefits

The BRC prepares alterations in salary levels and outcome of the GLT Executive Incentive Programme (GLT EIP) as well as other changes in the remuneration package for the Chief Executive Officer (CEO), the Interim Deputy Managing Director and the other members of Group Leadership Team (GLT), for resolution by the Board.

GLT EIP 2019, which is based on specific targets, could be a maximum of 100% of fixed base salary. In accordance with remuneration regulations 40% of the GLT EIP 2019 will be paid out in 2020, 30% will be deferred to 2023 and 30% to 2025. In line with regulatory requirements, 50% of the GLT EIP 2019 outcome is delivered in Nordea shares, which are subject to retention for 12 months when the deferral period ends.

Benefits included primarily car benefits, tax consultation and housing.

Members of the GLT are indemnified for legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations from third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board of Directors decides otherwise on a case-by-case basis. The indemnity is secondary to any other insurance coverage.

Chief Executive Officer (CEO) from 5 September 2019

Frank Vang-Jensen was appointed CEO on 5 September 2019. Remuneration for the CEO consists of three components:

G8. Staff costs, cont.

Fixed salary, the GLT Executive Incentive Programme (GLT EIP) and benefits.

The annual fixed base salary for the CEO was decided to be EUR 1,250,000 as of 5 September 2019.

The GLT EIP 2019 was based on specific targets and could amount to a maximum of 100% of fixed base salary. For 2019, as CEO, the outcome of the GLT EIP amounted to EUR 158,416.

The benefits for 2019 amounted to EUR 7,844 and include primarily car benefits.

Total earned remuneration for 2019, as CEO, based on the three components (excluding pension) amounted to EUR 574,574.

Chief Executive Officer (CEO) until 5 September 2019

Casper von Koskull was appointed CEO on 1 November 2015 and stepped down on 5 September 2019. Remuneration until 5 September 2019 for the CEO consisted of three components: Fixed salary, the GLT Executive Incentive Programme (GLT EIP) and benefits.

The annual fixed base salary as CEO was decided to be EUR 1,354,462 as from 1 January 2019.

The GLT EIP 2019 was based on specific targets and can amount to a maximum of 100% of fixed base salary. For 2019 the outcome of the GLT EIP amounted to EUR 229,145. The outcome is pro-rata reflecting the period until 5 September 2019.

The benefits for 2019 amounted to EUR 50,509 and included primarily housing benefits and tax consultation.

The total earned remuneration for 2019, as CEO, based on the three components (excluding pension) amounted to EUR 1,237,993.

The CEO took part in past LTIPs until 2012. For more information on LTIP see the separate section on remuneration in the Board of Directors' report and above.

Interim Deputy Managing Director from 10 September 2019

Jussi Koskinen was appointed Interim Deputy Managing Director on 10 September 2019. Remuneration for the Interim Deputy Managing Director consisted of three components: Fixed salary, the GLT Executive Incentive Programme (GLT EIP) and benefits.

The annual fixed base salary, as Interim Deputy Managing Director, was EUR 450,000 including holiday allowance as of 10 September 2019.

The GLT EIP 2019 was based on specific targets and can amount to a maximum of 100% of fixed base salary. For 2019 the outcome of the GLT EIP amounted to EUR 59,905.

The benefits for 2019 amounted to EUR 4,414 and included primarily car benefits.

The total earned remuneration for 2019, as Interim Deputy Managing Director, based on the three components (excluding pension) amounted to EUR 196,048.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO) until 10 September 2019

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO on 1 November 2015 and stepped down on 10 September 2019. Remuneration for the Group COO and Deputy CEO consisted of three components: Fixed salary, the GLT EIP and benefits.

The annual fixed base salary as Group COO and Deputy CEO for 2019 was decided to be DKK 8,560,000 (EUR 1,146,516).

The GLT EIP 2019 was based on specific targets and can amount to a maximum of 100% of fixed base salary. For 2019 the outcome of the GLT EIP amounted to EUR 214,972. The outcome is pro-rata reflecting the period until 10 September 2019.

The benefits for 2019 amounted to EUR 43,921 and included primarily housing benefits.

The total earned remuneration for 2019, as Group COO and Deputy CEO, based on the three components (excluding pension) amounted to EUR 1,136,526.

The Group COO and Deputy CEO took part in past LTIPs until 2012. For more information on the LTIPs, see the separate section on remuneration in the Board of Directors' report and above.

Former Chief Executive Officer (former CEO) from 5 September 2019

Remuneration for the former CEO consisted of three components: Fixed salary, the GLT Executive Incentive Programme (GLT EIP) and benefits. Total earned remuneration for 2019, as Former CEO, based on the three components (excluding pension) amounted to EUR 545,971.

Former Group Chief Operating Officer and Deputy Chief Executive Officer (former Group COO and Deputy CEO) from 10 September 2019

Remuneration for the former Group COO and deputy CEO consisted of three components: Fixed salary, the GLT Executive Incentive Programme (GLT EIP) and benefits. Total earned remuneration for 2019, as former Group COO and Deputy CEO, based on the three components (excluding pension) amounted to EUR 303,535

Pension

Chief Executive Officer (CEO) from 5 September 2019

The CEO is covered by a defined contribution plan from 5 September 2019. The pension contribution was 30% of the fixed base salary.

Chief Executive Officer (CEO) until 5 September 2019

During the period 1 January 2019 to 5 September 2019 the CEO was covered by the Finnish statutory pension scheme and in addition had a defined contribution plan corresponding to 8.5% of fixed salary. According to the statutory pension rules the part of the GLT EIP 2019 outcome paid or retained in 2020 is included in pensionable income.

Interim Deputy Managing Director from 10 September 2019

The Interim Deputy Managing Director is covered by the Finnish statutory pension scheme. According to the statutory pension rules the part of the GLT EIP 2019 outcome paid or retained in 2020 is included in pensionable income.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO) until 10 September 2019

The Group COO and Deputy CEO had a defined contribution plan. The pension contribution was 30% of fixed base salary.

Former Chief Executive Officer (former CEO) from 5 September 2019

During the period 5 September 2019 to 31 December 2019 the former CEO was covered by the Finnish statutory pension scheme and in addition had a defined contribution plan corresponding to 8.5% of fixed salary.

G8. Staff costs, cont.

Former Group Chief Operating Officer and Deputy Chief Executive Officer (former Group COO and Deputy CEO) from 10 September 2019

During the notice period the former Group COO and Deputy CEO had a defined contribution plan. The pension contribution was 30% of fixed base salary.

Group Leadership Team (GLT)

The pension agreements for the other seven GLT members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

As of 31 December 2019, three members had pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution was in total 30% of fixed salary.

One member had a defined contribution plan in accordance with local practices in Denmark. The pension contribution is in total 30% of fixed base salary.

One member was covered by the Finnish statutory pension scheme and in addition had a defined contribution plan corresponding to 8.5% of fixed salary.

Two members do not have a pension agreement with Nordea.

Pension expense and pension obligation

	2019		2018	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Chief Executive Officer (CEO):				
Frank Vang-Jensen	122,494	–	–	–
Casper von Koskull	74,620	–	313,663	357,936
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen	238,857	–	344,546	–
Group Leadership Team (GLT):				
9 (9) individuals excluding CEO and Interim Deputy Managing Director[3]	905,302	1,004,303	872,073	777,583
Board members:[4]				
Lars G Nordström	–	–	–	312,465
Total	**1,341,273**	**1,004,303**	**1,530,282**	**1,447,984**
Former Chairman of the Board, former CEOs and Deputy CEOs:				
Vesa Vainio[5]	–	5,118,594	–	4,844,682
Lars G Nordström	–	313,010	–	–
Casper von Koskull[6]	35,026	399,536	–	–
Torsten Hagen Jørgensen[7]	96,893	–	–	–
Total	**1,473,192**	**6,835,443**	**1,530,282**	**6,292,666**

1) The pension expense is related to pension premiums paid under defined contribution agreements and pension rights earned during the year under defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 1,436,414 (EUR 1,471,537) relates to defined contribution agreements. Contributions to the Finnish statutory pension schemes are reported as part of the social charges and thus excluded from the above disclosure.

2) The pension obligation (value of defined benefit pension plan liabilities) is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter-annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, so that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.

3) Members of GLT included for the period they are appointed. The pension obligation is the value of pension liabilities toward three Swedish GLT members on 31 December 2019.

4) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.

5) The pension obligation is mainly due to defined benefit pension rights earned at, and funded by, banks forming Nordea. The increase compared to 2018 is mainly due to lower interest rates applied in the valuation.

6) The pension obligation is in accordance with the collective pension agreement BTP2 in Sweden and earned from 5 September to 31 December 2019.

7) The pension contribution is in accordance with the agreed terms and conditions for the period from 10 September to 31 December 2019.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has severance pay equal to 12 months' salary, to be reduced by any salary he receives from other employment during these 12 months.

The Interim Deputy Managing Director and seven GLT members have a notice period of six months and Nordea a notice period of 12 months. Severance pay of up to 12 months' salary is provided to be reduced by any salary the executive receives from other employment during the severance pay period.

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 56. Additional disclosures for all Nordea employees will be published in a separate report on www.nordea.com no later than one week before the Annual General Meeting on 25 March 2020.

G8. Staff costs, cont.

Loans to key management personnel

Loans to key management personnel, as defined in Note G1 section 28, amount to EUR 2m (EUR 5m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 30 basis points. In Denmark the employee interest rate for loans is variable and was 2.25% at 31 December 2019. In Norway the employee interest rate for loans is variable and was 2.30% at 31 December 2019. In Sweden the employee interest rate on fixed and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 50 Swedish price base amounts both on fixed and variable interest rate loans. For interest on loans above the defined caps, the same terms apply as for premium customers. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Long Term Incentive Programmes

LTIP 2012 was fully expensed in May 2015. All shares in LTIP 2012 are fully vested and consequently not conditional. 60% of the vested shares were deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2012 starting May 2015. See also the separate Remuneration section on page 56 for more details. The numbers of outstanding shares are presented as of 31 December 2019.

Long Term Incentive Programmes

	2019			2018		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the year	69,305	207,915	69,305	147,251	441,753	147,251
Granted[1]	6,925	20,775	6,925	11,576	34,728	11,576
Forfeited	–	–	–	–	–	–
Allotted	–38,115	–114,345	–38,115	–89,522	–268,566	–89,522
Outstanding at end of year[2]	**38,115**	**114,345**	**38,115**	**69,305**	**207,915**	**69,305**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	40,794	68,160	18,357	75,642	126,385	34,038
Granted[1]	4,072	6,803	1,832	5,946	9,935	2,676
Forfeited	–	–	–	–	–	–
Allotted	–44,866	–74,963	–20,189	–40,794	–68,160	–18,357
Outstanding at end of year[2]	**0**	**0**	**0**	**40,794**	**68,160**	**18,357**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	0	0	0	19,193	20,275	8,634
Forfeited	–	–	–	–	–	–
Allotted	–	–	–	–19,193	–20,275	–8,634
Outstanding at end of year[2]	**0**	**0**	**0**	**0**	**0**	**0**
- of which currently exercisable	–	–	–	–	–	–

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

Share-based payment transactions

From 2019, Nordea operates deferrals in financial instruments on parts of variable remuneration for certain employee categories. Parts of variable remuneration are deferred for delivery after three years or deferred for delivery in equal instalments over a three to five year period. Once financial instruments are no longer in deferral, a retention period for certain employee categories is applied. Since 2011 and until 2018, Nordea operated share-linked deferrals as well as retention on parts of variable remuneration through the use indexation with Nordea's Total Shareholder Return (TSR) for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition, in 2013 Nordea introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to recruit, motivate and retain selected people leaders and key employees outside of GLT, and aims to reward strong performance. The aim is also to further stimulate these people whose efforts have direct impact on Nordea's result, profitability and long term value growth. The EIP rewards performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. The EIP for 2019 shall be paid in the form of cash and financial instruments and be subject to deferral, forfeiture clauses and retention in line with relevant remuneration regulations. Deferred EIP awards are normally delivered pro-rata during the deferral period. There are no vesting conditions for the programme, but forfeitures and clawbacks are possible under certain conditions. Participation in the programme is offered to up to 400 selected people leaders and key employees,

G8. Staff costs, cont.

except for members of GLT who were instead offered a GLT EIP (further information about the GLT EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. The EIP is offered instead of Nordea's LTIP and VSP for the employees invited. The allocation of the EIP 2019 is decided during spring 2020. A provision of EUR 20m excl. social costs is made 2019 for the cash settled part. The same amount was recognised as an expense in the income statement for the equity settled part and as an increase in equity in the balance sheet.

The table below only includes deferred amounts indexed with Nordea TSR. The EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals	
EURm	2019	2018
Opening balance	89	109
Deferred/earned during the year	40	45
TSR indexation during the year	–11	–15
Payments during the year	–44	–49
Translation differences	–	–1
Closing balance	**74**	**89**

Gender distribution

In the parent company's Board of Directors, of the AGM elected Board members, 50% (50%) were men and 50% (50%) were women. In the Board of Directors of the Nordea Group companies, 68% (70%) were men and 32% (30%) were women. The corresponding numbers for other executives were 74% (72%) men and 26% (28%) women. Internal Boards consist mainly of management in Nordea, the employee representatives excluded.

Average number of employees, Full-time equivalents

	Total		Men		Women	
	2019	2018	2019	2018	2019	2018
Denmark	7,904	8,505	4,560	4,826	3,344	3,679
Sweden	6,712	7,055	3,294	3,494	3,418	3,561
Finland	6,368	6,459	2,448	2,404	3,920	4,055
Norway	2,952	2,962	1,599	1,598	1,353	1,364
Poland	4,006	2,980	2,274	1,636	1,732	1,344
Russia	335	396	123	148	212	248
Estonia	432	253	142	78	290	175
Luxembourg	254	434	141	245	113	189
United States	116	116	56	56	60	60
Singapore	64	75	28	32	36	43
United Kingdom	54	58	31	35	23	23
Germany	45	44	27	26	18	18
China	29	29	12	12	17	17
Switzerland	5	10	4	5	1	5
Italy	10	9	7	6	3	3
Spain	6	5	3	3	3	2
Brazil	0	2	0	2	–	–
France	3	3	3	3	–	–
Chile	3	–	2	–	1	–
Belgium	2	–	2	–	–	–
Total average	**29,300**	**29,395**	**14,756**	**14,609**	**14,544**	**14,786**
Total number of employees (FTEs), end of period	**29,000**	**28,990**				

G9. Other expenses

EURm	2019	2018
Information technology	–530	–484
Marketing and representation	–59	–60
Postage, transportation, telephone and office expenses	–66	–83
Rents, premises and real estate	–150	–312
Resolution fee	–211	–167
Other	–623	–460
Total	**–1,639**	**–1,566**

Auditors' fees

EURm	2019	2018
PricewaterhouseCoopers		
Auditing assignments	–9	–10
Audit-related services[1]	–1	–1
Tax advisory services	–	0
Other assignments[1]	–1	–1
Total	**–11**	**–12**

1) Of which Audit-related services EUR 0.1m (EUR 0.1m) and Other assignments EUR 0.4m (EUR 0.5m) to PricewaterhouseCoopers Oy.

G10. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2019	2018
Depreciation/amortisation		
Properties and equipment	–275	–113
Intangible assets	–283	–194
Total	**–558**	**–307**
Impairment charges		
Properties and equipment	–27	–
Intangible assets	–745	–175
Total	**–772**	**–175**
Total	**–1,330**	**–482**

G11. Net loan losses

EURm, 2019	Loans to central banks and credit institutions[2]	Loans to the public[2]	Interest-bearing securities	Off balance sheet items[3]	Total
Net loan losses, stage 1	2	–6	1	–15	–18
Net loan losses, stage 2	6	–46	0	–29	–69
Net loan losses, non-defaulted	**8**	**–52**	**1**	**–44**	**–87**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	1	–48	–	–1	–48
Realised loan losses	–	–443	–	–9	–452
Decrease of provisions to cover realised loan losses	–	312	–	9	321
Recoveries on previous realised loan losses	1	46	–	–	47
Reimbursement right	–	–	–	3	3
New/increase in provisions	–	–555	–	–16	–571
Reversals of provisions	–	223	–	28	251
Net loan losses, defaulted	**2**	**–465**	**0**	**14**	**–449**
Net loan losses	**10**	**–517**	**1**	**–30**	**–536**

EURm, 2018	Loans to central banks and credit institutions[2]	Loans to the public[2]	Interest-bearing securities	Off balance sheet items[3]	Total
Net loan losses, stage 1	3	–14	0	–5	–16
Net loan losses, stage 2	10	51	0	–10	51
Net loan losses, non-defaulted	**13**	**37**	**0**	**–15**	**35**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	3	–47	–	–1	–45
Realised loan losses	–1	–465	–	–13	–479
Decrease of provisions to cover realised loan losses	–	280	–	13	293
Recoveries on previous realised loan losses	2	42	–	–	44
New/increase in provisions	–	–494	–	–60	–554
Reversals of provisions	0	456	–	77	533
Net loan losses, defaulted	**4**	**–228**	**–**	**16**	**–208**
Net loan losses	**17**	**–191**	**0**	**1**	**–173**

1) Includes individually identified assets for which the provision has been calculated based on statistical models.
2) Provisions included in Note G14 "Loans and impairment".
3) Provisions included in G33 "Provisions".

G12. Taxes

Income tax expense

EURm	2019	2018
Current tax	–1,051	–891
Deferred tax	480	19
Total	**–571**	**–872**

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

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

EURm	2019	2018
Profit before tax	2,113	3,953
Tax calculated at a tax rate of 20.0%	–423	–791
Effect of different tax rates in other countries	–61	–197
Interest on subordinated debt	–24	–18
Income from associated undertakings	–18	22
Tax-exempt income	53	158
Non-deductible expenses	–46	–30
Adjustments relating to prior years	–26	17
Utilisation and origination of unrecognised tax assets	–57	0
Change of tax rate	–2	10
Effect of outside basis differences	49	0
Not creditable foreign taxes	–16	–43
Tax charge	**–571**	**–872**
Average effective tax rate	27%	22%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Deferred tax related to:				
Tax losses carry-forward	118	105	–	–
Loans to the public	74	36	387	363
Derivatives	126	2	28	355
Intangible assets	0	3	94	63
Investment properties	0	–	4	34
Retirement benefit assets/obligations	126	39	46	30
Liabilities/provisions	160	66	56	32
Foreign tax credits	225	101	193	–
Other	11	7	26	24
Netting between deferred tax assets and liabilities	–353	–195	–353	–195
Total	**487**	**164**	**481**	**706**

The Nordea Group has EUR 487m (EUR 164m) deferred tax assets on the balance sheet at the end of 2019. The recognition of deferred tax assets is based on an assessment of the probability and amount of future taxable profits and on future reversals of existing taxable temporary differences, which include estimation uncertainty. The estimation uncertainties that are assessed to pose significant risks of resulting in material adjustments to the carrying amount of deferred tax assets are described below.

The balance includes a gross asset of EUR 104m recognised in relation to Danish tax losses of Nordea Bank Abp. These losses can be carried forward with no expiry. Management expects the tax losses to be utilised within the next three to four years based on estimated taxable profits available under currently applied capitalisation policies for tax purposes, and sooner if the company opts out from recognising expenses for tax purposes in excess of expenses under accounting rules. Furthermore, Nordea Bank Abp's head office in Finland has recognised a EUR 225m deferred tax asset in relation to unused foreign tax credits that management expects to be utilised within the expiry period of five years. This expectation is based on estimated future taxable profits from foreign operations, reversal of temporary differences and upfront taxation in Finland of certain types of income compared to relevant branch jurisdictions.

Additionally, the Group has unrecognised deferred tax assets of EUR 54m (EUR 87m) in relation to tax loss carry forwards in various entities as well as EUR 334m (EUR 141m) in relation to unused foreign tax credits in Nordea Bank Abp, Nordea Investment Management AB and Nordea Funds Ltd. Unrecognised deferred tax assets relating to tax losses may be recovered in the event of extraordinary taxable income arising in the relevant entities. Unrecognised deferred tax assets relating to foreign tax credits may be recovered in the event of unexpected timing of taxation or tax base between head office and branches.

EURm	31 Dec 2019	31 Dec 2018
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expirey date	54	87
Unused tax credits	334	141
Total	**388**	**228**

G13. Earnings per share

	2019	2018
Earnings:		
Profit attributable to shareholders of Nordea Bank Abp, EURm	1,519	3,070
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–15	–14
Weighted average number of basic shares outstanding	**4,035**	**4,036**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	0	1
Weighted average number of diluted shares outstanding	**4,035**	**4,037**
Basic earnings per share, EUR	0.38	0.76
Diluted earnings per share, EUR	0.38	0.76

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 "Accounting policies" section 23.

G14. Loans and impairment

EURm	31 Dec 2019	31 Dec 2018
Loans measured at fair value through profit and loss	83,624	77,521
Loans measured at amortised cost, not impaired (stage 1 and 2)	254,412	247,204
Impaired loans (stage 3)	4,610	4,581
- of which servicing	2,312	2,097
- of which non-servicing	2,298	2,484
Loans before allowances	**342,646**	**329,306**
- of which central banks and credit institutions	17,737	18,977
Allowances for impaired loans (stage 3)	–1,686	–1,599
- of which servicing	–783	–720
- of which non-servicing	–903	–879
Allowances for not impaired loans (stage 1 and 2)	–497	–441
Allowances	**–2,183**	**–2,040**
- of which central banks and credit institutions	–14	–15
Loans, carrying amount	**340,463**	**327,266**

Nordea has granted EUR 148bn (EUR 138bn) in mortgage credits. No intermediary credits or public sector credits have been granted.

G15. Interest-bearing securities

EURm	31 Dec 2019	31 Dec 2018
State, municipalities and other public bodies	15,528	18,756
Mortgage institutions	25,447	28,077
Other credit institutions	13,372	24,736
Corporates	8,282	4,601
Other	2,301	52
Total	**64,930**	**76,222**

Provisions for credit risks amount to EUR 1m (EUR 2m).

G16. Financial instruments pledged as collateral

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

EURm	31 Dec 2019	31 Dec 2018
Interest-bearing securities	7,151	7,568
Total	**7,151**	**7,568**

For information on transferred assets and reverse repos, see Note G42 "Financial instruments set off on balance or subject to netting agreements".

G17. Shares

EURm	31 Dec 2019	31 Dec 2018
Shares	3,285	4,407
Fund units, equity related	7,557	5,679
Fund units, interest related	3,342	2,366
Total	**14,184**	**12,452**

G18. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2019	31 Dec 2018
Assets		
Interest-bearing securities	1,363	1,284
Shares	29,049	23,076
Properties	307	158
Other assets	80	65
Total	**30,799**	**24,583**
Liabilities		
Pooled schemes	4,377	3,964
Unit-linked investment contracts	27,482	21,689
Total	**31,859**	**25,653**

The Life Group and Nordea Denmark, branch of Nordea Bank Abp, have assets and liabilities included on their balance sheet for which customers bear the risk. Since the assets and liabilities legally belong to the entities, which also carries risks and rewards, these assets and liabilities are included on the Group's balance sheet.

G19. Derivatives and hedge accounting

Nordea enters into derivatives for trading and risk management purposes. Nordea may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	Fair value		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Derivatives not used for hedge accounting	36,784	40,298	6,534,534
Fair value hedges[1]	1,269	1,422	180,547
Cash flow hedges[1]	1,019	120	22,253
Net investment hedges	39	207	7,358
Total derivatives	**39,111**	**42,047**	**6,744,692**

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Derivatives not used for hedge accounting	33,915	38,624	6,571,710
Fair value hedges[1]	1,959	402	160,440
Cash flow hedges[1]	1,143	437	20,795
Net investment hedges	8	84	8,544
Total derivatives	**37,025**	**39,547**	**6,761,489**

1) Some cross currency interest rate swaps are used both as fair value hedges and cash flow hedges. The nominal amount of these instruments have been split on the rows fair value hedges and cash flow hedges in the table above based on the relative fair value of these hedging instruments. The total nominal amount of cross currency interest rate swaps was EUR 24,296m on 31 December 2019.

Derivatives not used for hedge accounting

	Fair value		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	20,077	19,354	3,521,834
FRAs	7	28	1,353,157
Futures and forwards	13	13	126,999
Options	5,308	5,984	378,691
Total	**25,405**	**25,379**	**5,380,681**
Equity derivatives			
Equity swaps	68	93	6,399
Futures and forwards	1	35	1,018
Options	221	459	10,325
Total	**290**	**587**	**17,742**
Foreign exchange derivatives			
Currency and interest rate swaps	5,735	7,890	417,689
Currency forwards	4,242	5,290	555,046
Options	96	106	16,938
Total	**10,073**	**13,286**	**989,673**
Other derivatives			
Credit default swaps (CDS)	1,011	1,026	140,992
Commodity derivatives	0	0	5,284
Other derivatives	5	20	162
Total	**1,016**	**1,046**	**146,438**
Total derivatives not used for hedge accounting	**36,784**	**40,298**	**6,534,534**

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	17,438	17,476	3,824,871
FRAs	26	8	1,036,172
Futures and forwards	25	27	137,399
Options	5,252	6,025	371,954
Total	**22,741**	**23,536**	**5,370,396**
Equity derivatives			
Equity swaps	192	138	10,886
Futures and forwards	4	2	1,255
Options	303	638	15,273
Total	**499**	**778**	**27,414**
Foreign exchange derivatives			
Currency and interest rate swaps	5,214	9,076	397,180
Currency forwards	4,807	4,360	625,264
Options	108	116	19,879
Other	0	0	0
Total	**10,129**	**13,552**	**1,042,323**
Other derivatives			
Credit default swaps (CDS)	536	756	130,921
Commodity derivatives	0	0	92
Other derivatives	10	2	564
Total	**546**	**758**	**131,577**
Total derivatives not used for hedge accounting	**33,915**	**38,624**	**6,571,710**

G19. Derivatives and hedge accounting, cont.

Risk management

Nordea manages its identified market risks according to the risk management framework and strategy described in the Market risk section in Note G2 "Risk and Liquidity management".

Nordea classifies its exposures to market risk into either trading (the Trading Book) or non-trading (the Banking Book) portfolios that are managed separately.

The Trading Book consists of all positions in financial instruments held by Nordea either with trading intent, or in order to hedge positions held with trading intent. Positions held with trading intent are those held intentionally for short-term resale or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices, or from other price or interest rate variations.

The Banking Book comprises all positions not held in the Trading Book. All hedges qualifying for hedge accounting are performed in the Banking Book. The hedging instruments and risks hedged are further described below per risk and hedge accounting type.

Interest rate risk

Nordea's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on Nordea's margins, profit or loss and equity. Interest risk arises from mismatch of interest from interest-bearing liabilities and assets such as deposits, issued debt securities and loan portfolio.

As part of Nordea's risk management strategy, the Board has established limits on the non-trading interest rate gaps for the interest rate sensitivities. These limits are consistent with Nordea's risk appetite and Nordea aligns its hedge accounting objectives to keep exposures within those limits. Nordea's policy is to monitor positions on a daily basis. For further information on measurement of risks, see the Market risk section in Note G2 "Risk and Liquidity management".

For hedge accounting relationships related to interest rate risk, the hedged item is the benchmark rate. The hedging ratio is one-to-one and is established by matching the notional of the derivatives against the principal of the hedged item. The hedging ratio is established by matching the notional of the derivatives against the principal of the hedged item.

The benchmark rate is determined as a change in present value of the future cash flows using benchmark rate discount curves. The benchmark rate is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

In order to reduce or eliminate changes in the fair value of financial assets and financial liabilities due to movements in interest rates, Nordea enters into fair value hedge relationships as described in Note G1, section 10. Nordea uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and loans and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e. notional amount, maturity, payment and reset dates).

The below table presents the accumulated fair value adjustments arising from continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

Hedged items

	Interest rate risk	
EURm	**2019**	**2018**
Fair value hedges		
Carrying amount of hedged assets[1]	63,864	46,773
- of which accumulated amount of fair value hedge adjustment[3]	217	169
Carrying amount of hedged liabilties[2]	107,001	81,424
- of which accumulated amount of fair value hedge adjustment[3]	2,018	1,273

1) Presented on the balance sheet rows Loans to central banks, Loans to credit institutions, Loans to the public, Interest-bearing securities and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
2) Presented on the balance sheet rows Deposits by credit institution, Deposits and borrowings from the public, Debt securities in issue and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
3) Of which all relate to continuing portfolio hedges of interest rate risk.

The following table provides information about the hedging instruments included in the line item Derivatives on the balance sheet:

Hedging instruments

	Fair value		
31 Dec 2019, EURm	**Positive**	**Negative**	**Total nom. amount**
Fair value hedges			
Interest rate risk	1,269	1,422	180,547

	Fair value		
31 Dec 2018, EURm	**Positive**	**Negative**	**Total nom. amount**
Fair value hedges			
Interest rate risk	1,959	402	160,440

The below table presents the changes in the fair value of the hedged items and the changes in fair value of the hedging instruments used as the basis for recognising ineffectiveness. These changes are recognised on the row "Net result from items at fair value" in the income statement.

Hedge ineffectiveness

	Interest rate risk	
EURm	**2019**	**2018**
Fair value hedges		
Changes in fair value of hedging instruments	707	–237
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–688	194
Hedge ineffectiveness recognised in the income statement[1,2]	19	–43

1) Recognised on the row "Net result from items at fair value".
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedges

For Nordea's cash flow hedge accounting relationships, the hedged risk is the variability in future interest cash flows due to changes in market interest rates. In order to reduce or eliminate variability in future interest payments, Nordea primarily uses interest rate swaps as hedging instruments according to Nordea's policies and risk management strategy described in Note G1, section 10, and in the Market risk section in Note G2 "Risk and Liquidity management".

There is an economic relationship between the hedged

G19. Derivatives and hedge accounting, cont.

items and the hedging instruments as the terms of the interest rate swaps match the terms of the future interest cash flows (i.e. notional amount and expected payment date).

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing interest rate risk including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedging instruments

	Fair value		
31 Dec 2019, EURm	**Positive**	**Negative**	**Total nom. amount**
Cash flow hedges			
Interest rate risk	304	0	10,767

	Fair value		
31 Dec 2018, EURm	**Positive**	**Negative**	**Total nom. amount**
Cash flow hedges			
Interest rate risk	6	0	190

The below table specifies the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year.

Hedge ineffectiveness

	Interest rate risk	
EURm	**2019**	**2018**
Cash flow hedges		
Changes in fair value of hedging instruments	14	16
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–14	–16
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	14	16

1) Recognised on the row "Net result from items at fair value".
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedge reserve

	Interest rate risk	
EURm	**2019**	**2018**
Balance at 1 Jan	5	–3
Cash flow hedges:		
Valuation gains/losses during the year	14	16
Tax on valuation gains/losses during the year	–3	–3
Transferred to the income statement during the year	–6	–6
Tax on transfers to the income statement during the year	1	1
Other comprehensive income, net of tax	6	8
Total comprehensive income	6	8
Balance at 31 Dec	**11**	**5**
of which relates to continuing hedges for which hedge accounting is applied	11	5
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

G19. Derivatives and hedge accounting, cont.

The maturity profile of Nordea's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) follows below:

Maturity profile of the nominal amount of hedging instruments

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	7,408	60,400	73,983	38,425	180,216
Total	**–**	**7,408**	**60,400**	**73,983**	**38,425**	**180,216**

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	5,024	19,030	108,380	25,517	157,951
Total	**–**	**5,024**	**19,030**	**108,380**	**25,517**	**157,951**

Average rate of instruments hedging interest rate risk
The average interest rate on the fixed leg of instruments hedging interest rate risk per 31 December 2019 is 0.78%.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk (FX risk) from trading activities is limited through a VaR limit while FX risk from structural exposures as described below is limited through a stress loss limit for the CET1-ratio impact from FX fluctuations in a severe but plausible stress scenario (see the Market risk section in Note G2 "Risk and Liquidity management").

Nordea's issuance of credits and borrowing can be denominated in the currency of the borrower or investor. Borrowing, investing and lending are not always executed in the same currency, thus exposing Nordea to a foreign exchange risk. Differences in exposures to individual currencies that exist between different transactions are predominantly matched by entering into cross currency interest rate swaps. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

In addition to the above, Nordea also has exposure to structural foreign currency risk through its foreign operations that have a functional currency other than Nordea's presentation currency, EUR (i.e. a translation risk). Fluctuation of the spot exchange rates will cause Nordea's reported net investment in foreign operations to vary and the CET1-ratio to fluctuate from the currency mismatch between equity and Risk Exposure Amounts (REA). Nordea applies hedge accounting when it hedges its investments in fully consolidated foreign operations whose functional currency is not EUR.

For hedge accounting relationships related to currency risk, the hedged item is a foreign currency component. The hedging ratio is one-to-one and is established by matching the notional of the derivatives against the principal of the hedged item.

The currency component is determined as the change in present value of the future cash flows using foreign exchange curves. The foreign currency component is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Cash flow and net investment hedges
The below tables provide information about the hedging instruments as well as the outcome of the cash flow and net investment hedges addressing currency risks including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

The below table specifies the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year.

Hedging instruments

	Fair value		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	715	120	11,486
Net investment hedges			
Foreign exchange risk	39	207	7,358
Total derivatives used for hedge accounting	**754**	**327**	**18,844**

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	1,137	437	20,605
Net investment hedges			
Foreign exchange risk	8	84	8,544
Total derivatives used for hedge accounting	**1,145**	**521**	**29,149**

G19. Derivatives and hedge accounting, cont.

Hedge ineffectiveness

	Foreign exchange risk	
EURm	2019	2018
Cash flow hedges		
Changes in fair value of hedging instruments	138	704
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–138	–704
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	138	704
Net investment hedges		
Changes in fair value of hedging instruments	–62	67
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	62	–67
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	–62	67

1) Recognised on the row Net result from items at fair value.
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedge reserve

	Foreign exchange risk	
EURm	2019	2018
Balance at 1 Jan	–17	–43
Cash flow hedges:		
Valuation gains/losses during the year	138	704
Tax on valuation gains/losses during the year	–28	–156
Transferred to the income statement during the year	–164	–670
Tax on transfers to the income statement during the year	34	148
Other comprehensive income, net of tax	–20	26
Total comprehensive income	–20	26
Balance at 31 Dec	**–37**	**–17**
of which relates to continuing hedges for which hedge accounting is applied	–37	–17
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

Maturity profile of the nominal amount of hedging instruments

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	255	5,318	13,482	10,887	29,942
Total	**–**	**255**	**5,318**	**13,482**	**10,887**	**29,942**

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	2,663	11,886	13,707	3,572	31,828
Total	**–**	**2,663**	**11,886**	**13,707**	**3,572**	**31,828**

G19. Derivatives and hedge accounting, cont.

Average rates of instruments hedging foreign exchange risk

The average forward exchange rates of instruments hedging foreign exchange risk per 31 December 2019 are presented in the table below.

31 Dec 2019	NOK	SEK	USD	RUB
EUR	10.08	10.68	1.10	71.53

The IBOR reform

The IBOR transition is a global reform with significant impact on the financial industry. It will affect a large variety of financial services and thus individuals, companies and institutions. The transition will influence products, market liquidity, risk management, data and technology infrastructure as well as financials and the balance sheet. IBORs are embedded in a vast range of financial instruments including loans, mortgages, bonds, trading product and derivative contracts.

Current expectations are that some IBORs will be replaced, while others may continue to exist but with a reformed methodology. There is currently uncertainty as to the timing and the methods of transition for the different IBORs and whether some existing benchmarks will continue to be supported. EONIA (for EUR) as well as LIBOR for e.g. USD, GBP and CHF will cease to exist after 2021, while EURIBOR and the Nordic IBORs at the moment are expected to be published beyond 2021 in reformed formats. The uncertainties are expected to remain until the relevant contracts are all transitioned into new IBORs.

Nordea has established an IBOR Transition Programme sponsored by the CFO and Group Treasurer to prepare and coordinate Group-wide efforts to manage the operational impacts and financial risks caused by the transition from existing IBOR rates to alternative near risk-free rates. An IBOR Transition Office is responsible for the Group-wide coordination of transition activities and reports to a Steering Committee with participation from senior management in Business Areas and Group Functions to ensure a centralised Nordea strategy and senior management steering and oversight. Business Areas and Group Functions are responsible for, and drive, the execution of changes required for a successful transition to alternative near risk-free rates.

As explained in Note G1, Nordea has early adopted the amendments to IFRS 7 and IAS 39 and is applying the relief for the year-end reporting. In the table below, nominal amounts of the hedging derivatives in scope for the relief are disclosed.

Hedging derivatives with floating leg

31 Dec 2019, EURm	Total nominal amounts
CIBOR	9,122
STIBOR	17,810
NIBOR	12,767
EURIBOR	56,964
LIBOR	24,694
Other	22
Total	**121,379**

G20. Investments in associated undertakings and joint ventures

EURm	31 Dec 2019	31 Dec 2018
Acquisition value at beginning of year	1,603	1,237
Acquisitions during the year	362	335
Sales during the year	–1,414	–3
Share in earnings[1]	69	122
Dividend received	–19	–23
Reclassifications	–	–28
Translation differences	–8	–37
Acquisition value at end of year	**593**	**1,603**
Accumulated impairment charges at beginning of year	**–2**	**–2**
Impairment charges during the year	–19	–
Accumulated impairment charges at end of year	**–21**	**–2**
Total	**572**	**1,601**

1) See table Share in earnings.

Share in earnings

EURm	31 Dec 2019	31 Dec 2018
Profit from companies accounted for under the equity method	69	124
Portfolio hedge, Eksportfinans ASA	–	–2
Share in earnings	**69**	**122**

Nordea's share of the associated undertakings' aggregated balance sheets and income statements (excluding Luminor, see below) can be summarised as follows:

EURm	31 Dec 2019	31 Dec 2018
Total assets	4,259	2,054
Net profit for the year	45	21
Other comprehensive income	1	0
Total comprehensive income	46	21

Nordea has issued contingent liabilities of EUR 0m (EUR 26m) on behalf of associated undertakings.

Nordea has one material associate, Luminor Holding AS. The company is the result of the merger of Nordea's and DnB's businesses in the Baltics. In 2018, the investment was classified as a joint venture as Nordea held 50.0% of the voting rights. In 2019, Nordea sold shares in Luminor and as at 31 December 2019, Nordea owns 19.9% of the shares in Luminor.

As communicated in connection with the announcement of the deal on 13 September 2018, Nordea and Blackstone have additionally entered into a forward sale agreement for the sale of Nordea's remaining 20 per cent stake. The forward sale is subject to certain conditions but is expected to complete over the next three financial years.

Luminor is included in the consolidated accounts of Nordea via the equity method. Luminor applies IFRS in its consolidated accounts and the balance sheet and income statements below are based on IFRS. The disclosed figures show the entire Luminor Group, not just Nordea's share. The full-year figures for 2019 were not available when this report was published.

G20. Investments in associated undertakings and joint ventures, cont.

Balance sheet Luminor Group

EURm	30 Sep 2019	31 Dec 2018
Assets		
Cash and balances with central banks	2,400	3,275
Loans to central banks and credit institutions	175	204
Loans to the public	10,760	11,451
Interest-bearing securities	222	167
Derivatives	74	46
Other assets	160	167
Total assets	**13,791**	**15,310**

EURm	30 Sep 2019	31 Dec 2018
Liabilities and equity		
Deposits by credit institutions	1,331	3,939
Deposits and borrowings from the public	9,923	9,073
Debt securities in issue	658	350
Derivatives	58	43
Other liabilities	186	106
Equity	1,635	1,799
Total liabilities and equity	**13,791**	**15,310**

Income statement Luminor Group

	9 months	12 months
EURm	2019	2018
Interest income	228	309
Interest expense	−39	−39
Net commission income	59	83
Net result from items at fair value	19	32
Other income	12	4
Total operating income	**279**	**389**
Staff costs	−87	−114
Other administrative expenses	−115	−115
Depreciation and amortisation	−10	−14
Net loan losses	−12	−4
Operating profit	**55**	**142**
Income tax expense	−5	−14
Net profit for the year	**50**	**128**
Other comprehensive income	2	2
Total comprehensive income	**52**	**130**

Reconciliation of the carrying amount in Luminor

EURm	31 Dec 2019	31 Dec 2018
Nordea's share of equity in Luminor	327	1,013
Transaction costs	–	23
Other	–	1
Carrying amount of the holding in Luminor	**327**	**1,037**

G20. Investments in associated undertakings and joint ventures, cont.

Associated undertakings

31 Dec 2019	Registration number	Domicile	Carrying amount 2019, EURm	Carrying amount 2018, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	153	161	23
Eiendomsverdi AS	881971682	Oslo	15	13	25
Suomen Luotto-osuuskunta	0201646-0	Helsinki	2	2	27
LR Realkredit A/S	26045304	Copenhagen	–	7	39
Nordea Liv & Pension, livforsikringsselskab A/S	24260577	Ballerup	–	326	30
E-nettet Holding A/S	28308019	Copenhagen	3	3	20
Mandrague Capital Partners AB	556854-2780	Stockholm	14	5	40
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	8	7	33
NF Fleet Oy	2006935-5	Espoo	9	9	20
NF Fleet AB	556692-3271	Stockholm	6	6	20
NF Fleet A/S	29185263	Copenhagen	4	4	20
NF Fleet AS	988906808	Oslo	3	3	20
Bankomat AB	556817-9716	Stockholm	8	7	20
Visa Sweden	801020-5097	Stockholm	–	6	–
Luminor Holding AS	14723133	Estonia	327	–	20
P27Nordic Payments Platform AB	559198-9610	Stockholm	11	–	17
Mondido Payments AB	556960-7129	Stockholm	4	–	14
Nordic KYC Utility AB	559210-0779	Stockholm	2	–	17
Subaio ApS	37766585	Aalborg	1	–	25
Other			2	5	
Total			**572**	**564**	

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2019[1]	31 Dec 2018[2]
Total assets	–	345
Net profit for the year	–	–4
Other comprehensive income	–	0
Total comprehensive income	**–**	**–4**

1) Relacom filed for bankruptcy on 3 January 2020 and is excluded from the disclosure.
2) Estimate based on situation as of Q3 2018.

Joint ventures

	Registration number	Domicile	Carrying amount 2019, EURm	Carrying amount 2018, EURm	Voting power of holding %	Ownership %	Average number of FTE
Luminor Group AB[1]	559072-8316	Stockholm	–	1,037	–	–	–
Relacom Management AB[2]	556746-3103	Stockholm	–	–	61	61	3,000
Total			**–**	**1,037**			
Total associated undertakings and joint ventures			**572**	**1,601**			

1) Luminor Group has been reclassified as an associate in 2019, see above.
2) The joint control is based on a shareholders' agreement setting out that decisions about all relevant activities in the entity are made jointly. The company filed for bankruptcy on 3 January 2020.

For information about investments in group undertakings and companies in which Nordea has unlimited responsibility, see Note P21 "Investments in group undertakings".

G21. Intangible assets

Cash-generating units, EURm	Goodwill[1] 31 Dec 2019	Computer software 31 Dec 2019	Total 31 Dec 2019	Goodwill[1] 31 Dec 2018	Computer software 31 Dec 2018	Total 31 Dec 2018
Corporate & Investment Banking Denmark	–	47	47	–	87	87
Corporate & Investment Banking Finland	–	50	50	–	117	117
Corporate & Investment Banking Norway	173	69	242	172	87	259
Corporate & Investment Banking Sweden	–	63	63	–	88	88
Financial Institutions Group and International Banks	–	18	18	–	22	22
Business Banking Denmark	141	97	238	141	130	271
Business Banking Finland	–	138	138	–	183	183
Business Banking Norway	519	66	585	462	90	552
Business Banking Sweden	81	116	197	82	175	257
Business Banking Direct	–	23	23	–	30	30
Personal Banking Denmark	447	152	599	447	249	696
Personal Banking Finland	–	189	189	–	231	231
Personal Banking Norway	486	115	601	388	147	535
Personal Banking Sweden	122	324	446	124	389	513
Private Banking Denmark	–	14	14	–	16	16
Private Banking Finland	–	16	16	–	18	18
Private Banking Norway	–	6	6	–	7	7
Private Banking Sweden	–	9	9	–	10	10
Asset Management	–	79	79	–	91	91
Total	**1,969**	**1,591**	**3,560**	**1,816**	**2,167**	**3,983**
Other intangible assets	–	–	135	–	–	52
Total intangible assets	**1,969**	**1,591**	**3,695**	**1,816**	**2,167**	**4,035**

1) Excluding goodwill in associated undertakings.

Movements in goodwill, EURm	31 Dec 2019	31 Dec 2018
Acquisition value at beginning of year	1,958	1,995
Acquisitions during the year	150	–
Translation differences	2	–37
Acquisition value at end of year	**2,110**	**1,958**
Accumulated impairment charges at beginning of year	–142	–1
Impairment charges during the year	–	–141
Translation differences	1	0
Accumulated impairment charges at end of year	**–141**	**–142**
Total	**1,969**	**1,816**

Movements in computer software, EURm	31 Dec 2019	31 Dec 2018
Acquisition value at beginning of year	2,788	2,377
Acquisitions during the year	437	534
Sales/disposals during the year	–441	–78
Transfers/reclassifications during the year	14	0
Translation differences	–16	–45
Acquisition value at end of year	**2,782**	**2,788**
Accumulated amortisation at beginning of year	–548	–417
Amortisation according to plan for the year	–246	–162
Accumulated amortisation on sales/disposals during the year	197	20
Transfers/reclassifications during the year	–10	0
Translation differences	1	11
Accumulated amortisation at end of year	**–606**	**–548**
Accumulated impairment charges at beginning of year	–73	–43
Accumulated impairment charges on sales/disposals during the year	244	–
Impairment charges during the year	–742	–32
Translation differences	–14	2
Accumulated impairment charges at end of year	**–585**	**–73**
Total	**1,591**	**2,167**

G21 . Intangible assets, cont.

Impairment testing of goodwill and computer software

A cash-generating unit, defined as the operating segment, is the basis for the impairment test. The impairment test is performed for each cash-generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows for the coming three years are based on financial forecasts. The forecasts are based on Nordea's macroeconomic outlook, including information on GDP growth, inflation and benchmark rates for relevant countries. Based on these macro forecasts, business areas project how margins, volumes, sales and costs will develop over the coming years. Credit losses are estimated using the long-term average for the different business areas. This results in an income statement for each year. The projected cash flow for each year is the forecasted net result in these income statements, reduced by the capital needed to grow the business in accordance with the long-term growth assumptions. The projections take into consideration the major projects initiated in Nordea, e.g. the transformation programme. There is also an allocation of central costs to business areas to make sure the cash flows for the CGUs include all indirect costs. Tax costs are estimated based on the standard tax rate. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. Growth rates are based on historical data, updated to reflect the current situation.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The following growth rates and discount rates have been used:

	Discount rate[1]		Growth rate	
%	2019	2018	2019	2018
Sweden	6.4	6.6	1.8	2.0
Denmark	6.2	5.9	1.3	1.3
Finland	6.9	5.9	1.3	1.3
Norway	7.9	6.4	1.8	1.8
Russia	–	9.2	–	0.0

1) Post–tax.

The impairment tests conducted in 2019 did not indicate any need for goodwill impairment. See also Note G1 "Accounting policies", section 4 for more information. An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such a change would not result in any impairment.

The new Group business plan, including new financial targets, updated business plans per business area, and the further consolidation to a global IT platform, in the third quarter, triggered a full impairment test of Nordea's capitalised IT systems and an assessment of future restructuring needs. It was concluded that impairment of IT systems was required due to that the expected lifetime of some IT systems being significantly shorter than previously expected, hence inability to realise full benefits, and in some cases due to decisions to stop the current development or use of the functionality.

The impairment recognised as a result of this test amounted to EUR 735m and was recognised in Group Responsibility, which is included in Other Operating segments in the segment reporting in Note G3. The carrying amounts after impairment for the IT assets are disclosed per CGU in the table above, based on the receiving entity.

G22. Properties and equipment

EURm	31 Dec 2019 Owned	31 Dec 2019 Right of use assets	31 Dec 2019 Total	31 Dec 2018 Owned
Equipment	447	19	466	506
Land and buildings	49	1,487	1,536	40
Total	**496**	**1,506**	**2,002**	**546**
Equipment				
Acquisition value at beginning of year	1,340	–	1,340	1,331
Adjustments to opening balance	2	8	10	–
Acquisitions during the year	67	19	86	51
Sales/disposals during the year	–32	–1	–33	–20
Transfers/reclassifications	–19	–	–19	0
Translation differences	0	0	0	–22
Acquisition value at end of year	**1,358**	**26**	**1,384**	**1,340**
Accumulated depreciation at beginning of year	–829	–	–829	–742
Adjustments to opening balance	–2	–	–2	–
Accumulated depreciation on sales/disposals during the year	18	0	18	15
Transfers/reclassifications	18	–	18	0
Depreciation according to plan for the year	–99	–7	–106	–113
Translation differences	–1	0	–1	11
Accumulated depreciation at end of year	**–895**	**–7**	**–902**	**–829**
Accumulated impairment charges at beginning of year	–5	–	–5	–5
Impairment charges during the year	–11	–	–11	0
Translation differences	0	–	0	0
Accumulated impairment charges at end of year	**–16**	**–**	**–16**	**–5**
Total	**447**	**19**	**466**	**506**
Land and buildings				
Acquisition value at beginning of year	44	–	44	48
Adjustments to opening balance	–	1,515	1,515	–
Acquisitions during the year	3	167	170	–
Sales/disposals during the year	0	–16	–16	–4
Reclassifications	8	–	8	–
Translation differences	0	1	1	0
Acquisition value at end of year	**55**	**1,667**	**1,722**	**44**
Accumulated depreciation at beginning of year	–3	–	–3	–5
Adjustments to opening balance	–	–2	–2	–
Accumulated depreciation on sales/disposals during the year	0	6	6	2
Depreciation according to plan for the year	–2	–167	–169	0
Translation differences	0	–1	–1	0
Accumulated depreciation at end of year	**–5**	**–164**	**–169**	**–3**
Accumulated impairment charges at beginning of year	–1	–	–1	–1
Impairment charges during the year	–	–16	–16	–
Translation differences	0	0	0	–
Accumulated impairment charges at end of year	**–1**	**–16**	**–17**	**–1**
Total	**49**	**1,487**	**1,536**	**40**

G23. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables on the lessee included in "Loans to the public" (see Note G14) in an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

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

EURm	31 Dec 2019	31 Dec 2018
Gross investments	6,803	6,436
Less unearned finance income	–797	–786
Net investments in finance leases	**6,006**	**5,650**
Less unguaranteed residual values accruing to the benefit of the lessor	–3	–34
Present value of future minimum lease payments receivable	**6,003**	**5,616**
Accumulated allowance for uncollectible minimum lease payments receivable	–11	–8

In Finance lease contracts the residual value risk is carried by the vendor or by the lessee according to the terms of the contract.

As of 31 December 2019 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2019	
EURm	Gross investment	Net investment
2020	1,924	1,636
2021	1,687	1,445
2022	1,419	1,256
2023	700	649
2024	455	434
Later years	618	586
Total	**6,803**	**6,006**

Operating leases

Assets subject to operating leases mainly comprise machinery and equipment. On the balance sheet they are reported as "Properties and equipment".

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

EURm	31 Dec 2019
2020	1
2021	0
2022	0
2023	–
2024	–
Later years	–
Total	**1**

Nordea as a lessee

EURm	2019	2018
Expense related to short-term leases	–12	–
Expense related to low-value leases	–1	–
Expense related to variable payments	–31	–
Leasing expenses during the year	–	–218
Interest expense during the year	–12	–
Sublease income	3	4
Total cash outflow on leases	–196	–

Other lease disclosures

See Note G22 "Properties and equipment" for further information related to Right of use assets.

See Note G44 "Maturity analysis for assets and liabilities" for further information on the maturity profile.

There are no significant lease commitments for leases that have not yet commenced.

Nordea operates in leased premises. The premises are mainly divided into head office contracts, banking branches and other contracts. The head office contracts in the different Nordic countries generally have a fixed lease term, of 10–25 years. Usually these contracts have either continuation options or they are automatically continued unless separately terminated at the end of the lease term.

Banking branch contracts generally either have fixed lease terms of 1–10 years or are without an end date with the right to terminate. The termination clauses are generally 6–24 months. The main principle is that the premises contracts do not contain purchase options. The company car contracts generally have a fixed lease term of less than 5 years.

G24. Investment properties

EURm	31 Dec 2019	31 Dec 2018
Carrying amount at beginning of year	1,607	1,448
Acquisitions during the year	102	131
Sales/disposals during the year	–157	–15
Fair value adjustments	42	57
Transfers/reclassifications during the year	–10	0
Translation differences	1	–14
Carrying amount at end of year	**1,585**	**1,607**

Amounts recognised in the income statement[1]

EURm	2019	2018
Fair value adjustments[2]	74	62
Rental income	69	85
Direct operating expenses that generate rental income	–18	–21
Direct operating expenses that did not generate rental income	–1	–1
Total	**124**	**125**

1) Included in "Net result from items at fair value".
2) Including also fair value adjustments on investment properties presented as "Assets in pooled schemes and unit-linked investments contracts" on the balance sheet.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see Note G41 "Assets and liabilities at fair value".

G25. Other assets

EURm	31 Dec 2019	31 Dec 2018
Claims on securities settlement proceeds	1,366	2,832
Cash/margin receivables	9,978	10,161
Other	1,199	1,756
Total	**12,543**	**14,749**

G26. Prepaid expenses and accrued income

EURm	31 Dec 2019	31 Dec 2018
Accrued interest income	354	272
Other accrued income	372	324
Prepaid expenses	339	717
Total	**1,065**	**1,313**

G27. Deposits by credit institutions

EURm	31 Dec 2019	31 Dec 2018
Central banks	11,409	16,456
Banks	17,570	21,579
Other credit institutions	3,325	4,384
Total	**32,304**	**42,419**

G28. Deposits and borrowings from the public

EURm	31 Dec 2019	31 Dec 2018
Deposits[1]	166,426	160,228
Repurchase agreements	2,299	4,730
Total	**168,725**	**164,958**

1) Deposits related to individual pension savings (IPS) are also included.

G29. Liabilities to policyholders

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investment contracts.

Insurance contracts consist of Life insurance provisions and other insurance-related items.

EURm	31 Dec 2019	31 Dec 2018
Traditional life insurance provisions	6,304	6,187
- of which guaranteed provisions	6,222	6,110
- of which non-guaranteed provisions	82	77
Collective bonus potential	2,113	1,937
Unit-linked insurance provisions	6,978	6,375
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	6,978	6,375
Insurance claims provision	461	433
Provisions, Health & personal accident	72	69
Total Insurance contracts	**15,928**	**15,001**
Investment contracts	3,318	3,229
- of which guaranteed provisions	3,318	3,229
- of which non-guaranteed provisions	–	–
Total	**19,246**	**18,230**

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies methodology on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies. See also Note G1 section 19.

G29. Liabilities to policyholders, cont.

31 Dec 2019, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**6,187**	**1,937**	**6,375**	**433**	**69**	**3,229**	**18,230**
Gross premiums written	87	–	441	–	–	156	684
Transfers	40	–	–43	–	–	–56	–59
Addition of interest/investment return	273	–	1,740	–	–	540	2,553
Claims and benefits	–280	–	–806	28	–	–234	–1,292
Expense loading including addition of expense bonus	–25	–	–41	–	–	–28	–94
Change in provisions/bonus potential	–298	200	98	–	3	–	3
Other	272	–	–790	–	–	–249	–767
Translation differences	48	–24	4	–	–	–40	–12
Provisions/bonus potentials, end of year	**6,304**	**2,113**	**6,978**	**461**	**72**	**3,318**	**19,246**
Provision relating to bonus schemes/ discretionary participation feature:	98%					69%	

31 Dec 2018, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Gross premiums written	94	–	340	–	–	132	566
Transfers	34	–	–34	–	–	–	0
Addition of interest/investment return	261	–	336	–	–	–97	500
Claims and benefits	–292	–	–606	12	–3	–262	–1,151
Expense loading including addition of expense bonus	–25	–	–44	–	–	–28	–97
Change in provisions/bonus potential	144	–265	122	–	–1	–	0
Other	–242	–	–656	–	–	109	–789
Translation differences	–51	–47	–5	–1	–1	–106	–211
Provisions/bonus potentials, end of year	**6,187**	**1,937**	**6,375**	**433**	**69**	**3,229**	**18,230**
Provision relating to bonus schemes/ discretionary participation feature:	99%					71%	

Insurance risks

Insurance risk is described in Note G2 "Risk and Liquidity management". Additional quantitative information is found below.

Life insurance risk and market risks in the Life insurance operations, Sensitivities

	31 Dec 2019		31 Dec 2018	
Sensitivities, EURm	Effect on policyholders' liabilities[1]	Effect on Nordea's equity[2]	Effect on policyholders' liabilities[1]	Effect on Nordea's equity[2]
Mortality – increase in life span of 1 year	23.0	–17.7	23.2	–17.9
Mortality – decrease in life span of 1 year	–0.1	0.1	–0.4	0.3
Disability – 10% increase	8.3	–6.5	8.9	–6.9
Disability – 10% decrease	–5.7	4.4	–6.3	4.9
50 bp increase in interest rates	–286.0	6.7	–287.3	–5.6
50 bp decrease in interest rates	287.3	–6.7	288.7	5.6
12% decrease in all share prices	–828.7	–0.1	–680.8	–0.8
8% decrease in property value	–114.8	–0.5	–115.9	–0.8
8% loss on counterparts	–0.5	0.0	–1.5	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decreases.

G29. Liabilities to policyholders, cont.

Liabilities to policyholders by guarantee levels (technical interest rate)

31 Dec 2019, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,060	1,426	2,827	2,228	2,170	889	16,600

31 Dec 2018, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	6,447	1,367	2,772	2,181	2,175	849	15,791

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guaranties	Yes
Unit-linked	Mortality	Yes
	Disability	Yes
	Return guaranties	No
Health and personal accident	Mortality	No
	Disability	Yes
	Return guaranties	No
Financial contract	Mortality	No
	Disability	No
	Return guaranties	Yes

G30. Debt securities in issue

EURm	31 Dec 2019	31 Dec 2018
Certificates of deposit	22,094	29,693
Commercial papers	22,192	17,078
Covered bonds	115,361	107,936
Senior Non Preferred bonds	2,732	2,440
Other bonds	31,307	33,227
Other	40	48
Total	**193,726**	**190,422**

G31. Other liabilities

EURm	31 Dec 2019	31 Dec 2018
Liabilities on securities settlement proceeds	921	1,617
Sold, not held, securities	9,111	12,495
Accounts payable	151	152
Cash/margin payables	4,675	4,289
Lease liabilities	1,225	–
Other	3,785	4,762
Total	**19,868**	**23,315**

G32. Accrued expenses and prepaid income

EURm	31 Dec 2019	31 Dec 2018
Accrued interest	1	5
Other accrued expenses	1,261	1,423
Prepaid income	214	268
Total	**1,476**	**1,696**

G33. Provisions

EURm	31 Dec 2019	31 Dec 2018
Restructuring	304	193
Guarantees/commitments	144	121
Other	122	7
- of which AML related matters	95	–
Total	**570**	**321**

Provisions for restructuring costs have been utilised in the amount of EUR 117m in 2019, and an increase of EUR 246m has been accounted for. The restructuring provision is related to the new Group business plan, including new financial targets. Approximately EUR 200m of the EUR 304m is expected to be utilised in 2020. However, like for any other provision, there is uncertainty surrounding timing and amount. The uncertainty is expected to decrease as the plans are executed.

Loan loss provisions on off-balance sheet items amount to EUR 144m (EUR 121m).

More information on these provisions can be found in Note G2 "Risk and Liquidity management".

Excluding AML related matters, other provisions relate mainly to maintenance obligations in head office premises.

	Restructuring		Other	
EURm	2019	2018	2019	2018
At beginning of year	193	225	7	13
New provisions made	246	103	124	5
Provisions utilised	–117	–123	–5	–8
Reversals	0	–9	–4	–3
Reclassifications	–16	0	0	0
Translation differences	–2	–3	0	0
At end of year	**304**	**193**	**122**	**7**

G34. Retirement benefit obligations

EURm	31 Dec 2019	31 Dec 2018
Retirement benefit assets	173	246
Retirement benefit obligations	439	398
Net liability (–)/asset (+)	**–266**	**–152**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 ensures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislation, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service-based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants; new employees are offered DCPs.

DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation.

In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway, plan assets are also held by a separate pension fund.

In Finland, Nordea provides additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation.

Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full, with a predefined surplus or alternatively safeguarded by a credit insurance contract (Sweden only). Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are performed to monitor the likely level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), inflation, salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions.

Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

IAS 19 pension calculations and assumptions

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

Assumptions[1]

	Swe	Nor	Fin	Den	UK
2019					
Discount rate[2]	1.39%	2.20%	0.60%	0.76%	1.82%
Salary increase	2.75%	2.75%	1.75%	2.25%[3]	–
Inflation	1.75%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
2018					
Discount rate[2]	2.17%	2.82%	1.58%	1.80%	2.56%
Salary increase	3.00%	2.75%	1.75%	2.25%[3]	–
Inflation	2.00%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 2019 have an impact on the liability calculation by year-end 2019, while the assumptions disclosed for 2018 are used for calculating the pension expense in 2019.

2) More information on the discount rate can be found in Note G1 "Accounting policies", section 24. The sensitivities to changes in the discount rate are provided below.

3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.

4) With CMI_2018 projections for 2019 calculations and CMI_2017 projections for 2018 calculations.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den	UK
Discount rate - Increase 50bps	–11.1%	–8.1%	–6.4%	–5.1%	–9.0%
Discount rate - Decrease 50bps	12.9%	9.0%	7.1%	5.5%	10.3%
Salary increase - Increase 50bps	3.8%	0.3%	0.4%	4.9%	–
Salary increase - Decrease 50bps	–2.8%	–0.3%	–0.4%	–4.6%	–
Inflation - Increase 50bps	11.1%	8.0%	5.3%	–	1.7%
Inflation - Decrease 50bps	–9.8%	–7.7%	–4.9%	–	–1.6%
Mortality - Increase 1 year	5.1%	3.7%	4.8%	6.3%	4.8%
Mortality - Decrease 1 year	–5.1%	–4.9%	–4.7%	–6.0%	–4.6%

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. The sensitivity analysis includes the impact on the liabilities held for future SWT (special wage tax) or SSC (social security contributions) in Sweden and Norway, respectively.

As all pensions in Denmark are salary-indexed, inflation has no impact on the DBO in Denmark.

G34. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2019	Nor 2019	Fin 2019	Den 2019	UK 2019	Total 2019	Total 2018
Obligations	1,993	796	791	102	108	3,790	3,494
Plan assets	1,710	710	845	126	133	3,524	3,342
Net liability(–)/asset(+)	**–283**	**–86**	**54**	**24**	**25**	**–266**	**–152**
- of which retirement benefit assets	1	61	59	27	25	173	246
- of which retirement benefit liabilities	284	147	5	3	–	439	398

Movements in the obligation

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,840	744	722	96	92	3,494
Current service cost	28	4	3	–	–	35
Interest cost	38	21	10	2	3	74
Pensions paid	–68	–37	–39	–6	–4	–154
Past service cost and settlements	4	–7	2	–	–	–1
Remeasurement from changes in demographic assumptions	–	–	0	–1	–1	–2
Remeasurement from changes in financial assumptions	210	71	95	9	14	399
Remeasurement from experience adjustments	–33	–13	–2	2	–	–46
Translation differences	–35	9	–	0	4	–22
Change in provision for SWT/SSC[1]	9	4	–	–	–	13
Closing balance	**1,993**	**796**	**791**	**102**	**108**	**3,790**
- of which relates to the active population	26%	11%	13%	–	–	19%
2018, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Opening balance	1,704	764	776	101	109	3,454
Current service cost	28	4	4	–	–	36
Interest cost	40	19	9	2	3	73
Pensions paid	–68	–31	–43	–6	–17	–165
Past service cost and settlements	–1	9	–6	–	1	3
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	171	–24	–15	–2	–3	127
Remeasurement from experience adjustments	–3	12	–3	–	1	7
Translation differences	–65	–4	–	0	–1	–70
Change in provision for SWT/SSC[1]	34	–5	–	–	–	29
Closing balance	**1,840**	**744**	**722**	**96**	**92**	**3,494**
- of which relates to the active population	27%	14%	14%	–	–	20%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 20 (18) years in Sweden, 15 (14) years in Norway, 14 (12) years in Finland, 11 (11) years in Denmark and 20 (22) years in the UK based on discounted cash flows. The fact of all DBPs now being closed to new entrants gives a lower duration. The increase in average duration during the year is due to changed assumptions.

G34. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,604	681	824	122	111	3,342
Interest income (calculated using the discount rate)	34	19	13	2	3	71
Pensions paid	0	–19	–39	–6	–4	–68
Contributions by employer	–	4	–31	2	–	–25
Remeasurement (actual return less interest income)	105	18	78	6	17	224
Translation differences	–33	7	–	0	6	–20
Closing balance	**1,710**	**710**	**845**	**126**	**133**	**3,524**

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,634	666	865	127	131	3,423
Interest income (calculated using the discount rate)	38	17	11	2	3	71
Pensions paid	–	–19	–43	–6	–17	–85
Settlement	–	–	–2	–	–	–2
Contributions by employer	–	4	0	3	–	7
Remeasurement (actual return less interest income)	–5	20	–7	–3	–6	–1
Translation differences	–63	–7	0	–1	0	–71
Closing balance	**1,604**	**681**	**824**	**122**	**111**	**3,342**

Asset composition

The combined return on assets in 2019 was 8.8% (2.0%). The year was characterised by strong returns across all asset classes, primarily in equities and spread bonds. At the end of the year, the equity exposure in Nordea´s pension funds/foundations represented 19% (24%) of total assets.

The Group expects to contribute EUR 3m to its defined benefit plans in 2020.

Asset composition in funded schemes

%	Swe 2019	Nor 2019	Fin 2019	Den 2019	UK 2019	Total 2019	Total 2018
Bonds	83%	68%	59%	85%	84%	74%	66%
- sovereign	43%	43%	30%	53%	84%	41%	36%
- covered bonds	23%	19%	9%	32%	0%	18%	18%
- corporate bonds	17%	6%	20%	0%	0%	15%	12%
- issued by Nordea entities	*2%*	*4%*	–	–	–	*2%*	*1%*
- with quoted market price in an active market	*83%*	*68%*	*59%*	*85%*	*84%*	*74%*	*66%*
Equity	16%	17%	25%	15%	16%	19%	24%
- domestic	4%	4%	7%	15%	5%	5%	6%
- European	4%	4%	6%	0%	2%	4%	6%
- US	4%	5%	6%	0%	6%	5%	7%
- emerging	4%	4%	6%	0%	3%	4%	5%
- Nordea shares	–	–	–	–	–	*0%*	*0%*
- with quoted market price in an active market	*16%*	*17%*	*26%*	*15%*	*16%*	*19%*	*24%*
Real estate[1]	0%	15%	15%	0%	0%	6%	7%
- occupied by Nordea	–	–	*5%*	–	–	*1%*	*1%*
Cash and cash equivalents	1%	0%	1%	0%	0%	1%	3%

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

G34. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 46m (EUR 54m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G8 "Staff costs").

Recognised in the income statement

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	28	4	3	–	–	35
Net interest	4	2	–3	0	0	3
Past service cost and settlements	4	–7	2	–	–	–1
SWT/SSC[1]	9	0	–	–	–	9
Pension cost on defined benefit plans (expense+/ income–)	**45**	**–1**	2	0	**0**	**46**
2018, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Current service cost	28	4	4	–	–	36
Net interest	2	2	–2	0	0	2
Past service cost and settlements	–1	9	–4	–	1	5
SWT/SSC[1]	8	3	–	–	–	11
Pension cost on defined benefit plans (expense+/ income–)	**37**	**18**	–2	0	**1**	**54**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost in 2018, excluding past service cost and related SWT and SSC, the pension cost remained unchanged in 2019.

Recognised in other comprehensive income

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	–	0	–1	–1	–2
Remeasurement from changes in financial assumptions	210	71	95	9	14	399
Remeasurement from experience adjustments	–33	–13	–2	2	–	–46
Remeasurement of plan assets (actual return less interest income)	–105	–18	–78	–6	–17	–224
SWT/SSC[1]	17	8	–	–	–	25
Pension cost on defined benefit plans (expense+/income–)	**89**	**48**	**15**	**4**	**–4**	**152**
2018, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	171	–24	–15	–2	–3	127
Remeasurement from experience adjustments	–3	12	–3	–	1	7
Remeasurement of plan assets (actual return less interest income)	5	–20	7	3	6	1
SWT/SSC[1]	44	–6	–	–	–	38
Pension cost on defined benefit plans (expense+/income–)	**217**	**–38**	**–11**	**2**	**3**	**173**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

G34. Retirement benefit obligations, cont.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Furthermore, the scheme allows employees to continue working while receiving AFP without this affecting their pension rights. The plan is founded on the basis of a tripartite cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense for the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms pay to the plan is determined to be sufficient to cover on-going pension expenses and provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2019 was 2.5% of employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The premium is calculated based on the average wages and average base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2019 amount to EUR 3m. Payments into the plan in 2019 covered 2,500 employees. The premium rate for 2020 will be 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premiums in 2020 amount to EUR 3m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. Consequently, the employer members have joint responsibility for two thirds of the pensions payable to employees who at any given time, meet the requirements for AFP. Any deficit or surplus on windup of the plan or the withdrawal of entities from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 7m (EUR 6m) at the end of the year. These obligations are largely covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2019 were EUR 0m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G8 "Staff costs".

G35. Subordinated liabilities

EURm	31 Dec 2019	31 Dec 2018
Additional Tier 1	2,409	2,384
Tier 2	7,410	6,771
Total	**9,819**	**9,155**

G36. Assets pledged as security for own liabilities

EURm	31 Dec 2019	31 Dec 2018
Assets pledged for own liabilities		
Securities etc[1]	24,458	23,465
Loans to the public	146,615	144,707
Other assets pledged	12,922	3,727
Total	**183,995**	**171,899**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	12,178	13,062
Deposits and borrowings from the public	5,569	2,402
Derivatives	4,676	–
Debt securities in issue	113,283	107,647
Other liabilities and commitments	2,464	2,587
Total	**138,170**	**125,698**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G43 "Transferred assets and obtained collaterals".

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

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other asset pledged relate to certificates of deposits pledged by Nordea to comply with authority requirements.

G37. Other assets pledged

Other assets pledged are mainly related to securities, which include interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions in the amount of EUR 3,919m (EUR 4,788m). The terms and conditions require day to day securities and relate to intraday/over night liquidity. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities, is also accounted for under this item.

G38. Contingent liabilities

EURm	31 Dec 2019	31 Dec 2018
Guarantees		
- Loan guarantees	2,791	2,434
- Other guarantees	13,855	13,949
Documentary credits	1,146	1,433
Other contingent liabilities	0	3
Total	**17,792**	**17,819**

In its normal business, Nordea issues various forms of guarantees in favour of its customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export-related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank's services and support Nordea's customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received. The table above includes all issued guarantees, also those for which the possibility of an outflow of resources is considered remote.

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity of managing directors or board members in group undertakings of Nordea Bank Abp.

Nordea Bank Abp has indemnified the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations from third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board of Directors decides otherwise on a case-by-case basis. The indemnity is secondary to any other insurance coverage.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G8 "Staff costs".

Claims in civil lawsuits and possible fines

Within the framework of its normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak anti-money laundering processes and procedures in the past. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea cannot exclude the possibility of fines, which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. See also Note G2 "Risk and Liquidity management" and Note G33 "Provisions".

G39. Commitments

EURm	31 Dec 2019	31 Dec 2018
Unutilised overdraft facilities	28,871	29,626
Loan commitments	46,459	43,661
Future payment obligations	222	100
Other commitments	1,511	1,092
Total	**77,063**	**74,479**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on the settlement date. Nordea has as per 31 December 2019 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On the settlement date these reverse repurchase agreements will, as far as possible, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2019. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information on credit commitments, see Note G1 "Accounting policies", section 26, about derivatives, see Note G19 "Derivatives and Hedge accounting" and about reverse repurchase agreements, see Note G43 "Transferred assets and obtained collaterals".

Nordea has in addition entered into an agreement to acquire SG Finans for an agreed purchase price of EUR 575m, contingent on customary regulatory approvals. See the Board of Directors' report for additional details.

G40. Classification of financial instruments

Assets

31 Dec 2019, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL): Mandatorily	Financial assets at fair value through profit or loss (FVPL): Designated at fair value through profit or loss (fair value option)	Financial assets at fair value through profit or loss (FVPL): Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/ joint ventures	Total
Cash and balances with central banks	35,509	–	–	–	–	–	35,509
Loans to central banks	5,889	3,318	–	–	–	–	9,207
Loans to credit institutions	5,724	2,792	–	–	–	–	8,516
Loans to the public	245,226	77,514	–	–	–	–	322,740
Interest-bearing securities	3,489	28,460	4,088	–	28,893	–	64,930
Financial instruments pledged as collateral	–	6,265	–	–	886	–	7,151
Shares	–	14,184	–	–	–	–	14,184
Assets in pooled schemes and unit-linked investment contracts	–	30,324	169	–	–	306	30,799
Derivatives	–	36,784	–	2,327	–	–	39,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	217	–	–	–	–	–	217
Investments in associated undertakings and joint ventures	–	–	–	–	–	572	572
Intangible assets	–	–	–	–	–	3,695	3,695
Properties and equipment	–	–	–	–	–	2,002	2,002
Investment properties	–	–	–	–	–	1,585	1,585
Deferred tax assets	–	–	–	–	–	487	487
Current tax assets	–	–	–	–	–	362	362
Retirement benefit assets	–	–	–	–	–	173	173
Other assets	1,079	10,778	–	–	–	686	12,543
Prepaid expenses and accrued income	693	–	–	–	–	372	1,065
Total	**297,826**	**210,419**	**4,257**	**2,327**	**29,779**	**10,240**	**554,848**

Liabilities

31 Dec 2019, EURm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL): Mandatorily	Financial liabilities at fair value through profit or loss (FVPL): Designated at fair value through profit or loss (fair value option)	Financial liabilities at fair value through profit or loss (FVPL): Derivatives used for hedging	Non-financial liabilities	Total
Deposits by credit institutions	23,330	8,974	–	–	–	32,304
Deposits and borrowings from the public	164,027	4,698	–	–	–	168,725
Deposits in pooled schemes and unit-linked investment contracts	–	–	31,859	–	–	31,859
Liabilities to policyholders	–	–	3,318	–	15,928	19,246
Debt securities in issue	135,223	–	58,503	–	–	193,726
Derivatives	–	40,298	–	1,749	–	42,047
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,018	–	–	–	–	2,018
Current tax liabilities	–	–	–	–	742	742
Other liabilities[1]	4,634	14,153	–	–	1,081	19,868
Accrued expenses and prepaid income	215	–	–	–	1,261	1,476
Deferred tax liabilities	–	–	–	–	481	481
Provisions	–	–	–	–	570	570
Retirement benefit liabilities	–	–	–	–	439	439
Subordinated liabilities	9,819	–	–	–	–	9,819
Total	**339,266**	**68,123**	**93,680**	**1,749**	**20,502**	**523,320**

1) Of which lease liabilities classified into the category Amortised cost EUR 1,225m.

G40. Classification of financial instruments, cont.

Assets

31 Dec 2018, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)			Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/ joint ventures	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)	Derivatives used for hedging			
Cash and balances with central banks	41,578	–	–	–	–	–	41,578
Loans to central banks	6,446	1,196	–	–	–	–	7,642
Loans to credit institutions	8,827	2,493	–	–	–	–	11,320
Loans to the public	234,471	73,833	–	–	–	–	308,304
Interest-bearing securities	3,384	32,682	7,134	–	33,022	–	76,222
Financial instruments pledged as collateral	–	7,026	–	–	542	–	7,568
Shares	–	12,452	–	–	–	–	12,452
Assets in pooled schemes and unit-linked investment contracts	–	24,272	153	–	–	158	24,583
Derivatives	–	33,915	–	3,110	–	–	37,025
Fair value changes of the hedged items in portfolio hedge of interest rate risk	169	–	–	–	–	–	169
Investments in associated undertakings and joint ventures	–	–	–	–	–	1,601	1,601
Intangible assets	–	–	–	–	–	4,035	4,035
Properties and equipment	–	–	–	–	–	546	546
Investment properties	–	–	–	–	–	1,607	1,607
Deferred tax assets	–	–	–	–	–	164	164
Current tax assets	–	–	–	–	–	284	284
Retirement benefit assets	–	–	–	–	–	246	246
Other assets	955	12,473	–	–	–	1,321	14,749
Prepaid expenses and accrued income	989	–	–	–	–	324	1,313
Total	**296,819**	**200,342**	**7,287**	**3,110**	**33,564**	**10,286**	**551,408**

Liabilities

31 Dec 2018, EURm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL)		Derivatives used for hedging	Non-financial liabilities	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)			
Deposits by credit institutions	33,933	8,486	–	–	–	42,419
Deposits and borrowings from the public	158,433	6,525	–	–	–	164,958
Deposits in pooled schemes and unit-linked investment contracts	–	–	25,653	–	–	25,653
Liabilities to policyholders	–	–	3,234	–	14,996	18,230
Debt securities in issue	135,644	–	54,778	–	–	190,422
Derivatives	–	38,624	–	923	–	39,547
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,273	–	–	–	–	1,273
Current tax liabilities	–	–	–	–	414	414
Other liabilities	989	17,828	–	–	4,498	23,315
Accrued expenses and prepaid income	273	–	–	–	1,423	1,696
Deferred tax liabilities	–	–	–	–	706	706
Provisions	–	–	–	–	321	321
Retirement benefit liabilities	–	–	–	–	398	398
Subordinated liabilities	9,155	–	–	–	–	9,155
Total	**339,700**	**71,463**	**83,665**	**923**	**22,756**	**518,507**

G40. Classification of financial instruments, cont.

Financial assets designated at fair value through profit or loss

EURm	2019	2018
Carrying amount per end of year	4,257	7,287
Maximum exposure to credit risk per end of year	4,257	7,287
Nominal amount of credit derivatives used to mitigate the maximum exposure to credit risk per end of the year	–	–
Changes in fair value due to changes in own credit risk, during the year	–	–
Changes in fair value due to changes in own credit risk, accumulated	–	–
Change in fair value of related credit derivatives, during the year	–	–
Change in fair value of related credit derivatives, accumulated	–	–

Assets designated at fair value through profit or loss (fair value option) consist of all assets in Nordea Life and Pension held under investment contracts, EUR 4,088m (EUR 7,134m). Also, assets in pooled schemes and unit-linked investment contracts in Life, EUR 169m (EUR 153m), are designated at fair value through profit or loss. For more information see Note G1 section 13. Nordea does not disclose the effect of changes in credit risk on the fair values of these assets and the fair value change in related credit derivatives; as such, changes in value will directly result in essentially the same change in the carrying amount of the corresponding liabilities to policyholders. There is thus no significant impact on the income statement or equity due to changes in credit risk of these assets in Life.

Financial liabilities designated at fair value through profit or loss consist of issued bonds in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 55,766m (EUR 51,616m), issued structured bonds in Markets operation, EUR 2,737m (EUR 3,162m), deposits linked to the investment return of separate assets, EUR 4,377m (EUR 3,964m) and investment contracts and pooled schemes in Life, EUR 30,800m (EUR 24,923m). For issued structured bonds in Markets, changes in fair value due to changes in own credit risk are recognised in other comprehensive income and Nordea calculates the change in own credit spread based on the change in Nordea's funding spread by assuming the liquidity premium for the issuance to be constant over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on issuance date and actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk. The value of the investment contracts in Life and asset linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

Changes in fair value due to changes in own credit risk of bonds issued in Nordea Kredit Realkreditaktieselskab, are calculated by determining the amount of changes in its fair value that are not attributable to changes in market conditions. The method used to estimate the amount of changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds. This model is assessed to provide the best estimate of the impact of own credit risk. The changes in own credit risk on issued mortgage bonds in Nordea Kredit Realkreditaktieselskab are not recognised in other comprehensive income as that would create an accounting missmatch with the corresponding change in fair value of the mortgage loans that is recognised in profit or loss. For this reason, the whole change in the fair value of issued mortgage bonds in Nordea Kredit Realkreditaktieselskab is recognised in the income statement. For the issued mortgage bonds, a change in the liability's credit risk and price will have a corresponding effect on the value of the loans as a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loans.

Financial liabilities designated at fair value through profit or loss

	2019			2018		
EURm	Liabilities for which changes in credit risk are presented in OCI	Liabilites for which changes in credit risk are presented in profit or loss	Total	Liabilities for which changes in credit risk are presented in OCI	Liabilites for which changes in credit risk are presented in profit or loss	Total
Carrying amount per end of the year	2,737	90,943	93,680	3,162	80,503	83,665
Amount to be paid at maturity[1]	2,737	93,317	96,054	3,322	81,600	84,922
Changes in fair value due to changes in own credit risk, during the year	–15	94	79	20	–54	–34
Changes in fair value due to changes in own credit risk, accumulated	–5	–456	–461	10	–550	–540

1) Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. For these liabilities, the amount disclosed to be paid at maturity has been set at the carrying amount.

G41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2019		31 Dec 2018	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	35,509	35,509	41,578	41,578
Loans	340,680	343,410	327,435	330,681
Interest-bearing securities	64,930	65,047	76,222	76,334
Financial instruments pledged as collateral	7,151	7,151	7,568	7,568
Shares	14,184	14,184	12,452	12,452
Assets in pooled schemes and unit-linked investment contracts	30,493	30,493	24,425	24,425
Derivatives	39,111	39,111	37,025	37,025
Other assets	11,857	11,857	13,428	13,428
Prepaid expenses and accrued income	693	693	989	989
Total	**544,608**	**547,455**	**541,122**	**544,480**

Fair value of financial assets and liabilities, cont.

	31 Dec 2019		31 Dec 2018	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	406,592	407,337	408,227	409,014
Deposits in pooled schemes and unit-linked investment contracts	31,859	31,859	25,653	25,653
Liabilities to policyholders	3,318	3,318	3,234	3,234
Derivatives	42,047	42,047	39,547	39,547
Other liabilities	17,562	17,562	18,817	18,817
Accrued expenses and prepaid income	215	215	273	273
Total	**501,593**	**502,338**	**495,751**	**496,538**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section “Determination of fair values for items measured at fair value on the balance sheet” below. For information about valuation of items not measured at fair value on the balance sheet, see the section “Financial assets and liabilities not held at fair value on the balance sheet” below.

Assets and liabilities held at fair value on the balance sheet
Categorisation into the fair value hierarchy

31 Dec 2019, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	3,318	–	–	–	3,318
Loans to credit institutions	–	–	2,792	–	–	–	2,792
Loans to the public	–	–	77,514	–	–	–	77,514
Interest-bearing securities[2]	19,694	1,487	48,726	2,660	172	13	68,592
Shares	11,825	10,184	325	322	2,034	860	14,184
Assets in pooled schemes and unit-linked investment contracts	30,078	26,129	359	359	362	362	30,799
Derivatives	37	–	37,717	12	1,357	–	39,111
Investment properties	–	–	–	–	1,585	1,578	1,585
Other assets	–	–	10,743	–	35	34	10,778
Total	**61,634**	**37,800**	**181,494**	**3,353**	**5,545**	**2,847**	**248,673**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,974	–	–	–	8,974
Deposits and borrowings from the public	–	–	4,698	–	–	–	4,698
Deposits in pooled schemes and unit-linked investment contracts	–	–	31,859	27,482	–	–	31,859
Liabilities to policyholders	–	–	3,318	3,318	–	–	3,318
Debt securities in issue	8,155	–	48,116	–	2,232	–	58,503
Derivatives	59	–	40,805	13	1,183	–	42,047
Other liabilities	3,587	–	10,564	–	2	–	14,153
Total	**11,801**	**–**	**148,334**	**30,813**	**3,417**	**–**	**163,552**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 7,151m relates to the balance sheet item Financial instruments pledged as collateral.

G41. 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 the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	1,196	–	–	–	1,196
Loans to credit institutions	–	–	2,493	–	–	–	2,493
Loans to the public	–	–	73,833	–	–	–	73,833
Interest-bearing securities[2]	30,947	3,896	49,130	3,393	329	4	80,406
Shares	10,159	8,381	596	595	1,697	916	12,452
Assets in pooled schemes and unit-linked investment contracts	24,167	20,692	227	227	189	189	24,583
Derivatives	70	–	35,917	89	1,038	–	37,025
Investment properties	–	–	–	–	1,607	1,588	1,607
Other assets	–	–	12,399	–	74	–	12,473
Total	**65,343**	**32,969**	**175,791**	**4,304**	**4,934**	**2,697**	**246,068**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,486	–	–	–	8,486
Deposits and borrowings from the public	–	–	6,525	–	–	–	6,525
Deposits in pooled schemes and unit-linked investment contracts	–	–	25,653	21,689	–	–	25,653
Liabilities to policyholders	–	–	3,234	3,234	–	–	3,234
Debt securities in issue	12,405	–	39,746	–	2,627	–	54,778
Derivatives	42	–	38,482	80	1,023	–	39,547
Other liabilities	7,192	–	10,622	–	14	–	17,828
Total	**19,639**	**–**	**132,748**	**25,003**	**3,664**	**–**	**156,051**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 7,568m relates to the balance sheet item Financial instruments pledged as collateral.

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

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

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

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

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

All valuation models, both complex and simple models, make use of market prices and inputs. These market prices and inputs comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies the interest rates are all observable, and implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations may also be observable for the most liquid equity instruments. For less liquid equity names the option market is fairly illiquid, and hence implied volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is

G41. Assets and liabilities at fair value, cont.

significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels is based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). If the impact from unobservable parameters on the valuation of the bond is significant the bond is categorised as Level 3 in the fair value hierarchy.

For OTC derivatives valuation models are used for establishing fair value. The models are usually in-house developed and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model inputs are observable in active markets.

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

Further Nordea has loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower and the fair value of the margin associated with each loan.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by portfolio adjustments.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value from the counterparty´s credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, Nordea obtains credit spreads from the credit default swap (CDS) market, and probabilities of defaults (PDs) are inferred from this data. For counterparties that do not have a liquid CDS, PDs are estimated using a cross-sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating region and industry.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). In addition, Nordea applies in its fair value measurement close-out-cost valuation adjustments and model risk adjustments for identified model deficiencies.

Nordea has during 2019 changed the principle for calculating the impact of funding costs and funding benefits on the valuation of uncollateralised and imperfectly collateralised derivatives (FFVA) in order to address an identified double counting versus the CVA.

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

Transfers between Level 1 and 2

During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 4,272m (EUR 6,778m) from Level 1 to Level 2 and EUR 701m (EUR 3,169m) from Level 2 to Level 1 of the fair value hierarchy. Nordea has also transferred derivative assets of EUR 0m (EUR 4m) and derivative liabilities of EUR 4m (EUR 2m) from Level 2 to Level 1. Nordea has also transferred debt securities in issue of EUR 4,455m (EUR 7,534m) from Level 1 to Level 2 and EUR 0m (EUR 384m) from Level 2 to Level 1. Further Nordea transferred other liabilities from Level 1 to Level 2 of EUR 1,426m (EUR 1,494m) and EUR 1m (EUR 128m) from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

G41. Assets and liabilities at fair value, cont.

Movements in Level 3

2019, EURm	1 Jan 2019	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification[1]	Translation differences	31 Dec 2019
Interest-bearing securities	329	–1	8	–	14	–180	2	–	–	–	–	172
- of which Life	4	–	9	–	–	–1	1	–	–	–	–	13
Shares	1,697	123	51	–	358	–419	–19	169	–31	91	14	2,034
- of which Life	916	42	–25	–	35	–221	–19	166	–31	–	–3	860
Assets in pooled schemes and unit-linked investment contracts	189	2	45	–	145	–22	2	1	–	–	–	362
- of which Life	189	2	45	–	145	–22	2	1	–	–	–	362
Derivatives (net)	15	–121	200	–	–33	–	121	–	–8	–	–	174
Other assets	74	–	–5	–	–	–	–33	–	–	–	–1	35
- of which Life	40	–	–	–	–	–	–6	–	–	–	–	34
Investment properties	1,607	2	39	–	103	–157	–	–	–	–10	1	1,585
- of which Life	1,588	2	38	–	101	–145	–	–	–	–7	1	1,578
Debt securities in issue	2,627	54	–232	–8	422	–	–634	3	–	–	–	2,232
Other Liabilities	14	–	–	–	1	–13	–	–	–	–	–	2

1) Due to deconsolidation of Nordea Bank S.A., Shares in Level 3 increased by EUR 91m and Investment properties in Level 3 decreased by EUR 3m. In addition, investment properties in Level 3 of EUR 7m have been reclassified from Investment properties to Properties and equipment.

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data were no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G6). Assets and liabilities related to derivatives are presented net.

2018, EURm	1 Jan 2018	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2018
Interest-bearing securities	168	–2	2	–	169	–9	2	–	–	–	–1	329
- of which Life	5	–	–	–	–	–	–	–	–	–	–1	4
Shares	1,584	130	66	–	317	–333	–64	5	–	–3	–5	1,697
- of which Life	927	84	12	–	103	–135	–64	5	–	–	–16	916
Assets in pooled schemes and unit-linked investment contracts	342	4	–7	–	–55	–86	–3	–	–	–	–6	189
- of which Life	342	4	–7	–	–55	–86	–3	–	–	–	–6	189
Derivatives (net)	453	–264	–431	–	–	18	246	3	–10	–	–	15
Other assets	–	–	–	–	6	–	–	68	–	–	–	74
- of which Life	–	–	–	–	–	–	–	40	–	–	–	40
Investment properties	1,448	–	57	–	131	–15	–	–	–	–	–14	1,607
- of which Life	1,437	–	57	–	113	–5	–	–	–	–	–14	1,588
Debt securities in issue	4,009	3	–585	–23	437	–	–1,215	1	–	–	–	2,627
Other Liabilities	–	–	–	–	–	–	–	14	–	–	–	14

G41. Assets and liabilities at fair value, cont.

The valuation processes for fair value measurements

Financial instruments

The valuation process in Nordea consists of several steps. The first step is to determine the end-of-day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the 1st line of defence, which is independent from the risk-taking units in the front office. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by comparing the prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. The verification of the correctness of prices and inputs is as a minimum carried out on a monthly basis and is for many products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

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

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the 1st line of defence. These teams are responsible for 2nd line of defence oversight for valuations, with independent reporting responsibilities towards the CRO and the BAC.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which are in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC report quarterly to the Nordea Group Valuation Committee.

Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G41. Assets and liabilities at fair value, cont.

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

31 Dec 2019, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	164	9	Discounted cash flows	Credit spread	–16/16
Corporates	8	4	Discounted cash flows	Credit spread	–0/0
Total	**172**	**13**			**–16/16**
Shares					
Private equity funds	833	489	Net asset value[3]		–93/93
Hedge funds	87	83	Net asset value[3]		–8/8
Credit Funds	421	167	Net asset value/market consensus[3]		–35/35
Other funds	289	115	Net asset value/fund prices[3]		–26/26
Other[4]	460	62	–		–32/32
Total	**2,090**	**916**			**–194/194**
Derivatives					
Interest rate derivatives	265	–	Option model	Correlations	–31/35
				Volatilities	
Equity derivatives	–10	–	Option model	Correlations	–6/3
				Volatilities	
				Dividend	
Foreign exchange derivatives	–16	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	–69	–	Credit derivative model	Correlations	–24/26
				Recovery rates	
				Volatilities	
Other	4	–	Option model	Correlations	–0/0
				Volatilities	
Total	**174**	–			**–61/64**
Debt securities in issue					
Issued structured bonds	2,232	–	Credit derivative model	Correlations	–11/11
				Recovery rates	
				Volatilities	
Total	**2,232**	–			**–11/11**
Other, net					
Other assets and Other liabilities, net	33	34			–4/4
Total	**33**	**34**			**–4/4**

1) Investment in financial instruments is a major part of the life insurance business, acquired to fulfil the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 3% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 56m related to assets in pooled schemes and unit-linked investment.

G41. Assets and liabilities at fair value, cont.

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

31 Dec 2018, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	323	–	Discounted cash flows	Credit spread	–32/32
Corporates	6	4	Discounted cash flows	Credit spread	–0/0
Total	**329**	**4**			**–32/32**
Shares					
Private equity funds	745	457	Net asset value[3]		–84/84
Hedge funds	102	83	Net asset value[3]		–6/6
Credit Funds	398	176	Net asset value/market consensus[3]		–33/33
Other funds	292	183	Net asset value/fund prices[3]		–26/26
Other[4]	191	48	–		–16/16
Total	**1,728**	**947**			**–165/165**
Derivatives					
Interest rate derivatives	259	–	Option model	Correlations	–13/14
				Volatilities	
Equity derivatives	–25	–	Option model	Correlations	–12/8
				Volatilities	
				Dividend	
Foreign exchange derivatives	–13	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	–212	–	Credit derivative model	Correlations	–34/33
				Recovery rates	
				Volatilities	
Other	6	–	Option model	Correlations	–0/0
				Volatilities	
Total	**15**	–			**–59/55**
Debt securities in issue					
Issued structured bonds	2,627	–	Credit derivative model	Correlations	–13/13
				Recovery rates	
				Volatilities	
Total	**2,627**	–			**–13/13**
Other, net					
Other assets and Other liabilities, net	60	40			–7/7
Total	**60**	**40**			**–7/7**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 5% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 31m related to assets in pooled schemes and unit-linked investment.

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

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

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk fac-

G41. Assets and liabilities at fair value, cont.

tors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

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

Investment properties

31 Dec 2019, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	713	713	Discounted cash flows	Market rent		
				- Office	110–401 EUR/m²	280 EUR/m²
				- Other	128 EUR/m²	128 EUR/m²
				Yield requirement		
				- Office	4.0%–5.65%	4,6%
				- Other	6.5%–9.5%	7,1%
Finland[3]	933	933	Discounted cash flows[2]	Market rent		
				- Commercial	144–230 EUR/m²	187 EUR/m²
				- Office	189–306 EUR/m²	296 EUR/m²
				- Apartment	189–306 EUR/m²	248 EUR/m²
				- Other	231–291 EUR/m²	261 EUR/m²
				Yield requirement		
				- Commercial	5.75%–7.25%	6,5%
				- Office	4.5%–8.25%	5,8%
				- Apartment	3.25%–4.75%	4,0%
				- Other	4.5% -6%	5,3%
Sweden	238	238	Discounted cash flows[2]	Market rent		
				- Commercial	73–208 EUR/m²	124 EUR/m²
				- Office	226–231 EUR/m²	229 EUR/m²
				- Apartment	166–178 EUR/m²	172 EUR/m²
				- Other	65–66 EUR/m²	65 EUR/m²
				Yield requirement		
				- Commercial	5.10%–6.75%	5,8%
				- Office	4.5%–4.65%	4,6%
				- Apartment	3.73%–4.30%	3,9%
				- Other	6.75%–6.75%	6,8%
Other	7	–	Discounted cash flows	–	–	–
Total	**1,891**	**1,884**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 306m related to investment properties in pooled schemes and unit-linked investments in Life.

G41. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2018, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	620	620	Discounted cash flows	Market rent		
				- Office	102–729 EUR/m²	284 EUR/m²
				- Other	126 EUR/m²	126 EUR/m²
				Yield requirement		
				- Office	3.9%–6.0%	4.8%
				- Other	6.5%–9.5%	7.7%
Finland[3]	881	881	Discounted cash flows[2]	Market rent		
				- Commercial	144–233 EUR/m²	189 EUR/m²
				- Office	123–294 EUR/m²	208 EUR/m²
				- Apartment	189–306 EUR/m²	248 EUR/m²
				- Other	231–288 EUR/m²	260 EUR/m²
				Yield requirement		
				- Commercial	5.8%–7.0%	6.4%
				- Office	4.3%–8.3%	6.3%
				- Apartment	3.3%–4.8%	4.0%
				- Other	4.5%–6.3%	5.4%
Sweden	245	245	Discounted cash flows[2]	Market rent		
				- Commercial	66–209 EUR/m²	124 EUR/m²
				- Office	233 EUR/m²	233 EUR/m²
				- Apartment	169–179 EUR/m²	174 EUR/m²
				- Other	66 EUR/m²	66 EUR/m²
				Yield requirement		
				- Commercial	5.3%–6.8%	5.8%
				- Office	4.6%–5.0%	4.8%
				- Apartment	3.8%–4.7%	4.0%
				- Other	7.0%–7.2%	7.1%
Other	19	–	Discounted cash flows	–	–	–
Total	**1,765**	**1,746**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 158m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to the transaction price not being established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see Note G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

G41. Assets and liabilities at fair value, cont.

Deferred Day 1 profit – derivatives, net

EURm	2019	2018
Amount at beginning of year	81	58
Deferred profit/loss on new transactions	85	62
Recognised in the income statement during the year[1]	–41	–39
Amount at end of year	**125**	**81**

1) Of which EUR –m (EUR –m) due to transfers of derivatives from Level 3 to Level 2.

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

	31 Dec 2019		31 Dec 2018		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	35,509	35,509	41,578	41,578	3
Loans	257,056	259,786	249,913	253,159	3
Interest-bearing securities	3,489	3,606	3,384	3,496	1,2
Other assets	1,079	1,079	955	955	3
Prepaid expenses and accrued income	693	693	989	989	3
Total	**297,826**	**300,673**	**296,819**	**300,177**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	334,417	335,162	338,438	339,225	3
Other liabilities	3,409	3,409	989	989	3
Accrued expenses and prepaid income	215	215	273	273	3
Total	**338,041**	**338,786**	**339,700**	**340,487**	

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" has been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Business Banking and Large Corporates & Institutions respectively.

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

Interest-bearing securities
The fair value is EUR 3,606m (EUR 3,496m), of which EUR 237m (EUR 0m) is categorised in Level 1 and EUR 3,369m (EUR 3,496m) in Level 2. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

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

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

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

G42. 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[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	126,040	−87,038	39,002	−27,317	–	−9,987	1,698
Reverse repurchase agreements	38,143	−9,965	28,178	–	−28,178	–	0
Securities borrowing agreements	4,324	–	4,324	–	−3,223	–	1,101
Variation margin	382	−382	0	–	–	–	0
Total	**168,889**	**−97,385**	**71,504**	**−27,317**	**−31,401**	**−9,987**	**2,799**

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[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	125,813	−84,423	41,390	−27,317	–	−4,676	9,397
Repurchase agreements	24,351	−9,965	14,386	–	−14,356	–	30
Securities lending agreements	2,500	–	2,500	–	−2,500	–	0
Variation margin	2,996	−2,997	0	–	–	–	0
Total	**155,660**	**−97,385**	**58,276**	**−27,317**	**−16,856**	**−4,676**	**9,427**

1) All amounts are measured at fair value , except for the reverse repurchase agreements of EUR 3,169m and repurchase agreements of EUR 3,211m which are measured at amortised cost.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

31 Dec 2018, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	110,616	−73,806	36,810	−22,881	–	−10,183	3,746
Reverse repurchase agreements	37,336	−12,448	24,888	–	−24,888	–	0
Securities borrowing agreements	4,176	–	4,176	–	−2,444	–	1,732
Variation margin	453	−453	0	–	–	–	0
Total	**152,581**	**−86,707**	**65,874**	**−22,881**	**−27,332**	**−10,183**	**5,478**

31 Dec 2018, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	107,209	−70,998	36,211	−22,881	–	−4,311	9,019
Repurchase agreements	29,092	−12,448	16,644	–	−16,644	–	0
Securities lending agreements	2,963	–	2,963	–	−3,703	–	−740
Variation margin	3,261	−3,261	0	–	–	–	0
Total	**142,525**	**−86,707**	**55,818**	**−22,881**	**−20,347**	**−4,311**	**8,279**

1) All amounts are measured at fair value, except for reverse repurchase agreements of EUR 3,217m and repurchase agreements of EUR 3,210m which are measured at amortised cost.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

G42. Financial instruments set off on balance or subject to netting agreements, cont.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are 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 Nordea would consequently be able to benefit from netting, in the event of its counter-parties defaulting, in any calculations involving counterparty credit risk.

For a description of counterparty risk, see the section Counterparty risk in Note G2 "Risk and Liquidity management".

G43. Transferred assets and obtained collaterals

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

Assets are considered to be transferred from Nordea if Nordea either transfers the contractual right to receive the cash flows from the asset or to retain that right, but has a contractual obligation to pay the cash flows to one or more entities.

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

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

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

As both repurchase agreements and securities lending transactions result in securities being returned to Nordea, all risks and rewards of the instruments transferred are retained by Nordea, although they are not available to Nordea during the period during which they are transferred. The counterparts in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

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

G43. Transferred assets and obtained collaterals, cont.

EURm	31 Dec 2019	31 Dec 2018
Repurchase agreements		
Interest-bearing securities	7,151	7,568
Securities lending agreements		
Shares	–	–
Total	**7,151**	**7,568**

Liabilities associated with the assets

EURm	31 Dec 2019	31 Dec 2018
Repurchase agreements	7,150	7,564
Securities lending agreements	–	–
Securitisations	–	–
Total	**7,150**	**7,564**
Net	**1**	**4**

Obtained collaterals that are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities upon settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements is disclosed below.

EURm	31 Dec 2019	31 Dec 2018
Reverse repurchase agreements		
Received collaterals that can be repledged or sold	36,218	35,632
- of which repledged or sold	15,791	19,661
Securities borrowing agreements		
Received collaterals that can be repledged or sold	5,680	5,648
- of which repledged or sold	2,612	2,980
Total	**41,898**	**41,280**

G44. 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		35,509	–	35,509	41,578	–	41,578
Loans to central banks	G14	9,207	–	9,207	7,642	–	7,642
Loans to credit institutions	G14	7,629	887	8,516	10,856	464	11,320
Loans to the public	G14	71,994	250,746	322,740	77,834	230,470	308,304
Interest-bearing securities	G15	20,021	44,909	64,930	36,619	39,603	76,222
Financial instruments pledged as collateral	G16	–	7,151	7,151	7,568	–	7,568
Shares	G17	6,474	7,710	14,184	6,049	6,403	12,452
Assets in pooled schemes and unit-linked investment contracts	G18	22,371	8,428	30,799	17,314	7,269	24,583
Derivatives	G19	7,097	32,014	39,111	7,463	29,562	37,025
Fair value changes of the hedged items in portfolio hedge of interest rate risk		44	173	217	74	95	169
Investments in associated undertakings and joint ventures	G20	–	572	572	139	1,462	1,601
Intangible assets	G21	4	3,691	3,695	205	3,830	4,035
Properties and equipment	G22	169	1,833	2,002	127	419	546
Investment properties	G24	715	870	1,585	16	1,591	1,607
Deferred tax assets	G12	23	464	487	17	147	164
Current tax assets		362	–	362	284	–	284
Retirement benefit assets	G34	–	173	173	–	246	246
Other assets	G25	11,944	599	12,543	14,554	195	14,749
Prepaid expenses and accrued income	G26	805	260	1,065	1,094	219	1,313
Total assets		**194,368**	**360,480**	**554,848**	**229,433**	**321,975**	**551,408**
Deposits by credit institutions	G27	32,117	187	32,304	36,690	5,729	42,419
Deposits and borrowings from the public	G28	159,446	9,279	168,725	159,718	5,240	164,958
Deposits in pooled schemes and unit-linked investment contracts	G18	6,188	25,671	31,859	5,242	20,411	25,653
Liabilities to policyholders	G29	1,056	18,190	19,246	1,939	16,291	18,230
Debt securities in issue	G30	65,196	128,530	193,726	71,549	118,873	190,422
Derivatives	G19	8,955	33,092	42,047	8,168	31,379	39,547
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,521	497	2,018	616	657	1,273
Current tax liabilities		742	–	742	414	–	414
Other liabilities[1]	G31	18,589	1,279	19,868	23,233	82	23,315
Accrued expenses and prepaid income	G32	1,471	5	1,476	1,646	50	1,696
Deferred tax liabilities	G12	95	386	481	40	666	706
Provisions	G33	228	342	570	250	71	321
Retirement benefit liabilities	G34	–	439	439	–	398	398
Subordinated liabilities	G35	2,512	7,307	9,819	536	8,619	9,155
Total liabilities		**298,116**	**225,204**	**523,320**	**310,041**	**208,466**	**518,507**
1) Of which liabilities related to right of use assets		138	1,087	1,225	–	–	–

G44. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	50,749	84,251	49,047	137,161	205,741	526,949
Non interest-bearing financial assets	–	–	–	–	67,685	67,685
Non-financial assets	–	–	–	–	10,240	10,240
Total assets	**50,749**	**84,251**	**49,047**	**137,161**	**283,666**	**604,874**
Interest-bearing financial liabilities	152,847	88,214	46,689	100,431	38,667	426,848
Non interest-bearing financial liabilities	–	–	–	–	108,226	108,226
Non-financial liabilities and equity	–	–	–	–	52,030	52,030
Total liabilities and equity	**152,847**	**88,214**	**46,689**	**100,431**	**198,923**	**587,104**
Derivatives, cash inflow	–	569,174	151,980	237,205	87,566	1,045,925
Derivatives, cash outflow	–	568,210	153,460	237,308	87,015	1,045,993
Net exposure	**–**	**964**	**–1,480**	**–103**	**551**	**–68**
Exposure	**–102,098**	**–2,999**	**878**	**36,627**	**85,294**	**17,702**
Cumulative exposure	**–102,098**	**–105,097**	**–104,219**	**–67,592**	**17,702**	**–**

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	56,154	84,802	49,015	143,084	210,748	543,803
Non interest-bearing financial assets	–	–	–	–	61,648	61,648
Non-financial assets	–	–	–	–	10,286	10,286
Total assets	**56,154**	**84,802**	**49,015**	**143,084**	**282,682**	**615,737**
Interest-bearing financial liabilities	148,248	99,049	42,558	104,831	37,452	432,138
Non interest-bearing financial liabilities	–	–	–	–	104,805	104,805
Non-financial liabilities and equity	–	–	–	–	55,657	55,657
Total liabilities and equity	**148,248**	**99,049**	**42,558**	**104,831**	**197,914**	**592,600**
Derivatives, cash inflow	–	574,388	174,708	264,725	89,041	1,102,862
Derivatives, cash outflow	–	565,441	174,087	273,162	90,700	1,103,390
Net exposure	**–**	**8,947**	**621**	**–8,437**	**–1,659**	**–528**
Exposure	**–92,094**	**–5,300**	**7,078**	**29,816**	**83,109**	**22,609**
Cumulative exposure	**–92,094**	**–97,394**	**–90,316**	**–60,500**	**22,609**	**–**

The table is based on contractual maturities for the on balance sheet items. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the instruments on the balance sheet items, Nordea has credit commitments amounting to EUR 75,330m (EUR 73,287m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 16,646m (EUR 16,383m) which may lead to future cash outflows if certain events occur. For further information about remaining maturity, see also Note G2 "Risk and Liquidity management".

G45. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Assets				
Loans	143	498	–	–
Interest-bearing securities	–	1,635	92	98
Derivatives	3	142	51	116
Other assets	66	2	41	11
Total assets	**212**	**2,277**	**184**	**225**
Liabilities				
Deposits	8	587	524	759
Debt securities in issue	–	25	–	–
Derivatives	8	226	10	19
Other liabilities	–	107	2	1
Total liabilities	**16**	**945**	**536**	**779**
Off balance	**21**	**1,823**	**5**	**–**

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	2019	2018	2019	2018
Net interest income	1	23	2	3
Net fee and commission income	3	–15	–	–
Net result from items at fair value	5	–428	–12	51
Other operating income	1	1	–	–
Total operating expenses	0	–15	–	–
Profit before loan losses	**10**	**–434**	**–10**	**54**

1) Shareholders with significant influence and close family members of key management personnel at Nordea, as well as companies controlled by key management personnel or by close family members of key management personnel at Nordea, are considered to be related parties to Nordea. This group of related parties includes Sampo Plc, which has a significant influence over Nordea, and the subsidiaries of Sampo Plc. Liabilities to Sampo Plc and its subsidiaries consist mainly of deposits and long-term investments in bonds issued by Nordea. The transactions with Sampo Plc and its subsidiaries also include several ongoing derivative contracts. Other related parties also include Nordea's pension foundations.

With the exception of compensation, certain loans and other commitments to key management, all related party transactions are made on the same criteria and terms as those of comparable transactions with external parties of similar standing.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G8 "Staff costs". Certain other commitments to key management are noted in Note G38 "Contingent liabilities".

G46. Interests in structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It normally has restricted activities with a narrow and well-defined objective. If Nordea controls such an entity, it is consolidated.

Consolidated structured entities

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities to a maximum of EUR 952m (EUR 1,060m) and at year-end EUR 871m (EUR 938m) was utilised. Total assets in the conduit were EUR 904m (EUR 971m) at year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from the payments being dependent on the rate at which Viking releases its assets.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities to a maximum of EUR 125m (EUR 125m) and at year-end EUR 83m (EUR 114m) was utilised. The entity holds assets of EUR 84m (EUR 117m) at year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest but not control, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interests in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products in which Nordea invests in investment funds:

a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in the value of investment funds acquired on behalf of policyholders and depositors, for which the policyholder/depositor bears the investment risk, is reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in value in investment funds held on behalf of other policyholders is largely passed on to the policyholders, but as Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value.

G46. Interests in structured entities, cont.

Investment funds acquired to hedge exposures in structured products reduce the exposures and, to the extent hedges are effective, Nordea is not exposed to changes in value. The maximum loss on these funds is estimated at EUR 1m (EUR 3m), net of hedges.

Investments in illiquid private equity and credit funds are an integral part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated at EUR 600m (EUR 509m), equal to the investment in the funds.

Nordea's interests in unconsolidated structured entities and any related liability are disclosed in the table below. The carrying amount is the maximum exposure to credit loss, before considering any hedges. Income related to these investments is recognised in "Net result from items at fair value".

EURm	31 Dec 2019	31 Dec 2018
Assets, carrying amount:		
Shares	10,899	8,044
Assets in pooled schemes and unit-linked investment contracts	26,653	22,179
Total assets	**37,552**	**30,223**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit-linked investment contracts	26,653	22,179
Liabilities to policyholders	10,171	7,435
Total liabilities	**36,824**	**29,614**
Off balance, nominal amount:		
Loan commitments	0	0

Nordea holds approximately 2,500 different funds that are classified as unconsolidated structured entities, approximately 400 of which are managed by Nordea. These have different investment mandates and risk appetites, ranging from low-risk government bond funds to high-risk leveraged equity funds. Total assets in funds managed by Nordea are EUR 177bn (EUR 151bn). All funds are financed by deposits from the units holders. The total assets in investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and are thus not disclosed.

Nordea has sponsored two unconsolidated structured entities in which Nordea does not currently have an interest, Archean and Thulite. Nordea has established the entities but has no influence over them, and is thus considered to have sponsored them. During 2019, Thulite entered into one transaction, where it issued bonds and deposited funds with Nordea, as well as entering into a CDS selling credit protection to Nordea. Nordea has not recognised any income during 2019 from Thulite. Archean has issued a guarantee in favour of Nordea and Nordea has received compensation amounting to EUR 18m from Archean under this guarantee during 2019.

G47. Country by country reporting

The table below presents for each country where Nordea is established, (i.e. where Nordea has a physical presence), information about the businesses, geographical area, average number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have a physical presence in a country if Nordea has a subsidiary, associated undertaking or branch in that country. Nordea has not received any significant government subsidies.

			2019				2018			
Country	Business[1]	Geographical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, CB, AM, LP	Denmark	7,904	2,588	424	–47	8,505	2,655	898	–159
Finland	RB, CB, AM, LP	Finland	6,368	2,110	198	–90	6,459	1,820	694	–164
Sweden	RB, CB, AM, LP	Sweden	6,712	2,304	442	–150	7,055	3,083	1,080	–302
Norway	RB, CB, AM, LP	Norway	2,952	1,691	726	–198	2,962	1,668	1,061	–161
Russia	CB	Russia	335	53	29	–9	396	62	38	–8
Poland	Other	Poland	4,006	177	5	–2	2,980	124	1	1
Estonia	Other	Estonia	432	19	3	0	253	10	1	0
Luxembourg	AM, LP	Luxembourg	254	276	179	–53	434	326	180	–54
United States	RB, CB, AM, LP	New York	116	90	49	–7	116	87	–65	–21
United Kingdom	RB, CB, AM, LP	London	54	66	40	–11	58	81	57	–3
Singapore	CB	Singapore	64	26	9	–1	75	33	–1	–1
Germany	CB, AM	Frankfurt	45	21	8	–4	44	18	8	1
Switzerland	AM	Zürich	5	2	0	0	10	2	0	0
China	CB	Shanghai	29	6	0	1	29	7	1	–1
Italy	AM	Rome	10	6	1	0	9	5	0	0
Spain	AM	Madrid	6	2	0	0	5	2	0	0
Brazil	AM	Sao Paolo	0	1	–	–	2	1	0	0
France	AM	Paris	3	1	0	0	3	1	0	0
Chile	AM	Santiago	3	2	0	0	–	–	–	–
Belgium	AM	Belgium	2	0	0	0	–	–	–	–
Eliminations[3]			–	–806	–	–	–	–813	–	–
Total			**29,300**	**8,635**	**2,113**	**–571**	**29,395**	**9,172**	**3,953**	**–872**

1) RB= Retail banking, CB=Commercial banking, AM=Asset management, LP=Life and Pension. Split based on Nordea's business activities, not on Nordea's organisational units.
2) Total operating income presented in this table is split by countries based on where Nordea has a physical presence, i.e. where Nordea has a subsidiary, associated undertaking or branch, while total operating profit presented in Note G3 is split by countries based on the location of the customers´ operations.
3) Eliminations of transactions consist mainly of intragroup IT services.

Nordea also discloses the names of the subsidiaries, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in the table below, in the last table "Group undertakings included in the Nordea Group" in the section "Capital adequacy for the Nordea Group" and in the last table in Note G20 "Investments in associated undertakings and Joint Ventures".

Denmark
Nordea Danmark Filial af Nordea Bank Abp, Finland
Nordea Investment Management AB, Denmark Branch
Nordea Fund Management, filial af Nordea funds Oy, Finland

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finland Branch

Sweden
Nordea Bank Abp filial i Sverige
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Swedish Branch

Norway
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norway Branch
Nordea Funds Ltd, Norwegian Branch
Nordea Bank Abp, filial i Norge

Italy
Nordea Investment Funds S.A. Italian Branch

France
Nordea Investment Funds S.A. French Branch

Estonia
Nordea Bank AB Estonia Branch

Belgium
Nordea Investment Funds S.A. Belgium Branch

Germany
Nordea Bank Abp Niederlassung Frankfurt
Nordea Funds Services GmbH (Germany)
Nordea Investment Funds S.A. German Branch

China
Nordea Bank Abp Shanghai Branch

Poland
Nordea Bank Abp Spolka Akcyjna Oddzial w Polsce

Singapore
Nordea Bank Abp Singapore Branch

Switzerland
Nordea Asset Management Schweiz GmbH

Spain
Nordea Investment Funds S.A. Sucursal en Espana

United Kingdom
Nordea Bank AB London Branch
Nordea Investment Funds S.A. UK Branch

United States
Nordea Bank Abp New York Branch

Chile
NAM Chile SpA

G48. Acquisitions

Acquisition of Gjensidige Bank

On 2 July 2018, Nordea entered into an agreement with Gjensidige Forsikring to acquire all shares in Gjensidige Bank. The transaction was closed on 1 March 2019, when Nordea received final approval from the Norwegian regulators. 1 March is the acquisition date and the date from which the acquired assets and liabilities are recognised on Nordea's balance sheet. Assets and liabilities acquired are disclosed in the table below.

The following purchase price allocation (PPA) has been established as of 1 March 2019.

EURm	1 Mar 2019
Loans to the public[1]	5,185
Interest-bearing securities	608
Accruals and other assets	93
Deposits from the public	–2,315
Debt securities in issue[1]	–3,022
Accruals and other liabilities	–108
Acquired net assets	**441**
Purchase price, settled in cash	576
Cost of combination	**576**
Surplus value	**135**
Allocation of surplus value:	
Non-controlling interest	–46
Customer intangible	29
Brands	8
Deferred tax liability	–6
Goodwill	150

1) Including adjustments for fair value for loans and debt securities in issue measured at amortised cost in Gjensidige.

The fair value of loans in the table above included allowances for the contractual cash flows not expected to be collected. The allowances amounts to EUR 37m.

Nordea has identified a number of intangible assets in the acquisition. Two different customer related intangibles have been identified, one for deposit customers and one for lending customers. The value of the deposit customers is related to the funding they provide at interest rates lower than other funding. The customer intangible related to lending reflects the profit generated in specific portfolios. Amortisation of the deposit-related intangible is done over eight years, while the intangible related to the loans is amortised over four years, reflecting the pace at which customers can be expected to leave. The consumer finance business in Gjensidige is distributed through the brand Oppfinans, which is included in the acquisition. The brand has been valued using a royalty rate of 3.5%. Goodwill arises mainly due to the synergies Nordea expects to achieve. Integrating the business in Gjensidige into Nordea will create cost synergies as well as some income synergies. The brand and the goodwill are expected to have indefinite lives and are consequently not amortised.

The Additional Tier 1 instrument accounted for as equity in Gjensidige is reported as a non-controlling interest in the Nordea consolidated accounts. The impact on Nordea's net profit for the year was insignificant.

Signing

Board of Directors' proposal for the distribution of profits

On 31 December 2019, Nordea Bank Abp's distributable earnings, including profit for the financial year, were EUR 18,166,606,378.45 and the unrestricted equity reserve was EUR 4,590,425,994.62. The Board of Directors proposes to the Annual General Meeting of Nordea Bank Abp to be held on 25 March 2020 that a dividend of EUR 0.40 per share be paid based on the balance sheet to be adopted for the financial year ending 31 December 2019.

The Company's number of shares is 4,049,951,919. The total dividend payment for 2019, excluding dividend for treasury shares, would then be EUR 1,615,656,843.60* and it would be paid from retained earnings. After the dividend pay-out, EUR 16,550,949,534.85* is to be carried forward as distributable retained earnings.

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.

Nordea Bank Abp is the parent company of the Nordea Group and domiciled in Helsinki, Finland. A copy of the report by the Board of Directors and financial statements are available at Aleksis Kiven katu 7, 00500 Helsinki and on Nordea's website at www.nordea.com.

Signatures to the Financial Statements and the Board of Directors report

Helsinki, 20 February 2020

Torbjörn Magnusson
Chair

Kari Jordan *Vice Chair*	Dorrit Groth Brandt *Board member*[1]	Pernille Erenbjerg *Board member*
Nigel Hinshelwood *Board member*	Petra van Hoeken *Board member*	Robin Lawther *Board member*
John Maltby *Board member*	Gerhard Olsson *Board member*[1]	Hans Christian Riise *Board member*[1]
Sarah Russell *Board member*	Birger Steen *Board member*	Maria Varsellona *Board member*

Frank Vang-Jensen
President and Group CEO

Auditor's note

A report on the audit has been issued today.

Helsinki, 26 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

1) Employee representative.

* The total amount of the dividend payment and the amount carried forward as distributable retained earnings after the dividend pay-out, will be adjusted based on the amount of treasury shares held by Nordea Bank Abp at the record date for the dividend payment.

Auditor's report *(Translation of the Swedish original)*

To the Annual General Meeting of Nordea Bank Abp

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Nordea Bank Abp (business identity code 2858394-9) for the financial year ended 31 December 2019. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

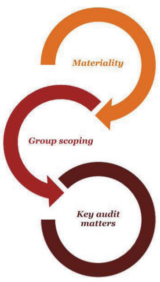
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in Note G9 Other expenses/Auditors' fees to the consolidated financial statements.

Our Audit Approach

Overview



- Overall group materiality: € 200 million, which represents 0,65 % of equity.

- The group audit scope encompassed all significant group companies, as well a number of smaller group companies in Nordic countries, covering the vast majority of revenue, assets and liabilities.

- Impairment of loans to customers
- Valuation of financial instruments held at fair value
- Actuarial assumptions related to the Life business
- IT systems supporting processes over financial reporting.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 200 million
How we determined it	0,65 % of equity
Rationale for the materiality benchmark applied	We chose equity as the benchmark because, in our view, it is the benchmark against which the capital resources of the bank are most commonly measured by users and is a generally accepted benchmark. We chose 0,65% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Nordea group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralized systems. Audits were performed in group companies which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the group.

By performing the procedures above at group companies, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Impairment of loans to customer	
Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty), Note G11 – Net loan losses and Note G14 – Loans and impairment to the consolidated financial statements. A high level of judgement is involved in determining the appropriate impairment loss to be recognised. For individually assessed loans, judgement is involved in determining whether a loan has a loss event and in assessing the loan loss amount. 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. Nordea 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. Nordea uses adjustments to the model-driven ECL results to address impairment model limitations and market trends. This is also a key audit matter with respect to our audit of the parent company financial statements.	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. We had a special focus on ECL model updates and the credit risk development for large customers. Based on risk, we selected individual loans and performed detailed credit file reviews and assessed its credit risk. 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. We evaluated adjustments to the model driven ECL and reviewed that governance procedures have been performed. We assessed the disclosures related to impairment of loans.
Valuation of financial instruments held at fair value	
Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty), Note G19 – Derivatives and Hedge accounting, Note G40 – Classification of financial instruments and Note G41 – Assets and liabilities at fair value to the consolidated financial statements. Given the ongoing volatility and macro-economic uncertainty, valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II and III financial instruments utilise observable and unobservable inputs respectively, for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Disclosures of financial instruments. This is also a key audit matter with respect to our audit of the parent company financial statements.	We assessed and tested the design and operating effectiveness of the controls over: • The identification, measurement and oversight of valuation of financial instruments • Fair value hierarchy, fair value adjustments and independent price verification • Model control and governance. We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Group's governance and reporting processes and controls. For the valuations dependent on unobservable inputs or which involve a higher degree of judgment, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions. In respect of fair value adjustments, specifically Credit, Debt and Funding fair value adjustments (CVA, DVA and FFVA) for derivatives we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence.

Actuarial assumptions related to the Life business

Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty) and Note G29 – Liabilities to policyholders to the consolidated financial statements.

Technical provisions involve subjective judgments over uncertain future outcomes. The value is based on models where significant judgment is applied in setting economic assumptions, actuarial assumptions as well as customer behavior. Changes in these assumptions can materially impact the valuation of technical provisions.

We assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business.

Our audit also included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out involving PwC actuaries.

IT systems supporting processes over financial reporting

Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operates effectively.

This is also a key audit matter with respect to our audit of the parent company financial statements.

We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to program and data as well as program development and changes.

For logical access to program and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT systems.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment
Our appointment represents a total period of uninterrupted engagement of two financial 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support the proposal that the financial statements are adopted. The proposal by the Board of Directors regarding the distribution of profits is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 26 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

ANNEX 3 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE YEAR ENDED 31 DECEMBER 2018, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO

Contents

Financial statements

Income statement 86
Statement of comprehensive income 87
Balance sheet 88
Statement of changes in equity 89
Cash flow statement 93
Glossary 95

Notes to the financial statements

Accounting policies

G1 Accounting policies 96

Notes to the income statement

G2 Segment reporting 119
G3 Net interest income 123
G4 Net fee and commission income 124
G5 Net result from items at fair value 125
G6 Other operating income 126
G7 Staff costs 126
G8 Other expenses 131
G9 Depreciation, amortisation and impairment charges of tangible and intangible assets 131
G10 Net loan losses 131
G11 Taxes 132
G12 Earnings per share 132

Notes to the balance sheet and memorandum items

G13 Loans and impairment 133
G14 Interest-bearing securities 136
G15 Financial instruments pledged as collateral 136
G16 Shares 136
G17 Assets and deposits in pooled schemes and unit-linked contracts 136
G18 Derivatives and Hedge accounting 137
G19 Investments in associated undertakings and joint ventures 141
G20 Intangible assets 143
G21 Leasing 144
G22 Investment properties 145
G23 Other assets 145
G24 Prepaid expenses and accrued income 145
G25 Deposits by credit institutions 145
G26 Deposits and borrowings from the public 145
G27 Liabilities to policyholders 145
G28 Debt securities in issue 147
G29 Other liabilities 147
G30 Accrued expenses and prepaid income 147
G31 Provisions 147
G32 Retirement benefit obligations 149
G33 Subordinated liabilities 153
G34 Assets pledged as security for own liabilities 153
G35 Other assets pledged 153
G36 Contingent liabilities 154
G37 Commitments 154

Other notes

G38 Capital adequacy 154
G39 Classification of financial instruments 155
G40 Assets and liabilities at fair value 158
G41 Financial instruments set off on balance or subject to netting agreements 168
G42 Disposal groups held for sale 169
G43 Transferred assets and obtained collaterals 169
G44 Maturity analysis for assets and liabilities 170
G45 Related-party transactions 172
G46 Credit risk disclosures 173
G47 Interests in structured entities 181
G48 Country by country reporting 182
G49 IFRS 16 183

Income statement

EURm	Note	2018	2017
Operating income			
Interest income calculated using the effective interest rate method	G3	5,843	6,132
Other interest income	G3	1,410	1,443
Interest expense	G3	−2,929	−2,909
Net interest income	**G3**	**4,324**	**4,666**
Fee and commission income		3,846	4,232
Fee and commission expense		−853	−863
Net fee and commission income	**G4**	**2,993**	**3,369**
Net result from items at fair value	G5	1,088	1,328
Profit from associated undertakings and joint ventures accounted for under the equity method	G19	124	23
Other operating income	G6	476	83
Total operating income		**9,005**	**9,469**
Operating expenses			
General administrative expenses:			
Staff costs	G7	−2,998	−3,212
Other expenses	G8	−1,399	−1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	−482	−268
Total operating expenses		**−4,879**	**−5,102**
Profit before loan losses		**4,126**	**4,367**
Net loan losses	G10	−173	−369
Operating profit		**3,953**	**3,998**
Income tax expense	G11	−872	−950
Net profit for the year		**3,081**	**3,048**
Attributable to:			
Shareholders of Nordea Bank Apb (Nordea Bank AB (publ))		3,070	3,031
Additional Tier 1 capital holders		7	–
Non–controlling interests		4	17
Total		**3,081**	**3,048**
Basic earnings per share, EUR	G12	0,76	0.75
Diluted earnings per share, EUR	G12	0,76	0.75

Statement of comprehensive income

EURm	2018	2017
Net profit for the year	**3,081**	**3,048**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–240	–511
Tax on currency translation differences during the year	–2	3
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	67	175
Tax on valuation gains/losses during the year	–19	–37
Fair value through other comprehensive income[1]:		
Valuation gains/losses during the year	–48	–
Tax on valuation gains/losses during the year	11	–
Transferred to the income statement during the year	–10	–
Tax on transfers to the income statement during the year	2	–
Available for sale investments[1]:		
Valuation gains/losses during the year	–	31
Tax on valuation gains/losses during the year	–	–8
Transferred to the income statement during the year	–	0
Tax on transfers to the income statement during the year	–	0
Cash flow hedges:		
Valuation gains/losses during the year	720	43
Tax on valuation gains/losses during the year	–159	–19
Transferred to the income statement during the year	–676	–150
Tax on transfers to the income statement during the year	149	43
Items that may not be reclassified subsequently to the income statement		
Changes in own credit risk related to liabilities classified as fair value option:		
Valuation gains/losses during the year	20	–
Tax on valuation gains/losses during the year	–4	–
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	–173	–115
Tax on remeasurement of defined benefit plans during the year	36	25
Other comprehensive income, net of tax	**–326**	**–520**
Total comprehensive income	**2,755**	**2,528**
Attributable to:		
Shareholders of Nordea Bank Abp (Nordea Bank AB (publ))	2,744	2,511
Additional Tier 1 capital holders	7	–
Non-controlling interests	4	17
Total	**2,755**	**2,528**

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

Balance sheet

EURm	Note	31 Dec 2018	31 Dec 2017
Assets			
Cash and balances with central banks		41,578	43,081
Loans to central banks	G13	7,642	4,796
Loans to credit institutions	G13	11,320	8,592
Loans to the public	G13	308,304	310,158
Interest-bearing securities	G14	76,222	75,294
Financial instruments pledged as collateral	G15	7,568	6,489
Shares	G16	12,452	17,180
Assets in pooled schemes and unit-linked investment contracts	G17	24,583	25,879
Derivatives	G18	37,025	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk		169	163
Investments in associated undertakings and joint ventures	G19	1,601	1,235
Intangible assets	G20	4,035	3,983
Properties and equipment		546	624
Investment properties	G22	1,607	1,448
Deferred tax assets	G11	164	118
Current tax assets		284	121
Retirement benefit assets	G32	246	250
Other assets	G23	14,749	12,441
Prepaid expenses and accrued income	G24	1,313	1,463
Assets held for sale	G42	–	22,186
Total assets		**551,408**	**581,612**
Liabilities			
Deposits by credit institutions	G25	42,419	39,983
Deposits and borrowings from the public	G26	164,958	172,434
Deposits in pooled schemes and unit-linked investment contracts	G17	25,653	26,333
Liabilities to policyholders	G27	18,230	19,412
Debt securities in issue	G28	190,422	179,114
Derivatives	G18	39,547	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,273	1,450
Current tax liabilities		414	389
Other liabilities	G29	23,315	28,515
Accrued expenses and prepaid income	G30	1,696	1,603
Deferred tax liabilities	G11	706	722
Provisions	G31	321	329
Retirement benefit liabilities	G32	398	281
Subordinated liabilities	G33	9,155	8,987
Liabilities held for sale	G42	–	26,031
Total liabilities		**518,507**	**548,296**
Equity			
Additional Tier 1 capital holders		750	750
Non-controlling interests		6	168
Share capital		4,050	4,050
Share premium reserve		–	1,080
Invested unrestricted equity		1,080	–
Other reserves		–1,876	–1,543
Retained earnings		28,891	28,811
Total equity		**32,901**	**33,316**
Total liabilities and equity		**551,408**	**581,612**
Assets pledged as security for own liabilities	G34	171,899	198,973
Other assets pledged	G35	4,788	4,943
Contingent liabilities	G36	17,819	19,020
Commitments	G37	74,479	77,032

Statement of changes in equity

2018

EURm	Share capital[1]	Share premium reserve/ Invested unrestricted equity	Translation of foreign operations[6]	Cash flow hedges[7]	Fair value through other comprehensive income[5]	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank Abp											
			Other reserves:									
Balance at 31 Dec 2017	**4,050**	**1,080**	**–1,720**	**–46**	**103**	**120**	**–**	**28,811**	**32,398**	**750**	**168**	**33,316**
Effects from changed accounting policy, net of tax	–	–	–	–	1	–	–8	–237	–244	–	–	–244
Restated opening balance at 1 Jan 2018	**4,050**	**1,080**	**–1,720**	**–46**	**104**	**120**	**–8**	**28,574**	**32,154**	**750**	**168**	**33,072**
Net profit for the year	–	–	–	–	–	–	–	3,070	3,070	7	4	3,081
Items that may be reclassified subsequently to the income statement												
Currency translation differences during the year	–	–	–240	–	–	–	–	–	–240	–	–	–240
Tax on currency translation differences during the year	–	–	–2	–	–	–	–	–	–2	–	–	–2
Hedging of net investments in foreign operations:												
Valuation gains/losses during the year	–	–	67	–	–	–	–	–	67	–	–	67
Tax on valuation gains/losses during the year	–	–	–19	–	–	–	–	–	–19	–	–	–19
Fair value through other comprehensive income:												
Valuation gains/losses during the year	–	–	–	–	–48	–	–	–	–48	–	–	–48
Tax on valuation gains/losses during the year	–	–	–	–	11	–	–	–	11	–	–	11
Transferred to the income statement during the year	–	–	–	–	–10	–	–	–	–10	–	–	–10
Tax on transfers to the income statement during the year	–	–	–	–	2	–	–	–	2	–	–	2
Cash flow hedges:												
Valuation gains/losses during the year	–	–	–	720	–	–	–	–	720	–	–	720
Tax on valuation gains/losses during the year	–	–	–	–159	–	–	–	–	–159	–	–	–159
Transferred to the income statement during the year[4]	–	–	–	–676	–	–	–	–	–676	–	–	–676
Tax on transfers to the income statement during the year[4]	–	–	–	149	–	–	–	–	149	–	–	149

Statement of changes in equity, Nordea Group, cont.

2018

EURm	Share capital[1]	Share premium reserve/ Invested unrestricted equity	Translation of foreign operations[6]	Cash flow hedges[7]	Fair value through other comprehensive income[5]	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank Abp											
			Other reserves:									
Items that may not be reclassified subsequently to the income statement												
Changes in own credit risk related to liabilities classified as fair value option:												
Valuation gains/losses during the year	–	–	–	–	–	–	20	–	20	–	–	20
Tax on valuation gains/losses during the year	–	–	–	–	–	–	–4	–	–4	–	–	–4
Transfer due to derecognition during the year	–	–	–	–	–	–	–	–	–	–	–	–
Defined benefit plans:												
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–173	–	–	–173	–	–	–173
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	36	–	–	36	–	–	36
Other comprehensive income, net of tax	**–**	**–**	**–194**	**34**	**–45**	**–137**	**16**	**0**	**–326**	**–**	**–**	**–326**
Total comprehensive income	**–**	**–**	**–194**	**34**	**–45**	**–137**	**16**	**3,070**	**2,744**	**7**	**4**	**2,755**
Paid interest on additional Tier 1 capital	–	–	–	–	–	–	–	–	–	–7	–	–7
Dividend for 2017	–	–	–	–	–	–	–	–2,747	–2,747	–	–	–2,747
Purchase of own shares[2]	–	–	–	–	–	–	–	–6	–6	–	–	–6
Change in non-controlling interests[3]	–	–	–	–	–	–	–	–	–	–	–166	–166
Balance at 31 Dec 2018	**4,050**	**1,080**	**–1,914**	**–12**	**59**	**–17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**

1) Total shares registered were 4,050 million.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme (LTIP), trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 15.2 million. The total holding of own shares related to LTIP were 9.6 million.
3) Of which EUR -172m refers to the sale of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.
4) The transfer is due to that the hedged item is affecting the income statement.
5) Due to the implementation of IFRS 9 the Available for sale (AFS) category does no longer exist and the assets are instead classified as Fair value through other comprehensive income (FVOCI). Hence, the opening balance 2018 for the FVOCI-reserve is the closing balance 2017 for the AFS-reserve.
6) Relates to foreign exchange risk. Of the balance per 31 December 2018, EUR 568m relates to hedging relationship for which hedge accounting is applied and EUR -m relates to hedging relationships for which hedge accounting is no longer applied.
7) For more detailed information see Note G18.

Statement of changes in equity, Nordea Group, cont.

2017

	Attributable to shareholders of Nordea Bank AB (publ)										
			Other reserves:								
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations[5]	Cash flow hedges[6]	Available for sale investments	Defined benefit plans	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 1 Jan 2017	4,050	1,080	–1,350	37	80	210	28,302	32,409	–	1	32,410
Net profit for the year	–	–	–	–	–	–	3,031	3,031	–	17	3,048
Items that may be reclassified subsequently to the income statement											
Currency translation differences during the year	–	–	–511	–	–	–	–	–511	–	–	–511
Tax on currency translation differences during the year	–	–	3	–	–	–	–	3	–	–	3
Hedging of net investments in foreign operations:											
Valuation gains/losses during the year	–	–	175	–	–	–	–	175	–	–	175
Tax on valuation gains/losses during the year	–	–	–37	–	–	–	–	–37	–	–	–37
Available for sale investments:											
Valuation gains/losses during the year	–	–	–	–	31	–	–	31	–	–	31
Tax on valuation gains/losses during the year	–	–	–	–	–8	–	–	–8	–	–	–8
Transferred to the income statement during the year	–	–	–	–	0	–	–	0	–	–	0
Tax on transfers to the income statement during the year	–	–	–	–	0	–	–	0	–	–	0
Cash flow hedges:											
Valuation gains/losses during the year	–	–	–	43	–	–	–	43	–	–	43
Tax on valuation gains/losses during the year	–	–	–	–19	–	–	–	–19	–	–	–19
Transferred to the income statement during the year[4]	–	–	–	–150	–	–	–	–150	–	–	–150
Tax on transfers to the income statement during the year[4]	–	–	–	43	–	–	–	43	–	–	43

Statement of changes in equity, Nordea Group, cont.

2017

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations[5]	Cash flow hedges[6]	Available for sale investments	Defined benefit plans	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)										
			Other reserves:								
Items that may not be reclassified subsequently to the income statement											
Defined benefit plans:											
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–115	–	–115	–	–	–115
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	25	–	25	–	–	25
Other comprehensive income, net of tax	**–**	**–**	**–370**	**–83**	**23**	**–90**	**–**	**–520**	**–**	**–**	**–520**
Total comprehensive income	**–**	**–**	**–370**	**–83**	**23**	**–90**	**3,031**	**2,511**	**–**	**17**	**2,528**
Issuance of additional Tier 1 capital	–	–	–	–	–	–	–6	–6	750	–	744
Dividend for 2016	–	–	–	–	–	–	–2,625	–2,625	–	–	–2,625
Purchase of own shares[2]	–	–	–	–	–	–	–12	–12	–	–	–12
Change in non-controlling interests[3]	–	–	–	–	–	–	121	121	–	150	271
Balance at 31 Dec 2017	**4,050**	**1,080**	**–1,720**	**–46**	**103**	**120**	**28,811**	**32,398**	**750**	**168**	**33,316**

1) Total shares registered were 4,050 million.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.7 million. The total holdings of own shares related to LTIP were 10.2 million.
3) Refers to the sale of 25% of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.
4) The transfer is due to that the hedged item is affecting the income statement.
5) Relates to foreign exchange risk. Of the balance per 31 December 2017, EUR 521m relates to hedging relationship for which hedge accounting is applied and EUR -m relates to hedging relationships for which hedge accounting is no longer applied.
6) For more detailed information see Note G18.

Cash flow statement

EURm	2018	2017
Operating activities		
Operating profit	3,953	3,998
Adjustment for items not included in cash flow	1,238	3,514
Income taxes paid	−1,024	−950
Cash flow from operating activities before changes in operating assets and liabilities	**4,167**	**6,562**
Changes in operating assets		
Change in loans to central banks	−2,052	−190
Change in loans to credit institutions	−1,463	136
Change in loans to the public	−2,884	7,541
Change in interest-bearing securities	−90	4,305
Change in financial assets pledged as collateral	237	−2,915
Change in shares	4,984	−5,801
Change in derivatives, net	4,687	−4,816
Change in investment properties	−218	−171
Change in other assets	−1,672	2,890
Changes in operating liabilities		
Change in deposits by credit institutions	−622	9,432
Change in deposits and borrowings from the public	−5,461	−1,681
Change in liabilities to policyholders	−1,531	2,163
Change in debt securities in issue	12,856	−8,373
Change in other liabilities	−8,307	3,201
Cash flow from operating activities	**2,631**	**12,274**
Investing activities		
Sale of business operations	646	228
Investment in associated undertakings and joint ventures	−81	−957
Sale of associated undertakings	90	20
Acquisition of property and equipment	−32	−129
Sale of property and equipment	14	11
Acquisition of intangible assets	−608	−685
Sale of intangible assets	–	42
Net divestment in debt securities, held to maturity	–	−8
Purchase/sale of other financial fixed assets	–	−21
Cash flow from investing activities	**29**	**−1,499**
Financing activities		
Issued subordinated liabilities	641	–
Issued Additional Tier 1 capital	–	750
Paid interest on additional Tier 1 capital	−7	–
Amortised subordinated liabilities	−669	−750
Divestment/repurchase of own shares incl change in trading portfolio	−6	−12
Dividend paid	−2,747	−2,625
Cash flow from financing activities	**−2,788**	**−2,637**
Cash flow for the year	**−128**	**8,138**
Cash and cash equivalents at beginning of the year	46,213	41,860
Translation difference	−76	−3,785
Cash and cash equivalents at the end of year	46,009	46,213
Change	**−128**	**8,138**

Cash flow statement, Nordea Group, cont.

Comments on the cash flow statement

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

Operating activities

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

EURm	2018	2017
Depreciation		
Impairment charges	307	236
Loan losses	175	5
Unrealised gains/losses	217	422
Capital gains/losses (net)	–401	–47
Change in accruals and provisions	994	–182
Translation differences	–94	–625
Change in bonus potential to policyholders, Life	–447	58
Change in technical reserves, Life	–20	2,056
Change in fair value on the hedge items, assets/liabilities (net)	–144	–957
Other	412	134
Total	**1,238**	**3,514**

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

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

EURm	2018	2017
Interest payments received	7,412	7,748
Interest expenses paid	–3,138	–3,475

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2018	31 Dec 2017
Cash and balances with central banks	41,578	43,081
Loans to central banks, payable on demand	2,759	2,004
Loans to credit institutions, payable on demand	1,672	779
Assets held for sale	–	349
Total	**46,009**	**46,213**

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

- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities. Loans to central banks, payable on demand includes instruments where Nordea has the right to resell immediately.

Reconciliation of liabilities arising from financing activities

The opening balance of subordinated liabilities was EUR 10,459m. During the period cash flows related to bonds were EUR –750m and the effects of FX changes and other was EUR –722m ending up in a closing balance of EUR 8,987m.

Glossary

Allowances in relation to credit impaired loans (stage 3)
Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

Allowances in relation to loans in stage 1 and 2
Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

Basic earnings per share
Net profit for the year divided by the weighted average number of outstanding shares, non-controlling interests excluded.

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

Diluted earnings per share
Net profit for the year divided by the weighted average number of outstanding shares after full dilution, non-controlling interests excluded.

Economic capital (EC)
Economic Capital is Nordea's interal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business risk and Life Insurance Risk arising from activities in Nordea's various business areas.

The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

Equity per share
Equity as shown on the balance sheet after full dilution and non-controlling interests excluded divided by the number of shares after full dilution.

Impairment rate (Stage 3), gross
Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.

Impairment rate (Stage 3), net
Impaired loans (Stage 3) after allowances divided by total loans measured at amortised cost before allowances.

Loan loss ratio
Net loan losses (annualised) divided by closing balance of loans to the public (lending) measured at amortised cost.

Non-servicing, not impaired
Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Own funds
Own funds include the sum of the Tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the carrying amount of the shares in wholly owned insurance companies and the potential deduction for expected shortfall.

Price to Book
Nordea's stock market value relative to its book value of total equity.

Return on equity
Net profit for the year as a percentage of average equity for the year. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for ther period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity including net profit for the year and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on assets
Net profit for the year as a percentage of total assets at end of the year.

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

ROCAR, % (Return on capital at risk)
Net profit excluding items affecting comparability, in percentage of Economic Capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic capital.

Tier 1 capital
The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution. Common Equity Tier 1 capital includes consolidated shareholders´ equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations, the full expected shortfall deduction (the negative difference between expected losses and provisions) and finally other deductions such as cash flow hedges.

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

Total allowance rate (Stage 1, 2 and 3)
Total allowances divided by total loans measured at amortised cost before allowances.

Total allowances in relation to impaired loans (provisioning ratio)
Total allowances divided by impaired loans before allowances.

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

Total shareholders return (TSR)
Total shareholders return measured as growth in the value of a shareholding during the year, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

G1. Accounting policies

Content for Note G1

1. Basis for presentation ... 96
2. Changed accounting policies and presentation ... 96
3. Changes in IFRSs not yet applied ... 100
4. Critical judgements and estimation uncertainty ... 101
5. Principles of consolidation ... 103
6. Recognition of operating income and impairment ... 104
7. Income recognition life insurance ... 106
8. Recognition and derecognition of financial instruments on the balance sheet ... 106
9. Translation of assets and liabilities denominated in foreign currencies ... 107
10. Hedge accounting ... 107
11. Determination of fair value of financial instruments ... 108
12. Cash and balances with central banks ... 109
13. Financial instruments ... 109
14. Loans to the public/credit institutions ... 111
15. Leasing ... 113
16. Intangible assets ... 113
17. Properties and equipment ... 114
18. Investment properties ... 114
19. Liabilities to policyholders ... 114
20. Assets and deposits in pooled schemes and unit-linkedinvestment contracts ... 115
21. Taxes ... 116
22. Earnings per share ... 116
23. Employee benefits ... 116
24. Equity ... 117
25. Financial guarantee contracts and credit commitments ... 117
26. Share-based payment ... 117
27. Related party transactions ... 118
28. Presentation of disposal groups held for sale ... 118
29. Exchange rates ... 118

1. Basis for presentation

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

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

On 21 February 2019 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 28 March 2019.

The accounting policies, basis for calculations and presentations are unchanged in comparison with the Annual Report 2017, except from changed accounting policies and presentation described below in the section "Changed accounting policies and presentation". The comparable figures for 2017 are presented in accordance with IAS 39, for more information see Note G1 in the Annual Report 2017, mainly within section 13.

2. Changed accounting policies and presentation

The new accounting requirements implemented during 2018 and their impact on Nordea's financial statements are described below.

IFRS 9 "Financial instruments"

The new standard IFRS 9 "Financial instruments" covers classification and measurement, impairment and general hedge accounting and replaces the earlier requirements covering these areas in IAS 39. The classification, measurement and impairment requirements in IFRS 9 were implemented by Nordea as from 1 January 2018. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 10).

The total negative impact on equity from IFRS 9 amounts to EUR 183m after tax and was recognised as an opening balance adjustment 1 January 2018. For more information about the IFRS 9 transition impact on 1 January 2018, see below. Nordea has not restated the comparative figures for 2017.

Classification and measurement

The classification and measurement requirements in IFRS 9 state that financial assets should be classified as, and measured at, amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea has analysed whether the cash flows from the financial assets held per 31 December 2017 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group. For contacts signed after 1 January 2018 only restructured contracts are allowed to have SPPI non-compliant features and for restructured contracts the SPPI analysis is performed for each contact separately.

Impairment

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than in IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Under IAS 39 Nordea did not calculate collective provisions for off balance sheet exposures or the financial instruments classified into the measurement category Financial assets at fair value through other comprehensive income.

G1. Accounting policies, cont.

The new classification and measurement requirements in IFRS 9 have resulted in the following classification of assets and liabilities at transition per 1 January 2018:

Classification of assets and liabilities under IFRS 9

Assets

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Fair value through profit or loss (FVPL) Designated at fair value through profit or loss (Fair value option)	Fair value through profit or loss (FVPL) Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/joint ventures	Assets held for sale	Total
Cash and balances with central banks	43,081	–	–	–	–	–	–	43,081
Loans	246,966	76,427	–	–	–	–	–	323,393
Interest-bearing securities	3,093	28,027	7,832	–	36,342	–	–	75,294
Financial instruments pledged as collateral	–	6,489	–	–	–	–	–	6,489
Shares	–	17,180	–	–	–	–	–	17,180
Assets under pooled schemes and unit-linked investment contracts	–	25,229	499	–	–	151	–	25,879
Derivatives	–	44,415	–	1,696	–	–	–	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	163	–	–	–	–	–	–	163
Investments in associated undertakings and joint ventures	–	–	–	–	–	1,207	–	1,207
Intangible assets	–	–	–	–	–	3,983	–	3,983
Properties and equipment	–	–	–	–	–	624	–	624
Investment properties	–	–	–	–	–	1,448	–	1,448
Deferred tax assets	–	–	–	–	–	159	–	159
Current tax assets	–	–	–	–	–	121	–	121
Retirement benefit assets	–	–	–	–	–	250	–	250
Other assets	1,523	10,272	–	–	–	646	–	12,441
Prepaid expenses and accrued income	999	–	–	–	–	464	–	1,463
Assets held for sale	–	–	–	–	–	–	22,186	22,186
Total assets	**295,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,053**	**22,186**	**581,472**

Liabilities

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Fair value through profit or loss (FVPL) Designated at fair value through profit or loss (Fair value option)	Fair value through profit or loss (FVPL) Derivatives used for hedging	Non-financial liabilities	Liablities held for sale	Total
Deposit by credit institutions	34,078	5,905	–	–	–	–	39,983
Deposits and borrowings from the public	163,330	9,075	29	–	–	–	172,434
Deposits in pooled schemes and unit-linked investment contracts	–	–	26,333	–	–	–	26,333
Liabilities to policyholders	–	–	3,486	–	15,926	–	19,412
Debt securities in issue	122,511	–	56,603	–	–	–	179,114
Derivatives	–	41,607	–	1,106	–	–	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,450	–	–	–	–	–	1,450
Current tax liabilities	–	–	–	–	389	–	389
Other liabilities	2,883	24,421	–	–	1,261	–	28,515
Accrued expenses and prepaid income	246	–	–	–	1,357	–	1,603
Deferred tax liabilities	–	–	–	–	717	–	717
Provisions	–	–	–	–	377	–	377
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	8,987	–	–	–	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total liabilities	**333,435**	**81,008**	**86,451**	**1,106**	**20,308**	**26,031**	**548,339**

G1. Accounting policies, cont.

The new classification and measurement requirements in IFRS 9 have resulted in the following reclassification and remeasurement of assets and liabilities at transition per 1 January 2018:

Reclassification of assets and liabilities at transition

		Fair value through profit or loss (FVPL)						
Assets, EURm	**Amortised cost (AC)**	**Mandatorily**	**Designated at fair value through profit or loss (Fair value option)**	**Derivatives used for hedging**	**Fair value through other comprehensive income (FVOCI)**	**Non-financial assets and associated undertakings/ joint ventures**	**Assets held for sale**	**Total**
Balance at 31 Dec 2017 under IAS 39	**295,639**	**118,240**	**98,469**	**1,696**	**36,342**	**9,040**	**22,186**	**581,612**
Required reclassification from Fair value option to AC[1]	234	–	–234	–	–	–	–	–
Required reclassification from Fair value option to FVPL mandatorily[2]	–	89,904	–89,904	–	–	–	–	–
Required reclassification from AC to FVPL mandatorily[1]	–23	23	–	–	–	–	–	–
Reclassification of provisions on loans held at fair value	128	–128	–	–	–	–	–	–
Impact from companies accounted for under the equity method	–	–	–	–	–	–28	–	–28
Remeasurement[3]	–153	–	–	–	–	41	–	–112
Balance at 1 Jan 2018 under IFRS 9	**259,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,053**	**22,186**	**581,472**

		Fair value through profit or loss (FVPL)					
Liabilities, EURm	**Amortised cost (AC)**	**Mandatorily**	**Designated at fair value through profit or loss (Fair value option)**	**Derivatives used for hedging**	**Non-financial liabilities**	**Liabilities held for sale**	**Total**
Balance at 31 Dec 2017 under IAS 39	**333,435**	**81,008**	**86,451**	**1,106**	**20,265**	**26,031**	**548,296**
Remeasurement under IFRS 9[4]	–	–	–	–	43	–	43
Balance at 1 Jan 2018 under IFRS 9	**333,435**	**81,008**	**86,451**	**1,106**	**20,308**	**26,031**	**548,339**

1) The reclassification relates to Loans and is required by the classification criteria in IFRS 9. These loans were reclassified to amortised cost as the business model for these loans under IFRS 9 is to hold them and collect contractual cash flows. Under IAS 39 these loans were designated at fair value through profit or loss as they were considered to be part of Markets' portfolio of assets and liabilities which were managed on a fair value basis. The fair value of these loans 31 December 2018 does not significantly differ from the carrying amount at the same date which was EUR 91m. The changes in fair value of these loans during 2018 was EUR 143m and the effective interest rate 1 January 2018 was in the range 0.36%–3.56%. The interest income from these loans during 2018 amounts to EUR 2m and was presented in the income statement on the row Net results from items at fair value in the income statement.

2) Interest-bearing securities of EUR 202m, shares of EUR 11,926m, loans of EUR 52,547m and assets in pooled schemes of EUR 25,229m have been reclassified from Fair value option to Fair value through profit and loss, mandatorily. The reason for this reclassification of interest-bearing securities, shares and loans is that these assets have cash flows that were not solely payments of principle and interest and therefore based on classification criteria mandatorily should be measured at fair value through profit or loss. The reason for the reclassification of the pooled schemes was that these assets are managed on a fair value basis and therefore based on the classification criteria mandatorily should be measured at fair value through profit or loss.

3) Amortised cost (AC) consists of remeasurement of collective and individual provisions of EUR 153m and FVOCI consist of new provisions of EUR 2m and an equal but opposite fair value measurement. Non financial assets consist of an increase of deferred tax assets of EUR 41m.

4) Increase in provision for off-balance sheet items of EUR 48m and decrease of deferred tax liability of EUR 5m.

G1. Accounting policies, cont.

The assets to test for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 will have individually calculated provisions, while for insignificant assets the assessment is based on a statistical model. In stage 1, the provisions equal the 12 months expected loss. In stage 2 and 3, the provisions equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. For assets held at transition, Nordea has decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets recognised after transition, changes to the lifetime Probability of Default (PD) are used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2.

Nordea's model for calculating collective provisions under IAS 39 defined a loss event as one notch deterioration in rating/scoring, while the triggering event for moving items from stage 1 to stage 2 under IFRS 9 requires several notches deterioration. The provisions under IFRS 9 are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 is based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea earlier, under IAS 39, held provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 requires provisions equal to the lifetime expected loss.

When calculating expected losses under IFRS 9, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea has decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as a provision.

The quantitative impact from the new impairment requirements on total allowances and provisions for on- and off-balance exposures, including debt instruments accounted for at fair value through other comprehensive income (FVOCI), was an increase of EUR 203m. Equity was reduced by EUR 183m including the expected impact from companies accounted for under the equity method. The impact on the Common Equity Tier 1 capital ratio, after adjustment of the shortfall deduction and before transition rules, was insignificant. Nordea has not applied the transitional rules issued by the EU allowing a phase in of the impact on common equity tier-1 capital. There was no material impact to large exposures. The impact on provisions is disclosed in the table below.

Impairment calculations under IFRS 9 requires more experienced credit judgement by the reporting entities than was required by IAS 39 and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward-looking scenarios.

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 10). If Nordea instead had elected to apply the new hedge accounting requirement in IFRS 9 that would not have resulted in any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures. The reason is that Nordea generally uses macro (portfolio) hedge accounting.

IFRS 15 "Revenue from Contracts with Customers"

The new standard IFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes earlier revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The standard does not apply to financial instruments, insurance contracts or lease contracts.

The standard was implemented by Nordea as from 1 January 2018 using the modified retrospective approach, meaning that the cumulative effect of the change was recognised as an adjustment to equity in the opening balance 2018. Comparable figures for 2017 are not restated.

The new standard had an impact on Nordea's accounting policies for loan origination fees, as such fees are amortised as part of the effective interest of the loans to a larger extent than before. The total negative impact on equity from IFRS 15

Reclassification of provisions at transition

EURm	Held to maturity	Loans and receivables	Amortised cost (AC)	Available for sale	Fair value through other comprehensive income (FVOCI)	Off-balance	Total
Balance at 31 Dec 2017 under IAS 39	**–**	**2,333**	**–**	**–**	**–**	**91**	**2,424**
Reclassification to AC	–	–2,156	2,156	–	–	–	0
Reclassification to FVPL	–	–177	–	–	–	–	–177
Remeasurement under IFRS 9, collective provisions	–	–	143	–	2	48	193
Remeasurement under IFRS 9, individual provisions	–	–	10	–	–	–	10
Balance at 1 Jan 2018 under IFRS 9	**–**	**–**	**2,309**	**–**	**2**	**139**	**2,450**

G1. Accounting policies, cont.

amounts to EUR 61m after tax and was recognised as an opening balance adjustment 1 January 2018.

IAS 1 "Presentation of Financial Statements"
As a result of IFRS 9, IASB have amended IAS 1 "Presentation of Financial Statements". These amendments were implemented by Nordea as from 1 January 2018.

As a result of the amendments in IAS 1, Nordea presents interest income on two rows in the income statement, Interest income calculated using the effective interest rate method and Other interest income. On the row Interest income calculated using the effective interest method, Nordea presents interest income from financial assets measured at amortised cost and at fair value through other comprehensive income. This line item also includes the net paid or received interest on hedging instruments relating to these assets. All other interest income is presented on the income statement row Other interest income. The comparative figures for 2017 have been restated.

Other amended requirements
The following new and amended standards and interpretations were implemented by Nordea 1 January 2018 but have not had any significant impact on the financial statements of Nordea:
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with
- IFRS 4 Insurance contracts
- Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions
- Amendments to IAS 40: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle

As from 1 October 2018 Nordea is applying certain rules in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decision of the Ministry of Finance on the financial statements and consolidated statements of credit institutions. Earlier Nordea applied certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board. These changes have not had any significant impact on Nordea's financial statements.

3. Changes in IFRSs not yet applied
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contributions of assets between an investor and its associated undertaking or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

IFRS 16 "Leases"
The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The standard was endorsed by the EU-commission in 2017.

The main impact on Nordea's financial statements will come from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than today. The right of use asset, presented as "Properties and equipment" on the balance sheet, will amount to EUR 1.5bn. The increase of total assets will be EUR 1.2bn considering also a reclassification of already existing prepaid lease expenses. There is no significant impact on the income statement or equity, although the presentation will change in the income statement. The impact on the CET1 ratio is negative by 12 basis points following an increase in REA. See note G49 "IFRS 16" for more information on the impact from IFRS 16.

IFRS 17 "Insurance contracts"
The IASB has published the new standard IFRS 17 "Insurance contracts". The new standard will change the accounting requirements for recognition, measurement, presentation and disclosure of insurance contracts.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on the three measurement models Building Block Approach (BBA), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with variable fee or short term). The three measurement models include consistent definitions of the contractual cash-flows, risk adjustment margin and discounting. These definitions are based on the similar principles as the measurement principles for technical provisions in the Solvency II capital requirement directives. Unearned future premiums will be recognised as a provision on the balance sheet and released to revenue when the insurance service is provided. Any unprofitable contracts will be recognized in the income statement at the time when the contract is signed and approved.

IFRS 17 is effective for annual report period beginning on or after 1 January 2021 with earlier application permitted. However, due to comments from the global insurance industry the IASB board has proposed to amend IFRS 17 including a one-year deferral of IFRS 17 effective date to 1 January 2022. The standard is not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

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

G1. Accounting policies, cont.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of business
- Amendments to IAS 1 and IAS 8: Definitions of Material

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:
- the sources of estimation uncertainty at the end of the reporting
- period, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant impact on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:
- the fair value measurement of certain financial instruments
- the impairment testing of:
  - goodwill and
  - loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the actuarial calculations of insurance contracts
- the valuation of investment properties
- the classification of leases
- the classification of additional tier 1 instruments
- assessing control for consolidation purposes
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G40 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:
- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was EUR 178,960m (EUR 189,157m) and EUR 136,412m (EUR 141,819m) respectively at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note G40 "Assets and liabilities at fair value".

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

Impairment testing of goodwill

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G20 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 1,816m (EUR 1,994m) at the end of the year.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (generally 3-5 years) and to the estimated sector growth rate for the period beyond 3-5 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

The rates used to discount future expected cash flows are based on the long-term risk-free interest rate plus a risk premium (post tax). The risk premium is based on external information of overall risk premiums in relevant countries.

For information on the sensitivity to changes in relevant parameters, see Note G20 "Intangible assets".

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 14 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. Nordea's total lending before impairment allowances was EUR 329,306m (EUR 325,879m) at the end of the year. For more information, see Note G13 "Loans and impairment".

When calculating allowances for individually significant impaired loans, judgement is exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, including the valuation of any collateral received. Judgement is also applied when assigning the likelihood of the different scenarios occurring.

Judgement is exercised to assess when an exposure has experienced a significant increase in credit risk. If this is the case, the provision should reflect the lifetime expected losses, as opposed to a 12-month expected loss for exposures not having increased significantly in credit risk. Judgement is also exercised in the choice of modelling approaches covering other parameters used when calculating the expected losses, such as the expected lifetime used in stage 2, as well as in the

G1. Accounting policies, cont.

assessment of whether the parameters based on historical experience are relevant for estimating future losses.

The statistical models used to calculate provisions are based on macro-economic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of to what extent the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses.

Effectiveness testing of cash flow hedges

Nordea's accounting policies for cash flow hedges are described in section 10 "Hedge accounting".

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

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

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 23 "Employee benefits".

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

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G32 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,494m (EUR 3,454m) at the end of the year.

Actuarial calculations of insurance contracts

Nordea's accounting policy for insurance contracts is described in section 19 "Liabilities to policyholders".

A valuation of insurance liabilities includes estimations and assumptions, both financial and actuarial. One of the important financial assumptions is the interest rate used for discounting future cash flows. Important actuarial assumptions are those on mortality and disability, which affect the size and timing of the future cash flows. The financial and actuarial assumptions are, to a large extent, stipulated in local legislation and therefore not under Nordea's discretion. Also, assumptions about future administrative and tax expenses have an impact on the calculation of policyholder liabilities.

The insurance liability was EUR 15,001m (EUR 15,931m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G27 "Liabilities to policyholders".

Valuation of investment properties

Nordea's accounting policies for investment properties are described in section 18 "Investment properties".

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amounts of investment properties were EUR 1,607m (EUR 1,448m) at the end of the year. See Note G22 "Investment properties" for more information on amounts and parameters used in these models.

Classification of leases

Nordea's accounting policies for leases are described in section 15 "Leasing".

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

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the assets by the end of the lease term, nor any economic benefit from appreciation in value of the leased properties. In addition, the lease term is not for the major part of the assets' economic life. As a result, Nordea has classified these leases as operating leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement. The carrying amount of these properties at the time of disposal was EUR 1.5bn.

More information on lease contracts can be found in Note G21 "Leasing".

Classification of additional tier 1 instruments

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of these instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

Assessing control for consolidation purposes

One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns.

G1. Accounting policies, cont.

Nordea's critical judgement is that Nordea is normally exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea also is the investment manager and thus have influence over the return produced by the structured entity.

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

Judgement also has to be exercised when assessing if a holding of a significant, but less than majority, share of voting rights constitute a so called de facto control and to what extent potential voting rights need to be considered in the control assessment. Nordea's assessment is that Nordea does currently not control any entities where the share of voting rights is below 50%.

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 21 "Taxes" and Note G11 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

The carrying amount of deferred tax assets was EUR 164m (EUR 118m) at the end of the year.

Claims in civil lawsuits

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note G31 "Provisions" and Note G36 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities

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

All group undertakings are consolidated using the acquisition method, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was consolidated using the pooling method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

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

For each business combination Nordea measures the non-controlling interest in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income.

Intra-group transactions and balances between the consolidated group undertakings are eliminated.

The group undertakings are included in the consolidated accounts as from the date on which control is transferred to Nordea and are no longer consolidated as from the date on which control ceases.

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

Note P21 "Investments in group undertakings" lists the major group undertakings in the Nordea Group.

Investments in associated undertakings and joint ventures

The equity method of accounting is used for associated undertakings where the share of voting rights is between 20 and 50 per cent and/or where Nordea has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The equity method of accounting is also used for joint ventures where Nordea has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments within Nordea's investment activities, which are classified as a venture capital organisation within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IAS 39. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

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

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

Note G19 "Investments in associated undertakings and joint ventures" lists the major associated undertakings in the Nordea Group.

Structured entities

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

Power can exist due to agreements or other types of influence over a structured entity. Nordea normally has power

G1. Accounting policies, cont.

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

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

Further information about consolidated and unconsolidated structured entities is disclosed in note G47 "Interests in structured entities".

Currency translation of foreign entities/branches

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

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

Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

Information on the most important exchange rates is disclosed in the separate section 29 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

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

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

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

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

Interest income is presented on two rows in the income statement, Interest income calculated using the effective interest rate method and Other interest income. On the row Interest income calculated using the effective interest method, Nordea present interest income from financial assets measured at amortised cost or at fair value through other comprehensive income. This line items also includes the effect from hedge accounting relating to these assets. All other interest income is presented on the income statement row Other interest income, and consists mainly of interest income on lending held at fair value in Denmark.

Net fee and commission income

Nordea earns commission income from different services provided to customers. The recognition of commission income depends on the purpose for which the fees are received.

The major part of the revenues classified as "Commission income" constitutes revenue from contracts with customers according to IFRS 15. Fee income is recognised either when or as performance obligations are satisfied.

Asset management commissions are generally recognised over time as services are performed and are normally based on assets under management. These fees are recognised based on the passage of time as the amount, and the right to the fee, corresponds to the value received by the customer. Variable fees that are based on relative performance compared with a benchmark are in asset management rare and they are normally fixed and recognised at least each reporting date. Variable fees that are not fixed at the reporting date cannot generally be recognised as the outcome is uncertain and subject to market development.

Life & Pension commission income includes fee income, referred to as expense loading, from insurance contracts and investment contracts with policyholders. Investments contracts are contracts that do not include enough insurance risk to be classified as insurance contracts. The expense loading is the part of the premium income considered to be compensation for the contract administration. The fee income is recognised over time when the services are performed. These contracts do generally not include any up-front fees.

Fees categorised as Deposit Products, Brokerage, securities issues and corporate finance, Custody and issuer service and Payment commissions are recognised both over time and at a point of time dependent on when the performance obligations are satisfied. Card fees are categorised as interchange fees that are recognised at a point of time, when the customer uses the services, and cardholder fees that are recognised over time or at a point of time if the fee is transaction based.

Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time. The amount of loan syndication fees, as well as other transaction-based fees, received are recognised at a point when the per-

G1. Accounting policies, cont.

formance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received on bilateral transactions are generally amortised as part of the effective interest of the financial instruments recognised.

Income from issued financial guarantees, and expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively. Other fee income is generally transaction based.

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

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

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

Also, the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Financial assets at fair value through other comprehensive income are recognised in "Net result from items at fair value".

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

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

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

The income recognition and descriptions of the lines relating to life insurance are described in section 7 "Income recognition life insurance" below.

Profit from companies accounted for under the equity method

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

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

The change in Nordea's share of the net assets is generally based on monthly reporting from the associated undertakings and joint ventures. For some associated undertakings and joint ventures not individually significant the change in Nordea's share of the net assets is based on the external reporting of the associated undertakings and the joint ventures and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings and the joint ventures is, if applicable, adjusted to comply with Nordea's accounting policies.

Other operating income

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

Net loan losses

Impairment losses from financial assets classified into the categories Amortised cost and Fair value through other comprehensive income (see section 13 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities" on the balance sheet, are reported as "Net loan losses" together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea's accounting policies for the calculation of impairment losses on loans can be found in section 14 "Loans to the public/credit institutions".

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but excluding loans held at fair value as described above is reported under "Net result from items at fair value".

Impairment of securities held as financial non-current assets

Impairment on investments in associated undertakings and joint ventures are classified as "Impairment of securities held as financial non-current assets" in the income statement. The policies covering impairment of financial assets classified into the category Amortised cost are disclosed in section 13

G1. Accounting policies, cont.

"Financial instruments" and section 14 "Loans to the public/credit institutions".

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

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

7. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the saving part of the life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 "Liabilities to policyholders".

The total income from life insurance mainly consists of the following components:

- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

The result from these components is, except for the cost result and the risk and performance margin relating to Unit Linked and Investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income", together with the risk and performance margin relating to Unit Linked and Investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholder's part of a positive or negative cost result (profit sharing) is included in the note line "Change in technical provisions, Life insurance" within Note G5 "Net result from items at fair value".

The insurance risk result consists of income from individual risk products and from unbundled life insurance contracts as well as Health and personal accident insurance. The risk premiums are amortised over the coverage period as the provisions are reduced when insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive a part of a net income or a net deficit. The risk income and the risk expenses are presented gross on the lines "Insurance risk income, Life insurance" and "Insurance risk expense, Life insurance" in Note G5 "Net result from items at fair value". The policyholder's part of the result is included in the line "Change in technical provisions, Life insurance" in the note.

Gains and losses derived from investments in Nordea Life & Pensions are split on the relevant lines in Note G5 "Net result from items at fair value" as for any other investment in Nordea. The lines include investment return on assets held to cover liabilities to policyholders and return on the additional capital allocated to Nordea Life & Pensions (Shareholders capital in the Nordea Life & Pensions group).

The note line "Change in technical provisions, Life insurance" in Note G5 "Net result from items at fair value" includes:

- Investment returns on assets held to cover liabilities to policyholders (including liabilities from traditional life insurance, unit linked insurance and investment contracts), individually transferred to policyholders' accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to the policyholders.
- Risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit linked contracts.

The note line "Change in collective bonus potential, Life insurance" in Note G5 "Net result from items at fair value" relates only to traditional life insurance contracts. The line includes policyholders' share of investment returns not yet individualised. The line includes also additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

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

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (and an asset or a liability is recognised as "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

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

Loans where cash flows are modified, or part of a restructuring are derecognised, and a new loan recognised, if the terms and conditions of the new loan is substantially different from the old loan. This is normally the case if the present value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities.

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

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a

G1. Accounting policies, cont.

deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognized as "Other liabilities" on the balance sheet on trade date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 13 "Financial instruments", as well as Note G43 "Transferred assets and obtained collaterals".

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

10. Hedge accounting

As a part of Nordea's risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note G18.

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea applies one of three types of hedge accounting:

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

Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39.

The EU carve out version enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

At inception, Nordea formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item, as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

Transactions that are entered into in accordance with Nordea's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management"in the Board of Directors' report and Note G18. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

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

Hedged items

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

Hedging instruments

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

Hedge effectiveness

When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

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

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The effect of changes in Nordea's or a counterparty's credit risk on the fair value of the hedging instrument or hedged items

G1. Accounting policies, cont.

- Disparity between expected and actual prepayments of the loan portfolio

Cash flow hedge accounting

In accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note G18, cash flow hedge accounting is applied when hedging the exposure to variability in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

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

Hedged items

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

Hedging instruments

The hedging instruments used in Nordea are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. When hedging the interest rate risk in lending with floating interest rates Nordea uses interest rate swaps as hedging instruments, which are always held at fair value.

Hedge effectiveness

The hypothetical derivative method is used when measuring the effectiveness retrospectively of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is terminated. Changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction no longer is expected to occur.

If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

Hedges of net investments

In accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note G18, Nordea hedges its translation risk. Translation risk is defined as the risk of loss from equity capital investment in foreign operations that are denominated in a foreign currency other than the Group reporting currency (EUR). The hedging instruments used by Nordea are FX swaps.

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Hedge ineffectiveness can arise to the extent the hedging instruments exceed in nominal terms the risk exposure from the foreign operations. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

See also section 9 "Translation of assets and liabilities denominated in foreign currencies".

11. Determination of fair value of financial instruments

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

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

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

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

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

G1. Accounting policies, cont.

- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

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

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

Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:
- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

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

Note G40 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:
- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

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

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

For further information, see Note G40 "Assets and liabilities at fair value".

12. Cash and balances with central banks

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:
- The central bank or the postal giro system is domiciled in the country where the institutions is established
- The balance is readily available at any time

13. Financial instruments

Classification of financial instruments

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

Financial assets:
- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial asset at fair value through other comprehensive income

Financial liabilities:
- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)

The classification of a financial assets is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is to both keep the instruments to collect the contractual cash flows and sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the table "Classification of assets and liabilities under IFRS 9" above the classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, includ-

G1. Accounting policies, cont.

ing transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see Note G1 section 6, "Net interest income". For information about impairment under IFRS 9, see section 14 below.

Interest on assets and liabilities classified at amortised cost is recognised in the item "Interest income" and "Interest expense" in the income statement.

This category consists of mainly all loans and deposits, except for reversed repurchase/repurchase agreement and securities borrowing/lending agreements in Markets and the mortgage loans in Nordea Kredit Realkreditaktieselskab. This category also includes interest bearing securities mainly related to a portfolio of interest bearing securities in Life & Pension in Norway, subordinated liabilities and debt securities in issue, except for bonds issued in Nordea Kredit Realkreditaktieselskab and issued structured bonds in Markets.

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

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

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

The sub-category Mandatorily measured at fair value through profit and loss contains mainly all assets in Markets, trading liabilities in Markets, interest-bearing securities included in part of the liquidity buffer, derivative instruments, shares, the mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policy holders. The deposits are invested in different types of financial asset on behalf of the customer and policyholders.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are issued bonds in Nordea Kredit Realkreditaktieselskab and assets and liabilities in Nordea Life & Pensions.

Liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. The loans are measured at fair value through profit and loss and if the bonds were measured at amortised cost this would give rise to an accounting mismatch. To avoid such an accounting mismatch Nordea measures the bonds at fair value with all changes in fair value including changes in credit risk recognised in profit or loss.

All assets in Nordea Life & Pension held under investment contracts are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch with the liabilities to the policyholders that are measured at fair value. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. Changes in own credit risk is recognised in profit and loss as recognising this change in other comprehensive income would create an accounting mismatch. Assets held under insurance contracts (defined in Note 1 section 19 "Liabilities to policyholders"), except for a portfolio of interest bearing securities in Norway, are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also, assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. The deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss. The value of these deposits is directly linked to assets in the contacts and there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value on these issues structured bonds is recognised in profit and loss except for the changes in credit risk that is recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value".

Financial asset at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in part of the liquidity buffer. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income", foreign exchange effects in "Net result from items at fair value" and impairment losses in the item "Net loan losses" in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value". For information about impairment under IFRS 9, see section 14 below.

Hybrid (combined) financial instruments

Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issu-

G1. Accounting policies, cont.

ance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero-coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from items at fair value".

For index-linked bonds issued by Markets Nordea applies the fair value option and the entire combined instrument, host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item "Net result from items at fair value" and presented as "Debt securities in issue" on the balance sheet.

Securities borrowing and lending agreements

Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item "Financial instruments pledged as collateral".

Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements

Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities".

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public".

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

Derivatives

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities

Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received, and the instrument is reset to market terms. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities against central counterparty clearing houses are offset on the balance sheet if the transaction currency and the central counterparty is the same. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities related to bilateral OTC derivative transactions are not offset on the balance sheet.

In addition, loans and deposits related to repurchase and reversed repurchase transaction with CCP are offset on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposit related to repurchase and reversed repurchase transactions that are made in accordance with the Global Master Repurchase Agreement (GMRA) are offset on the balance sheet if the assets and the liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

Issued debt and equity instruments

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

14. Loans to the public/credit institutions

Scope

Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 13 above and Note G39 on "Classification of financial instruments".

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance

G1. Accounting policies, cont.

account are recognised in the income statement and classified as "Net loan losses".

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

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as Fair value through other comprehensive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net loan losses". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing

Nordea classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Nordea monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section. Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the model described below but based on the fact that the exposures are already in default.

Model based allowance calculation

For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion. Assets where the relative increase in lifetime PD is more than 250 percent is considered as having a significant increase in credit risk, or if the absolute increase in lifetime PD is more than 150 basis points. For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence the customer is not in default. Such exposures will be classified as stage 2.

Nordea does not use the "low credit risk exemption" in the banking operations but uses it for a minor portfolio of interest-bearing securities in the insurance operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea applies three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions.

Write-offs

A write-off is a de-recognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written-off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (list not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written-off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of

G1. Accounting policies, cont.

the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

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

Restructured loans and modifications
In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its financial difficulties and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

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

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

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

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

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

Nordea as lessee
Finance leases
Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

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

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

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

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

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

G1. Accounting policies, cont.

goodwill, IT-development/computer software and customer related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software

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

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

Customer related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment

Goodwill and IT-development not yet taken into use is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT-development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. For goodwill and IT-development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk-free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G20 "Intangible assets" for more information on the impairment testing.

17. Properties and equipment

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

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

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

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

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

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policy-

G1. Accounting policies, cont.

holders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-Linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts

Contracts classified as investment contracts are contracts with policyholders which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-contracts (Collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

20. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders.

Unit-Linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

G1. Accounting policies, cont.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 "Financial instrument" above.

21. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank Abp by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long-term incentive programmes.

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

23. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 26 "Share-based payment".

More information can be found in Note G7 "Staff costs".

Post-employment benefits

Pension plans

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

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

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G32 "Retirement benefit obligations").

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

When the calculation results in a benefit the recognised

G1. Accounting policies, cont.

asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve is derived from the most liquid long dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

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

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

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G7 "Staff costs".

24. Equity

Non-controlling interests

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

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

Additional Tier 1 capital holders

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of these instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

Invested unrestricted equity/Share premium reserve

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

Other reserves

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

Retained earnings

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

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

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also, own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

25. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated in accordance with IFRS9. Changes in provisions are recognised in the income statement in the item "Net loan losses".

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

26. Share-based payment

Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these

G1. Accounting policies, cont.

programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

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

For more information see Note G7 "Staff costs".

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

For more information see Note G7 "Staff costs".

27. Related party transactions
Nordea defines related parties as:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings and joint ventures
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis, apart from loans granted to employees, see Note G7 "Staff costs".

Shareholders with significant influence
Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

Group undertakings
For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note P21 "Investments in group undertakings".

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

Associated undertakings and joint ventures
For the definition of associated undertakings and joint ventures, see section 5 "Principles of consolidation".

Further information on the associated undertakings and the joint ventures included in the Nordea Group is found in Note G19 "Investments in associated undertakings and joint ventures".

Key management personnel
Key management personnel include the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "Staff costs".

Other related parties
Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

28. Presentation of disposal groups held for sale
Assets and liabilities related to disposal groups are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale" respectively as from the classification date. Financial instruments continue to be measured under IAS 39, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

29. Exchange rates

	Jan–Dec 2018	Jan–Dec 2017
EUR 1 = SEK		
Income statement (average)	10.2608	9.6378
Balance sheet (at end of year)	10.2330	9.8438
EUR 1 = DKK		
Income statement (average)	7.4533	7.4387
Balance sheet (at end of year)	7.4672	7.4449
EUR 1 = NOK		
Income statement (average)	9.6033	9.3317
Balance sheet (at end of year)	9.9470	9.8403
EUR 1 = RUB		
Income statement (average)	74.0484	65.9190
Balance sheet (at end of year)	79.3826	69.3920

G2. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business area results" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Basis of segmentation

Compared with the 2017 Annual Report changes in the basis of segmentation were made following the decision to reorganise the segment Business & Commercial Banking into new operating segments and also reorganise the Segment Wholesale Banking into new operating segements. Commercial & Business Banking consists of the two new operating segments Business Banking and Business Banking Direct, instead of the earlier operating segments Commercial Banking and Business Banking. In Wholesale Banking the earlier reported segment Shipping Offshore & Oil Sevices has been merged into Coporate & Investment Banking and the new segment Financial Institutions Group & International Banks has been established. The changes are reflected in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note G2. Comparative figures have been restated accordingly.

Financial results are presented for the four main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management, with further breakdown on operating segments, and for the operating segment Group Finance & Treasury. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations, as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Reportable Operating segments

Personal Banking serves Nordea's household customers in the Nordic markets, through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets.

Business Banking and Business Banking Direct work with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The business area also consists of Transaction Banking, which include Cards, Trade Finance and Cash Management, and Nordea Finance. These units services both personal and corporate customers across the Nordea Group.

Wholesale Banking provides banking and other financial solutions to large Nordic and international corporates as well as institutional and public companies. The division Corporate & Investment Banking is a customer oriented organisation serving the largest globally operating corporates. The division Financial Institutions Group & International Banks is responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. Nordea Bank Russia offers a full range of bank services to corporate customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas.

Asset & Wealth management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The division Asset Management is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions which is not allocated to the main business areas.

Group Finance & Treasury's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Finance & Treasury originates from Group Treasury & ALM.

G2. Segment reporting, cont.

Income statement 2018

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Manage-ment	Group Finance & Treasury	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,067	1,276	858	65	52	13	4,331	–7	4,324
Net fee and commission income	1,219	566	475	1,449	–19	0	3,690	–697	2,993
Net result from items at fair value	170	298	407	166	68	–14	1,095	–7	1,088
Profit from associated undertakings accounted for under the equity method	0	9	–	13	8	91	121	3	124
Other income	8	21	1	21	1	128	180	296	476
Total operating income	**3,464**	**2,170**	**1,741**	**1,714**	**110**	**218**	**9,417**	**–412**	**9,005**
- of which internal transactions[1]	–538	–247	–473	–16	1,227	47	0	–	–
Staff costs	–768	–439	–501	–458	–129	–25	–2,320	–678	–2,998
Other expenses	–1,005	–700	–352	–300	131	25	–2,201	802	–1,399
Depreciation, amortisation and impairment charges of tangible and intangible assets	–141	–15	–55	–9	–4	0	–224	–258	–482
Total operating expenses	**–1,914**	**–1,154**	**–908**	**–767**	**–2**	**0**	**–4,745**	**–134**	**–4,879**
Profit before loan losses	**1,550**	**1,016**	**833**	**947**	**108**	**218**	**4,672**	**–546**	**4,126**
Net loan losses	–79	–24	–92	–6	0	21	–180	7	–173
Operating profit	**1,471**	**992**	**741**	**941**	**108**	**239**	**4,492**	**–539**	**3,953**
Income tax expense	–353	–238	–178	–226	–23	–58	–1,076	204	–872
Net profit for the year	**1,118**	**754**	**563**	**715**	**85**	**181**	**3,416**	**–335**	**3,081**
Balance sheet 31 Dec 2018, EURbn									
Loans to the public[2]	143	82	49	7	–	1	282	26	308
Deposits and borrowings from the public[2]	69	41	36	9	–	1	156	9	165

Income statement 2017

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Manage-ment	Group Finance & Treasury	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,210	1,232	826	80	75	131	4,554	112	4,666
Net fee and commission income	1,295	649	552	1,577	–9	28	4,092	–723	3,369
Net result from items at fair value	49	255	628	291	97	9	1,329	–1	1,328
Profit from associated undertakings accounted for under the equity method	1	13	–	0	0	1	15	8	23
Other income	6	31	4	18	1	6	66	17	83
Total operating income	**3,561**	**2,180**	**2,010**	**1,966**	**164**	**175**	**10,056**	**–587**	**9,469**
- of which internal transactions[1]	–479	–253	–311	–7	1,058	–8	0	–	–
Staff costs	–792	–500	–597	–487	–127	–48	–2,551	–661	–3,212
Other expenses	–989	–727	–308	–334	140	–99	–2,317	695	–1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	–110	–14	–28	–12	0	0	–164	–104	–268
Total operating expenses	**–1,891**	**–1,241**	**–933**	**–833**	**13**	**–147**	**–5,032**	**–70**	**–5,102**
Profit before loan losses	**1,670**	**939**	**1,077**	**1,133**	**177**	**28**	**5,024**	**–657**	**4,367**
Net loan losses	–43	–84	–224	1	0	–11	–361	–8	–369
Operating profit	**1,627**	**855**	**853**	**1,134**	**177**	**17**	**4,663**	**–665**	**3,998**
Income tax expense	–391	–205	–205	–261	–42	–4	–1,108	158	–950
Net profit for the year	**1,236**	**650**	**648**	**873**	**135**	**13**	**3,555**	**–507**	**3,048**
Balance sheet 31 Dec 2017, EURbn									
Loans to the public[2]	141	80	48	8	–	4	281	29	310
Deposits and borrowings from the public[2]	68	41	40	10	–	4	163	9	172

1) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined inter-segment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.

2) The volumes are only disclosed separate for operating segments if separately reported to the Chief Operating Decision Maker.

G2. Segment reporting, cont.

Break-down of Personal Banking

Income statement, EURm	Personal Banking Denmark 2018	Personal Banking Denmark 2017	Personal Banking Finland 2018	Personal Banking Finland 2017	Personal Banking Norway 2018	Personal Banking Norway 2017	Personal Banking Sweden 2018	Personal Banking Sweden 2017	Personal Banking Other[1] 2018	Personal Banking Other[1] 2017	Total Personal Banking 2018	Total Personal Banking 2017
Net interest income	576	637	424	441	375	366	709	770	–17	–4	2,067	2,210
Net fee and commission income	312	363	366	390	122	120	432	423	–13	–1	1,219	1,295
Net result from items at fair value	112	–6	18	21	14	11	25	20	1	3	170	49
Profit from associated undertakings accounted for under the equity method	–	–	–	–	–	–	–	–	0	1	0	1
Other income	–3	–2	1	4	2	1	5	1	3	2	8	6
Total operating income	**997**	**992**	**809**	**856**	**513**	**498**	**1,171**	**1,214**	**–26**	**1**	**3,464**	**3,561**
- of which internal transactions	–172	–113	–92	–73	–163	–179	–110	–116	–1	2	–538	–479
Staff costs	–201	–203	–129	–153	–84	–79	–153	–163	–201	–194	–768	–792
Other expenses	–384	–371	–333	–319	–166	–162	–387	–371	265	234	–1,005	–989
Depreciation, amortisation and impairment charges of tangible and intangible assets	–10	–14	–7	–7	–2	–3	–4	–5	–118	–81	–141	–110
Total operating expenses	**–595**	**–588**	**–469**	**–479**	**–252**	**–244**	**–544**	**–539**	**–54**	**–41**	**–1,914**	**–1,891**
Profit before loan losses	**402**	**404**	**340**	**377**	**261**	**254**	**627**	**675**	**–80**	**–40**	**1,550**	**1,670**
Net loan losses	–24	–4	–33	–12	–2	–4	–19	–17	–1	–6	–79	–43
Operating profit	**378**	**400**	**307**	**365**	**259**	**250**	**608**	**658**	**–81**	**–46**	**1,471**	**1,627**
Income tax expense	–91	–96	–74	–88	–62	–60	–146	–158	20	11	–353	–391
Net profit for the year	**287**	**304**	**233**	**277**	**197**	**190**	**462**	**500**	**–61**	**–35**	**1,118**	**1,236**
Balance sheet 31 Dec, EURbn												
Loans to the public	36	36	32	32	29	27	46	46	–	–	143	141
Deposits and borrowings from the public	17	17	21	21	8	8	23	22	–	–	69	68

1) Personal Banking Other includes the areas COO, Products and HR.

Break-down of Commercial & Business Banking

Income statement, EURm	Business Banking 2018	Business Banking 2017	Business Banking Direct 2018	Business Banking Direct 2017	Commercial & Business Banking Other[1] 2018	Commercial & Business Banking Other[1] 2017	Total Commercial & Business Banking 2018	Total Commercial & Business Banking 2017
Net interest income	1,045	1,008	206	214	25	10	1,276	1,232
Net fee and commission income	462	522	166	176	–62	–49	566	649
Net result from items at fair value	290	250	17	19	–9	–14	298	255
Profit from associated undertakings accounted for under the equity method	5	9	–	–	4	4	9	13
Other income	1	1	0	0	20	30	21	31
Total operating income	**1,803**	**1,790**	**389**	**409**	**–22**	**–19**	**2,170**	**2,180**
- of which internal transactions	–241	–258	–5	–3	–1	8	–247	–253
Staff costs	–170	–186	–51	–56	–218	–258	–439	–500
Other expenses	–664	–709	–195	–197	159	179	–700	–727
Depreciation, amortisation and impairment charges of tangible and intangible assets	–5	–5	–2	–2	–8	–7	–15	–14
Total operating expenses	**–839**	**–900**	**–248**	**–255**	**–67**	**–86**	**–1,154**	**–1,241**
Profit before loan losses	**964**	**890**	**141**	**154**	**–89**	**–105**	**1,016**	**939**
Net loan losses	–14	–88	–3	10	–7	–6	–24	–84
Operating profit	**950**	**802**	**138**	**164**	**–96**	**–111**	**992**	**855**
Income tax expense	–228	–195	–33	–39	23	29	–238	–205
Net profit for the year	**722**	**607**	**105**	**125**	**–73**	**–82**	**754**	**650**
Balance sheet 31 Dec, EURbn								
Loans to the public	70	68	12	12	–	–	82	80
Deposits and borrowings from the public	30	30	11	11	–	–	41	41

1) Commercial & Business Banking Other includes the areas COO, Transaction Banking, Digital Banking and HR.

G2. Segment reporting, cont.

Break-down of Wholesale Banking

	Corporate & Investment Banking		Financial Institutions Group & International Banks		Banking Russia		Capital Markets unallocated		Wholesale Banking Other[1]		Total Wholesale Banking	
Income statement, EURm	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net interest income	814	769	24	1	59	93	–4	–28	–35	–9	858	826
Net fee and commission income	399	455	133	150	11	16	–65	–69	–3	0	475	552
Net result from items at fair value	146	92	139	183	9	14	117	352	–4	–13	407	628
Profit from associated undertakings accounted for under the equity method	–	–	–	–	–	–	–	–	–	–	–	–
Other income	0	0	0	0	0	0	1	1	0	3	1	4
Total operating income	**1,359**	**1,316**	**296**	**334**	**79**	**123**	**49**	**256**	**–42**	**–19**	**1,741**	**2,010**
- of which internal transactions	–314	–256	–42	–41	–54	–66	–58	55	–5	–3	–473	–311
Staff costs	–99	–101	–10	–8	–23	–31	–218	–272	–151	–185	–501	–597
Other expenses	–377	–384	–201	–218	–18	–17	92	146	152	165	–352	–308
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–2	–3	0	0	–53	–25	–55	–28
Total operating expenses	**–476**	**–485**	**–211**	**–226**	**–43**	**–51**	**–126**	**–126**	**–52**	**–45**	**–908**	**–933**
Profit before loan losses	**883**	**831**	**85**	**108**	**36**	**72**	**–77**	**130**	**–94**	**–64**	**833**	**1,077**
Net loan losses	–43	–203	0	0	–49	–20	0	0	0	–1	–92	–224
Operating profit	**840**	**628**	**85**	**108**	**–13**	**52**	**–77**	**130**	**–94**	**–65**	**741**	**853**
Income tax expense	–201	–151	–20	–26	3	–13	19	–31	21	16	–178	–205
Net profit for the year	**639**	**477**	**65**	**82**	**–10**	**39**	**–58**	**99**	**–73**	**–49**	**563**	**648**
Balance sheet 31 Dec, EURbn												
Loans to the public	45	44	2	2	2	2	–	–	–	–	49	48
Deposits and borrowings from the public	25	27	10	12	1	1	–	–	–	–	36	40

1) Wholesale Banking Other includes the areas International Divisions, COO and HR.

Break-down of Asset & Wealth Management

	Private Banking		Asset Management		Life & Pensions unallocated		Wealth Management Other[1]		Total Asset & Wealth Management	
Income statement, EURm	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net interest income	72	82	–3	0	0	0	–4	–2	65	80
Net fee and commission income	425	451	903	965	319	367	–198	–206	1,449	1,577
Net result from items at fair value	31	56	9	0	127	234	–1	1	166	291
Profit from associated undertakings accounted for under the equity method	0	0	0	0	13	0	0	0	13	0
Other income	5	5	9	10	11	13	–4	–10	21	18
Total operating income	**533**	**594**	**918**	**975**	**470**	**614**	**–207**	**–217**	**1,714**	**1,966**
- of which internal transactions	–13	–8	1	2	0	0	–4	–1	–16	–7
Staff costs	–162	–162	–165	–164	–85	–117	–46	–44	–458	–487
Other expenses	–213	–259	–131	–113	–68	–84	112	122	–300	–334
Depreciation, amortisation and impairment charges of tangible and intangible assets	–1	–9	0	0	–6	–4	–2	1	–9	–12
Total operating expenses	**–376**	**–430**	**–296**	**–277**	**–159**	**–205**	**64**	**79**	**–767**	**–833**
Profit before loan losses	**157**	**164**	**622**	**698**	**311**	**409**	**–143**	**–138**	**947**	**1,133**
Net loan losses	–6	1	0	0	0	0	0	0	–6	1
Operating profit	**151**	**165**	**622**	**698**	**311**	**409**	**–143**	**–138**	**941**	**1,134**
Income tax expense	–36	–38	–149	–161	–75	–94	34	32	–226	–261
Net profit for the year	**115**	**127**	**473**	**537**	**236**	**315**	**–109**	**–106**	**715**	**873**
Balance sheet 31 Dec, EURbn										
Loans to the public	7	8	–	–	–	–	–	–	7	8
Deposits and borrowings from the public	9	10	–	–	–	–	–	–	9	10

1) Wealth Management Other includes the areas Savings, COO and HR.

G2. Segment reporting, cont.

Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2018	2017	2018	2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Total Operating segments	9,417	10,056	4,492	4,663	282	281	156	163
Group functions[1]	31	25	–139	–203	–	–	–	–
Unallocated items	279	20	137	86	29	28	11	9
Eliminations	–7	–13	–	–	–	–	–	–
Differences in accounting policies[2]	–715	–619	–537	–548	–3	1	–2	0
Total	**9,005**	**9,469**	**3,953**	**3,998**	**308**	**310**	**165**	**172**

1) Consists of Group Risk Management and Control, Group Internal Audit, Chief of staff office, Group Corporate Centre and Group Compliance.
2) Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

Total operating income split on product groups

EURm	2018	2017
Banking products	5,644	5,742
Capital Markets products	931	1,354
Savings products & Asset management	1,440	1,542
Life & Pensions	468	622
Other	522	209
Total	**9,005**	**9,469**

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company invests in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advise is a service provided to support the customers' investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2018	2017	31 Dec 2018	31 Dec 2017
Sweden	2,503	2,062	144	167
Finland	1,729	1,963	133	104
Norway	1,660	1,688	86	103
Denmark	2,490	2,789	168	174
Other	623	967	20	34
Total	**9,005**	**9,469**	**551**	**582**

Nordea's main geographical markets comprise the Nordic countries. Revenues and assets are distributed to geographical areas based on the location of the customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G3. Net interest income

Interest income

EURm	2018	2017
Interest income calculated using the effective interest rate method	5,843	6,132
Other interest income	1,410	1,443
Interest income	**7,253**	**7,575**

EURm	2018	2017
Loans to credit institutions	414	303
Loans to the public	5,857	6,230
Interest-bearing securities	429	418
Other interest income	553	624
Interest income[1]	**7,253**	**7,575**

1) Of which contingent leasing income amounts to EUR 70m (EUR 65m). Contingent leasing income in Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

G3. Net interest income, cont.

Interest expense

EURm	2018	2017
Deposits by credit institutions	–272	–182
Deposits and borrowings from the public	–409	–367
Debt securities in issue	–2,559	–2,583
Subordinated liabilities	–335	–337
Other interest expenses[1]	646	560
Interest expense	**–2,929**	**–2,909**
Net interest income	**4,324**	**4,666**

1) The net interest income from derivatives, measured at fair value, related to Nordea´s funding. This can have both a positive and negative impact on other interest expenses, for further information see Note G1 "Accounting policies".

Interest from categories of financial instruments

EURm	2018	2017[1]
Financial assets at fair value through other comprensive income	253	274
Financial assets at amortised cost	5,675	5,858
Financial assets at fair value through profit or loss (related to hedging instruments)	–85	0
Interest income calculated using the effective interest rate method	**5,843**	**6,132**
Financial assets at fair value through profit or loss	1,410	1,443
Other interest income	**1,410**	**1,443**
Interest income	**7,253**	**7,575**
Financial liabilities at amortised cost	–3,046	–2,884
Financial liabilities at fair value through profit or loss	117	–25
Interest expense	**–2,929**	**–2,909**

1) The comparable figures for 2017 are based on the IAS 39 requirements but are comparable with the figures for 2018 which are based on IFRS 9 requirements.

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

G4. Net fee and commission income

EURm	2018	2017
Asset management commissions	1,440	1,543
- of which income	1,741	1,883
- of which expense	–301	–340
Life & Pension	258	313
- of which income	290	372
- of which expense	–32	–59
Deposit Products	23	27
- of which income	23	27
Brokerage, securities issues and corporate finance	173	224
- of which income	280	292
- of which expense	–107	–68
Custody and issuer services	49	59
- of which income	90	101
- of which expense	–41	–42
Payments	302	307
- of which income	419	434
- of which expense	–117	–127
Cards	218	228
- of which income	341	363
- of which expense	–123	–135

EURm	2018	2017
Lending Products	399	465
- of which income	425	487
- of which expense	–26	–22
Guarantees	116	143
- of which income	133	150
- of which expense	–17	–7
Other	15	60
- of which income	104	123
- of which expense	–89	–63
Total	**2,993**	**3,369**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 383m (EUR 450m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 2,311m (EUR 2,547m). The corresponding amounts for fee expenses is EUR –32m (EUR –59m).

G4. Net fee and commission income, cont.

Break down by Business Areas

EURm, 2018	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance & Treasury	Other & Elimination	Nordea Group
Asset management commissions	160	34	11	1,235	0	0	1,440
Life & Pension	51	22	4	181	0	0	258
Deposit Products	11	11	1	0	0	0	23
Brokerage, securities issues and corporate finance	25	20	102	31	–5	0	173
Custody and issuer services	8	7	35	9	–10	0	49
Payments	88	163	55	0	–4	0	302
Cards	181	22	15	0	0	0	218
Lending Products	118	100	181	0	0	0	399
Guarantees	6	40	70	0	0	0	116
Other	23	18	–3	–13	–1	–9	15
Total	**671**	**437**	**471**	**1,443**	**–20**	**–9**	**2,993**

G5. Net result from items at fair value

EURm	2018	2017
Equity related instruments	226	370
Interest related instruments and foreign exchange gains/losses	684	712
Other financial instruments (including credit and commodities)	55	20
Investment properties	0	–3
Life insurance[1,2]	123	229
Total	**1,088**	**1,328**

1) Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.
2) Premium income amounts to EUR 840m (EUR 2,833m)

Break-down of life insurance

EURm	2018	2017
Equity related instruments	–515	1,344
Interest related instruments and foreign exchange gains/losses	–65	715
Other financial instruments	0	4
Investment properties	125	195
Change in technical provisions	20	–2,056
Change in collective bonus potential	512	7
Insurance risk income	91	177
Insurance risk expense	–45	–157
Total	**123**	**229**

Net result from categories of financial instruments

EURm	2018
Financial assets at fair value through other comprehensive income	–45
Financial assets designated at fair value through profit or loss	–41
Financial liabilities designated at fair value throuh profit or loss	1,385
Financial assets and liabilities mandatorily at fair value through profit or loss[1]	–1,885
Financial assets at amortised cost[2]	104
Financial liabilities at amortised cost	315
Foreign exchange gains/losses excluding currency hedges	512
Non-financial assets and liabilities	743
Total	**1,088**

1) Of which amortised deferred day one profit amounts to EUR 39m.
2) Gain or loss recognised in the income statement arising from derecognition of financial assets measured at amortised cost amounts to EUR 53m of which EUR 53m are gains and EUR 0m are losses. The reason for derecognition is that the assets have been prepaid by the customer or sold.

Net result from categories of financial instruments[1]

EURm	2017
Available for sale assets, realised	0
Financial instruments designated at fair value through profit or loss	33
Financial instruments held for trading[2]	434
Financial instruments under fair value hedge accounting	43
- of which net result on hedging instruments	–906
- of which net result on hedged items	949
Financial assets measured at amortised cost[3]	–2
Financial liabilities measured at amortised cost	–39
Foreign exchange gains/losses excluding currency hedges	635
Other	–5
Financial risk income, net Life insurance[4]	209
Insurance risk income, net Life insurance	20
Total	**1,328**

1) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, i.e. before eliminations of intra-group transactions.
2) Of which amortised deferred day one profits amounts to EUR 54m.
3) Of which EUR -2m related to instruments classified into the category "Loans and receivables" and EUR -m related to instruments classified into the category "Held to maturity".
4) Premium income amounts to EUR 2,833m. .

G6. Other operating income

EURm	2018	2017
Divestments of shares[1]	385	7
Income from real estate	2	2
Sale of tangible and intangible assets	9	9
Other	80	65
Total	**476**	**83**

1) Gain related to sale of Nordea Liv & Pension Denmark EUR 262m, gain related to divestment of UC EUR 87m and sale of Ejendomme EUR 36m.

G7. Staff costs

EURm	2018	2017
Salaries and remuneration (specification below)[1]	−2,361	−2,508
Pension costs (specification below)	−292	−302
Social security contributions	−434	−496
Other staff costs[2]	89	94
Total	**−2,998**	**−3,212**
Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	−22	−24
- Performance-related compensation	−11	−11
- Allocation to profit-sharing	0	0
Total	**−33**	**−35**
To other employees	−2,328	−2,473
Total	**−2,361**	**−2,508**

1) Of which allocation to profit-sharing 2018 EUR 57m (EUR 27m), consisting of a new allocation of EUR 46m (EUR 29m) and an adjustment related to prior years of EUR 10m (EUR -2m).
2) Including capitalisation of IT-project with EUR 190m (EUR 211m).
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are also included. Executives amount to 130 (150) individuals.

Pension costs[1]

EURm	2018	2017
Defined benefits plans (Note G32)[2]	−43	−44
Defined contribution plans	−249	−258
Total	**−292**	**−302**

1) Pension cost for executives, as defined in footnote 3 above, amounts to EUR 3m (EUR 3m) and pension obligations to EUR 13m (EUR 14m).
2) Excluding social security contributions. Including social security contributions EUR 54m (EUR 51m).

G7. Staff costs, cont.

Remuneration to the Board of Directors, CEO and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2018 resolved the annual remuneration to the Board of Directors (The Board) amounting to for the Chairman EUR 294,600, to the Deputy Chairman EUR 141,300 and to other members EUR 91,950. The annual remuneration was unchanged in comparison with 2017.

In addition, annual remuneration paid for board committee work on the Compliance Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 48,650 for the committee chairmen and EUR 29,600 for the other members. The remuneration for board committee work on the Board Remuneration Committee amounts to EUR 36,050 for the committee chairman and EUR 25,750 for the other members.

Separate remuneration is not paid to members who are employees of the Nordea Group.

There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for a pension commitment to one Board member previously employed by Nordea.

Remuneration to the Board of Directors[1]

EUR	2018	2017
Chairman of the Board:		
Björn Wahlroos	320,045	320,009
Vice Chairman of the Board:		
Marie Ehrling[3]	–	42,682
Lars G Nordström	180,323	157,742
Other Board members[2]:		
Tom Knutzen[3]	–	30,896
Nigel Hinshelwood[5]	120,818	–
Torbjörn Magnusson[5]	91,552	–
Robin Lawther	127,879	125,264
Sarah Russell	140,467	134,804
Silvija Seres	121,435	120,379
Kari Stadigh[4]	34,566	137,351
Birger Steen	140,467	134,804
Pernille Erenbjerg	121,434	93,965
Lars Wollung[4]	29,882	92,031
Maria Varsellona	121,434	93,965
Total	**1,550,302**	**1,483,892**

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in four equal instalments, in SEK up until the third quarter and in EUR for the fourth quarter. For accounting purposes, the amounts paid out in SEK are converted back into EUR, using the average exchange rate each year.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2017.
4) Resigned as member of the Board as from the AGM 2018.
5) New member of the Board as from the AGM 2018.

G7. Staff costs, cont.

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

	Fixed salary[1]		GEM Executive Incentive Programme[2]		Benefits[1]		Total	
EUR	2018	2017	2018	2017	2018	2017	2018	2017
Chief Executive Officer (CEO):								
Casper von Koskull[3]	1,334,678	1,354,462	691,000	735,925	92,571	24,744	2,118,249	2,115,131
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):								
Torsten Hagen Jørgensen[4]	1,258,392	1,228,571	775,699	818,181	58,399	54,048	2,092,490	2,100,800
Group Executive Management (GEM):								
9 (8) individuals excluding CEO and Deputy CEO[5]	5,600,291	5,273,893	3,298,847	3,625,087	86,987	99,802	8,986,125	8,998,782
Total	**8,193,361**	**7,856,926**	**4,765,546**	**5,179,193**	**237,957**	**178,594**	**13,196,864**	**13,214,713**

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable. Benefits are included at taxable values after salary deductions (if any).

2) Up until 2012 the CEO and members of GEM were offered a Variable Salary Part (VSP) and a share based Long Term Incentive Programme (LTIP). Since 2013, a GEM Executive Incentive Programme (GEM EIP) has been offered. The outcome from GEM EIP 2018 has been expensed in full in 2018 but will be paid out over a five-year deferral period with forfeiture clauses compliant to remuneration regulations. The GEM EIP 2018 is indexed with Nordea's total shareholder return (TSR) excluding dividends during the deferral period.

3) The annual fixed base salary as CEO is in 2018 SEK 13,054,000, converted to EUR 1,354,462 as from 1 October 2018. Benefits includes costs related to relocation to Finland of EUR 53,112.

4) The annual fixed base salary as Group COO and Deputy CEO is in 2018 DKK 8,560,000 (EUR 1,148,487). Car and holiday allowance amount to DKK 669,695 (EUR 89,852). Benefits 2017 have been restated.

5) Remuneration to GEM members is included for the period they have been appointed. On 28 February 2018 one GEM member left Nordea and one has resigned as GEM member by 30 November 2018, before leaving Nordea. Three new GEM members were appointed during the year, on 1 March 2018, 1 September 2018 and 1 December 2018.

Long Term Incentive Programmes (LTIP) 2011–2012

	Number of outstanding shares[1]		
	LTIP 2012	LTIP 2011	Total
Chief Executive Officer (CEO):			
Casper von Koskull	19,312	7,501	26,813
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):			
Torsten Hagen Jørgensen	17,912	6,712	24,624
Total	**37,224**	**14,213**	**51,437**
Former Chief Executive Officer (Former CEO):			
Christian Clausen	27,413	10,362	37,775
Total	**64,637**	**24,575**	**89,212**

1) The LTIPs were fully expensed in May 2015. All shares in LTIPs are fully vested and consequently not conditional. 60% of the vested shares are deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. The numbers of outstanding shares are presented as of 31 December 2018. No other GEM members have outstanding LTIP shares by 31 December 2018.

Salary and benefits

The BRC prepares alterations in salary levels and outcome of GEM Executive Incentive Programme (GEM EIP) as well as other changes in the remuneration package for the Chief Executive Officer (CEO), the Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO) and members of Group Executive Management (GEM), for resolution by the Board.

GEM EIP 2018, which is based on specific targets, can be a maximum of 100% of the fixed base salary. In accordance with remuneration regulations 40% of GEM EIP 2018 will be paid out in 2019, 30% will be deferred to 2022 and 30% to 2024. When amounts are paid out 50% will be subject to retention for 12 months.

Benefits include primarily car benefits, tax consultation and housing.

Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO 1 November 2015. The remuneration to the CEO consists of three components: Fixed salary, GEM Executive Incentive Programme (GEM EIP) and benefits.

The annual fixed base salary as CEO was decided to be SEK 13,054,000 and was converted to EUR 1,354,462 as from 1 October 2018.

GEM EIP 2018 is based on specific targets and can amount to a maximum of 100% of the fixed base salary. For 2018 the outcome of the GEM EIP amounted to EUR 691,000.

The benefits for 2018 amounted to EUR 92,571 and include primarily car benefits and tax consultation, housing (as from 1 October 2018) and costs related to relocation to Finland.

The total earned remuneration for 2018, as CEO, based on the three components (excluding pension) amounted to EUR 2,118,249.

The CEO took part of the LTIPs from 2010 to 2012.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO 1 November 2015. The remuneration to the Group COO and Deputy CEO consists of three components: Fixed salary, GEM EIP and benefits.

The annual fixed base salary as Group COO and Deputy CEO was decided to be DKK 8,560,000 (EUR 1,148,487).

GEM EIP 2018 is based on specific targets and can amount to a maximum of 100% of the fixed base salary. For 2018 the outcome of the GEM EIP amounted to EUR 775,699.

The benefits for 2018 amounted to EUR 58,399 and include primarily housing benefits.

G7. Staff costs, cont.

The total earned remuneration for 2018, as Group COO and Deputy CEO, based on the three components (excluding pension) amounted to EUR 2,092,490.

The Group COO and Deputy CEO took part of the LTIPs until 2012.

Pension

Chief Executive Officer (CEO)

During the period 1 January 2018 to 30 September 2018 the CEO had a defined contribution plan in accordance with the Swedish collective agreement BTP1, with a complementing defined contribution plan on top of the collective agreement. The pension contribution in total was 30% of the fixed salary. Following the re-domiciliation to Finland the CEO is, as from 1 October 2018, covered by the Finnish statutory pension scheme and in addition has a defined contribution plan corresponding to 8.5% of the fixed salary.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed base salary.

Group Executive Management (GEM)

The pension agreements for the other GEM members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

As per 31 December 2018 three members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution is in total 30% of the fixed salary.

One member has pension in accordance with the local country statutory pension system in Finland. According to the statutory pension rules the part of GEM EIP 2017 outcome paid or retained in 2018 is included in the pensionable income

Three members have a defined contribution plan in accordance with local practises in Denmark. The pension contribution is in total 30% of the fixed base salary.

Two members do not have a pension agreement with Nordea.

Pension expense and pension obligation

	2018		2017	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Chief Executive Officer (CEO):				
Casper von Koskull	313,663	357,936	406,339	336,341
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen	344,546	–	345,224	–
Group Executive Management (GEM):				
9 (8) individuals excluding CEO and Deputy CEO[3]	872,073	777,583	870,088	649,295
Board members[4]:				
Lars G Nordström	–	312,465	–	324,843
Total	**1,530,282**	**1,447,984**	**1,621,651**	**1,310,479**
Former Chairman of the Board and CEO:				
Vesa Vaino[5]	–	4,844,682	–	5,215,266
Total	**1,530,282**	**6,292,666**	**1,621,651**	**6,525,745**

1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during the year in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 1,471,537 (EUR 1,593,796) relates to defined contribution agreements. Contributions to the Finnish statutory pension schemes are reported as part of the social charges and thus excluded from the above disclosure.

2) The pension obligation (value of defined benefit pension plan liabilities) is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.

3) Members of GEM included for the period they are appointed. The pension obligation is the value of pension liabilities towards three Swedish GEM members as of 31 December 2018.

4) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.

5) The pension obligation for Former Chairman of the Board and CEO is mainly due to defined benefit pension rights earned in, and funded by, banks forming Nordea. The decrease in the pension obligation is mainly due to pension payments in 2018.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has a severance pay equal to 12 months' salary to be reduced by the salary he receives from another employment during these 12 months.

The Group COO and Deputy CEO and nine GEM members have a notice period of 6 months and Nordea a notice period of 12 months. A severance pay of up to 12 months' salary is provided to be reduced by the salary the executive receives from another employment during the severance pay period.

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 79.

Additional disclosures for all Nordea employees will be published in a separate report on www.nordea.com no later than one week before the Annual General Meeting 28 March 2019.

G7. Staff costs, cont.

Loans to key management personnel
Loans to key management personnel, as defined in Note G1 section 27, amount to EUR 5m (EUR 4m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees. In Norway the employee interest rate for loans is variable and was at 31 December 2018 1.8%. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 30 basis points up to EUR 0.4m, and 60 basis points on the part that exceeds EUR 0.4m. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 50 Swedish price base amounts both on fixed- and variable interest rate loans. For interest on loans above the defined caps, the same terms apply as for premium customers. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Long Term Incentive Programmes

	2018			2017		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the year	147,251	441,753	147,251	221,561	664,683	221,561
Granted[1]	11,576	34,728	11,576	13,209	39,627	13,209
Forfeited	–	–	–	–4,521	–13,563	–4,521
Allotted	–89,522	–268,566	–89,522	–82,998	–248,994	–82,998
Outstanding at end of year[2]	**69,305**	**207,915**	**69,305**	**147,251**	**441,753**	**147,251**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	75,642	126,385	34,038	151,138	252,526	68,011
Granted[1]	5,946	9,935	2,676	8,923	14,909	4,015
Forfeited	–	–	–	–4,517	–7,548	–2,033
Allotted	–40,794	–68,160	–18,357	–79,902	–133,502	–35,955
Outstanding at end of year[2]	**40,794**	**68,160**	**18,357**	**75,642**	**126,385**	**34,038**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	19,193	20,275	8,634	41,311	43,640	18,585
Forfeited	–	–	–	–2,926	–3,091	–1,317
Allotted	–19,193	–20,275	–8,634	–19,192	–20,274	–8,634
Outstanding at end of year[2]	**0**	**0**	**0**	**19,193**	**20,275**	**8,634**
- of which currently exercisable	–	–	–	–	–	–

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no execise price for the deferred rights.

Cash-settled share-based payment transactions
Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2018 is paid no earlier than autumn 2022. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2018 is decided during spring 2019, and a reservation of EUR 35m excl. social costs is made 2018.

G7. Staff costs, cont.

80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals	
EURm	2018	2017
Opening balance	109	110
Reclassification to liabilities held for sale	–	–1
Deferred/earned during the year	45	49
TSR indexation during the year	–15	1
Payments during the year	–49	–48
Translation differences	–1	–2
Closing balance	**89**	**109**

1) Relates to a reclassification to liabilities held for sale.

Gender distribution

In the parent company´s Board of Directors 50% (50%) were men and 50% (50%) were women. In the Board of Directors of the Nordea Group companies, 70% (73%) were men and 30% (27%) were women. The corresponding numbers for Other executives were 72% (73%) men and 28% (27%) women.

Internal Boards consist mainly of management in Nordea, employee representatives excluded.

Average number of employees, Full-time equivalents

	Total		Men		Women	
	2018	2017	2018	2017	2018	2017
Denmark	8,505	9,136	4,826	5,417	3,679	3,719
Sweden	7,055	7,462	3,494	3,851	3,561	3,611
Finland	6,459	7,032	2,404	2,622	4,055	4,410
Norway	2,962	3,127	1,598	1,758	1,364	1,369
Poland	2,980	2,060	1,636	1,044	1,344	1,016
Russia	396	606	148	207	248	399
Estonia	253	502	78	116	175	386
Latvia	–	364	–	161	–	203
Luxembourg	434	451	245	254	189	197
Lithuania	–	305	–	117	–	188
United States	116	123	56	61	60	62
Singapore	75	81	32	37	43	44
United Kingdom	58	68	35	39	23	29
Germany	44	43	26	23	18	20
China	29	31	12	13	17	18
Switzerland	10	22	5	14	5	8
Italy	9	9	6	6	3	3
Spain	5	7	3	5	2	2
Brazil	2	5	2	5	–	0
France	3	3	3	3	–	0
Total average	**29,395**	**31,437**	**14,609**	**15,753**	**14,786**	**15,684**
Total number of employees (FTEs), end of period	**28,990**	**30,399**				

G8. Other expenses

EURm	2018	2017
Information technology	–484	–565
Marketing and representation	–60	–66
Postage, transportation, telephone and office expenses	–83	–101
Rents, premises and real estate	–312	–309
Other	–460	–581
Total	**–1,399**	**–1,622**

Auditors' fees

EURm	2018	2017
PricewaterhouseCoopers[1]		
Auditing assignments	–10	–7
Audit-related services	–1	–1
Tax advisory services	0	–1
Other assignments	–1	–2
Total	**–12**	**–11**

1) Of which Tax services EUR 0m (EUR 0.1m) and Other assignments EUR 0.5m (EUR 0,4m) refers to PricewaterhouseCoopers Oy in year 2018 and Öhrlings PricewaterhouseCoopers AB in year 2017.

G9. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2018	2017
Depreciation/amortisation		
Properties and equipment	–113	–106
Intangible assets	–194	–157
Total	**–307**	**–263**
Impairment charges		
Intangible assets	–175	–5
Total	**–175**	**–5**
Total	**–482**	**–268**

G10. Net loan losses

Based on IFRS 9

EURm, 2018	Loans to central banks and credit institutions[2]	Loans to the public[2]	Off balance sheet items[3]	Total
Net loan losses, stage 1	3	–14	–5	–16
Net loan losses, stage 2	10	51	–10	51
Net loan losses, non-defaulted	**13**	**37**	**–15**	**35**
Stage 3, defaulted				
Net loan losses, individually assessed, model based[1]	3	–47	–1	–45
Realised loan losses	–1	–465	–13	–479
Decrease of provisions to cover realised loan losses	–	280	13	293
Recoveries on previous realised loan losses	2	42	–	44
New/increase in provisions	–	–494	–60	–554
Reversals of provisions	0	456	77	533
Net loan losses, defaulted	**4**	**–228**	**16**	**–208**
Net loan losses	**17**	**–191**	**1**	**–173**

Based on IAS 39

EURm, 2017	Loans to central banks and credit institutions[2]	Loans to the public[2]	Off balance sheet items[3]	Total
Realised loan losses	–	–426	–9	–435
Decrease of provisions to cover realised loan losses	–	300	9	309
Recoveries on previous realised loan losses	–	54	–	54
New/increase in provisions	–1	–908	–92	–1,001
Reversals of provisions	1	642	61	704
Net loan losses	**0**	**–338**	**–31**	**–369**

1) Includes individually identified assets where the provision has been caclulated based on statistical models.
2) Provisions included in Note G13 "Loans and impairment".
3) Provisions included in Note G31 "Provisions".

G11. Taxes

Income tax expense

EURm	2018	2017
Current tax	–891	–1,022
Deferred tax	19	72
Total	**–872**	**–950**

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

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Finland (2017: Sweden) as follows:

EURm	2018	2017
Profit before tax	3,953	3,998
Tax calculated at a tax rate of 20.0% (22.0%)	–791	–880
Effect of different tax rates in other countries	–175	–23
Interest on subordinated debt	–18	–55
Income from associated undertakings	0	0
Tax-exempt income	158	21
Non-deductible expenses	–30	–3
Adjustments relating to prior years	17	–12
Utilization of non-capitalized tax losses carry-forwards from previous periods	0	2
Change of tax rate	10	–
Not creditable foreign taxes	–43	–
Tax charge	**–872**	**–950**
Average effective tax rate	22%	24%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2018	2017	2018	2017
Deferred tax related to:				
Tax losses carry-forward	105	11	–	–
Loans to the public	36	29	363	367
Derivatives	2	16	355	238
Intangible assets	3	5	63	37
Investment properties	–	0	34	91
Retirement benefit assets/obligations	39	22	30	43
Liabilities/provisions	66	83	32	24
Foreign tax credits	101	61	–	–
Other	7	4	24	35
Netting between deferred tax assets and liabilities	–195	–113	–195	–113
Total	**164**	**118**	**706**	**722**

EURm	2018	2017
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	44	44
Total	**44**	**44**

G12. Earnings per share

	2018	2017
Earnings:		
Profit attributable to shareholders of Nordea Bank Abp (Nordea Bank AB (publ)), EURm	3,070	3,031
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–14	–12
Weighted average number of basic shares outstanding	**4,036**	**4,038**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	1	1
Weighted average number of diluted shares outstanding	**4,037**	**4,039**
Basic earnings per share, EUR	0.76	0.75
Diluted earnings per share, EUR	0.76	0.75

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 "Accounting policies" section 22.

G13. Loans and impairment

EURm	31 Dec 2018[1]	31 Dec 2017[2]
Loans measured at fair value through profit and loss	77,521	76,766
Loans measured at amortised cost, not impaired (stage 1 and 2)	247,204	243,045
Impaired loans (stage 3)	4,581	6,068
- of which servicing	2,097	3,593
- of which non-servicing	2,484	2,475
Loans before allowances	**329,306**	**325,879**
- of which central banks and credit institutions	18,977	13,389
Allowances for impaired loans (stage 3)	–1,599	–1,936
- of which servicing	–720	–1,103
- of which non-servicing	–879	–833
Allowances for not impaired loans (stage 1 and 2)	–441	–397
Allowances	**–2,040**	**–2,333**
- of which central banks and credit institutions	–15	–1
Loans, carrying amount	**327,266**	**323,546**

1) Based on IFRS 9.
2) Based on IAS 39. Comparative figures for 2017 include impaired loans and allowance for loans measured at fair value. For 2018, these loans are not disclosed as impaired loans or allowances but rather as adjustments to fair value through "Net result from items at fair value" in the income statement.

Nordea has granted EUR 138 bn (EUR 138 bn) in mortgage credits.
No intermediary credits or public sector credits have been granted.

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**11,161**	**88**	**6**	**11,255**	**218,421**	**14,040**	**5,397**	**237,858**	**229,582**	**14,128**	**5,403**	**249,113**
Origination and acquisition	932	6	–	938	37,466	1,058	491	39,015	38,398	1,064	491	39,953
Transfers between stage 1 and stage 2, (net)	4	–4	–	0	–279	288	–	9	–275	284	0	9
Transfers between stage 2 and stage 3, (net)	–	0	0	0	–	–245	285	40	0	–245	285	40
Transfers between stage 1 and stage 3, (net)	0	–	0	0	–49	–	83	34	–49	0	83	34
Repayments and disposals	–2,808	–7	–11	–2,826	–45,978	–3,336	–1,462	–50,776	–48,786	–3,343	–1,473	–53,602
Write-offs	–	–	–1	–1	–	–	–466	–466	0	0	–467	–467
Other changes	5,922	–53	6	5,875	9,611	2,946	324	12,881	15,533	2,893	330	18,756
Translation differences	47	0	–	47	–2,032	–60	–6	–2,098	–1,985	–60	–6	–2,051
Closing balance at 31 Dec 2018	**15,258**	**30**	**0**	**15,288**	**217,160**	**14,691**	**4,646**	**236,497**	**232,418**	**14,721**	**4,646**	**251,785**

G13. Loans and impairment, cont.

Movement of allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018[1]	**–8**	**–17**	**–7**	**–32**	**–125**	**–343**	**–1,809**	**–2,277**	**–133**	**–360**	**–1,816**	**–2,309**
Origination and acquisition	–3	0	–	–3	–30	–21	–9	–60	–33	–21	–9	–63
Transfers from stage 1 to stage 2	0	–1	–	–1	7	–63	–	–56	7	–64	0	–57
Transfers from stage 1 to stage 3	–	–	–	0	0	–	–90	–90	0	0	–90	–90
Transfers from stage 2 to stage 1	0	5	–	5	–13	52	–	39	–13	57	0	44
Transfers from stage 2 to stage 3	–	–	–	0	–	16	–97	–81	0	16	–97	–81
Transfers from stage 3 to stage 1	0	–	2	2	–4	–	12	8	–4	0	14	10
Transfers from stage 3 to stage 2	–	–	–	0	–	–7	73	66	0	–7	73	66
Changes in credit risk without stage transfer	1	4	0	5	8	42	28	78	9	46	28	83
Repayments and disposals	5	1	2	8	16	36	34	86	21	37	36	94
Write-off through decrease in allowance account	–	–	–	0	–	–	280	280	0	0	280	280
Other changes	–	–	–	0	0	–	–22	–22	0	0	–22	–22
Translation differences	0	0	0	0	0	1	4	5	0	1	4	5
Closing balance at 31 Dec 2018	**–5**	**–8**	**–3**	**–16**	**–141**	**–287**	**–1,596**	**–2,024**	**–146**	**–295**	**–1,599**	**–2,040**

1) At the transition to IFRS 9 on 1 January 2018 Nordea reclassified EUR 177m from loans held at amortised cost and recognised an increasing remeasurement of EUR 153m. See Note G1 section 2 for more information.

Movements of allowance accounts for impaired loans

	Central banks and credit institutions			The public			Total		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2017	**0**	**–2**	**–2**	**–1,913**	**–511**	**–2,424**	**–1,913**	**–513**	**–2,426**
Provisions	–	–1	–1	–751	–157	–908	–751	–158	–909
Reversals of previous provisions	–	1	1	385	257	642	385	258	643
Changes through the income statement	**0**	**0**	**0**	**–366**	**100**	**–266**	**–366**	**100**	**–266**
Allowances used to cover realised loan losses	–	–	–	300	–	300	300	–	300
Reclassification	–	–	–	11	2	13	11	2	13
Translation differences	0	2	2	32	12	44	32	14	46
Closing balance at 31 Dec 2017	**0**	**0**	**0**	**–1,936**	**–397**	**–2,333**	**–1,936**	**–397**	**–2,333**

G13. Loans and impairment, cont.

Rating/scoring information on loans measured at amortised cost

Rating/scoring grade	Average PD, %	Gross carrying amount 31 Dec 2018			
		Stage 1	Stage 2	Stage 3[1]	Total
7	0.01	9,958	116	0	10,074
6+ / A+	0.03	50,773	192	1	50,966
6 / A	0.05	20,574	184	2	20,760
6– / A–	0.09	15,502	283	2	15,787
5+ / B+	0.10	15,538	478	2	16,018
5 / B	0.20	23,251	582	1	23,834
5– / B–	0.27	15,228	636	3	15,867
4+ / C+	0.49	17,516	725	5	18,246
4 / C	0.69	22,549	1,066	6	23,621
4– / C–	1.30	15,214	998	4	16,216
3+ / D+	3.24	4,844	1,605	13	6,462
3 / D	6.00	4,862	1,789	14	6,665
3– / D–	8.26	2,612	1,187	13	3,812
2+ / E+	10.91	1,708	1,169	67	2,944
2 / E	17.44	900	1,136	19	2,055
2– / E–	22.13	360	335	4	699
1+ / F+	32.82	223	262	13	498
1 / F	32.48	265	549	28	842
1– / F–	37.34	570	720	31	1,321
Standardised/Unrated	0.24	10,029	319	95	10,443
0+ / 0 / 0– (default)	100.00	211	186	4,258	4,655
Total		**232,687**	**14,517**	**4,581**	**251,785**

1) The stage classification and calculation provision for each exposure is based on the situation as per end of October 2018, while the exposure amount and rating grades are based on the situation as per end of December 2018. Some of the exposures in default according to the rating grade as per end of December were not in default as per end of October, and hence this is reflected in the stage classification.

Key ratios[1]

	31 Dec 2018[2]
Impairment rate (stage 3), gross, basis points	182
Impairment rate (stage 3), net, basis points	118
Total allowance rate (stage 1, 2 and 3), basis points	81
Allowances in relation to impaired loans (stage 3), %	35
Allowances in relation to loans in stage 1 and 2, basis points	1

	31 Dec 2017[3]
Impairment rate, gross, basis points	186
Impairment rate, net, basis points	127
Total allowance rate, basis points	72
Allowances in relation to impaired loans, %	32
Total allowances in relation to impaired loans, %	38
Non-servicing loans, not impaired, EURm	253

1) For definitions, see Glossery on page 95.
2) Based on IFRS 9.
3) Based on IAS 39.

For additional information on credit risks, see Note G46 "Credit risk disclosures".

G14. Interest-bearing securities

EURm	31 Dec 2018	31 Dec 2017
State, municipalities and other public bodies	18,756	16,833
Mortgage institutions	28,077	27,214
Other credit institutions	24,736	26,107
Corporates	4,601	5,140
Other	52	–
Total	**76,222**	**75,294**

Provisions for credit risks amount to EUR 2m (EUR 0m).

G15. Financial instruments pledged as collateral

Financial instruments pledged as collateral

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

EURm	31 Dec 2018	31 Dec 2017
Interest-bearing securities	7,568	6,489
Total	**7,568**	**6,489**

For information on transferred assets and reverse repos, see Note G41 "Financial instruments set off on balance or subject to netting agreements".

G16. Shares

EURm	31 Dec 2018	31 Dec 2017
Shares	4,407	8,599
Fund units, equity related	5,679	5,954
Fund units, interest related	2,366	2,627
Total	**12,452**	**17,180**
- of which Financial instruments pledged as collateral (Note G15)	–	–
Total	**12,452**	**17,180**

G17. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2018	31 Dec 2017
Assets		
Interest-bearing securities	1,284	1,705
Shares and fund units	23,076	23,639
Properties	158	151
Other assets	65	384
Total	**24,583**	**25,879**
Liabilities		
Pooled schemes	3,964	4,317
Unit linked investment contracts	21,689	22,016
Total	**25,653**	**26,333**

The Life Group and Nordea Denmark, branch of Nordea Bank AB, have assets and liabilities included on their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included on the Group's balance sheet.

G18. Derivatives and Hedge accounting

Nordea enters into derivatives for trading and risk management purposes. Nordea may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Derivatives not used for hedge accounting	33,915	38,624	6,571,710
Fair value hedges	1,959	402	160,440
Cash flow hedges	1,143	437	20,795
Net investment hedges	8	84	8,544
Total derivatives	**37,025**	**39,547**	**6,761,489**

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Derivatives not used for hedge accounting	44,415	41,607	7,376,437
Fair value hedges	1,118	483	94,050
Cash flow hedges	525	590	15,654
Net investment hedges	53	33	9,219
Total derivatives	**46,111**	**42,713**	**7,495,360**

Derivatives not used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	17,438	17,476	3,824,871
FRAs	26	8	1,036,172
Futures and forwards	25	27	137,399
Options	5,252	6,025	371,954
Total	**22,741**	**23,536**	**5,370,396**
Equity derivatives			
Equity swaps	192	138	10,886
Futures and forwards	4	2	1,255
Options	303	638	15,273
Total	**499**	**778**	**27,414**
Foreign exchange derivatives			
Currency and interest rate swaps	5,214	9,076	397,180
Currency forwards	4,807	4,360	625,264
Options	108	116	19,879
Other	0	0	0
Total	**10,129**	**13,552**	**1,042,323**
Other derivatives			
Credit default swaps (CDS)	536	756	130,921
Commodity derivatives	0	0	92
Other derivatives	10	2	564
Total	**546**	**758**	**131,577**
Total derivatives not used for hedge accounting	**33,915**	**38,624**	**6,571,710**

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	23,589	19,804	4,827,481
FRAs	39	18	984,287
Futures and forwards	32	48	148,995
Options	6,421	6,285	324,604
Other	4	2	4,009
Total	**30,085**	**26,157**	**6,289,376**
Equity derivatives			
Equity swaps	113	150	11,301
Futures and forwards	3	6	1,147
Options	355	642	13,845
Total	**471**	**798**	**26,293**
Foreign exchange derivatives			
Currency and interest rate swaps	6,203	7,816	352,287
Currency forwards	5,465	4,748	605,787
Options	150	107	23,485
Total	**11,818**	**12,671**	**981,559**
Other derivatives			
Credit default swaps (CDS)	2,009	1,975	78,650
Commodity derivatives	3	3	235
Other derivatives	29	3	324
Total	**2,041**	**1,981**	**79,209**
Total derivatives not used for hedge accounting	**44,415**	**41,607**	**7,376,437**

Hedge Accounting

Risk management

Nordea manages its identified market risks according to the risk management framework and strategy described in the Market risk section in the chapter "Risk management" in the Board of Directors' report .

Nordea classifies its exposures to market risk into either trading (the Trading Book) or non-trading (the Banking Book) portfolios and are managed separately.

The Trading Book consists of all positions in financial instruments held by Nordea either with trading intent, or in order to hedge positions held with trading intent. Positions held “with trading intent” are those held intentionally for short-term resale or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices, or from other price or interest rate variations.

The Banking Book comprises all positions not held in the Trading Book. All hedges qualifying for hedge accounting are performed in the Banking Book. The hedging instruments and risks hedged are futher described below per risk and hedge accounting type.

Interest rate risk

Nordea’s primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on Nordea’s margins, profit or loss, and equity. Interest risk arises from mismatch of interest from interest bearing liabilities and assets such as deposits, issued debt, securities and loan portfolio.

As part of Nordea’s risk management strategy, the Board

G18. Derivatives and Hedge accounting, cont.

has established limits on the non-trading interest rate gaps for the interest rate sensitivities. These limits are consistent with Nordea's risk appetite and Nordea aligns its hedge accounting objectives to keep exposures within those limits. Nordea's policy is to monitor positions on a daily basis. For further information on measurement of risks, see the Market risk section in the chapter "Risk management" in the Board of Directors' report .

For hedge accounting relationships related to interest rate risk, the hedged item is the benchmark rate. The hedging ratio is one-to-one, and is established by matching the notional of the derivatives against the principle of the hedged item.

The benchmark rate is determined as a change in present value of the future cash flows using benchmark rate discount curves. The benchmark rate is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

In order to reduce or eliminate changes in the fair value of financial assets and financial liabilities due to movements in interest rates, Nordea enters into fair value hedging relationships as described in Note G1 section 10. Nordea uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and loans and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e. notional amount, maturity, payment and reset dates).

The below table presents the accumulated fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year.

Hedged items

	Interest rate risk	
EURm	2018	2017
Fair value hedges		
Carrying amount of hedged assets[1]	46,773	41,818
- of which accumulated amount of fair value hedge adjustment[3]	169	163
Carrying amount of hedged liabilties[2]	81,424	67,040
- of which accumulated amount of fair value hedge adjustment[3]	1,273	1,450

1) Presented on the balance sheet rows Loans to central banks, Loan to credit institutions, Loans to the public, Interest-bearing securities and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
2) Presented on the balance sheet rows Deposit by credit institutions, Deposit and borrowing from the public, Debt securities in issue and Fair value changes of the hedged items in portoflio hedge of interest rate risk.
3) Of which all relates to continuing portfolio hedges of interest rate risk.

The following table provides information about the hedging instruments included in the line item Derivatives on the balance sheet:

Derivatives used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	1,959	402	160,440

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	1,118	483	94,050

The below table presents the changes in the fair value of the hedged items and changes in fair value of the hedging instruments used as the basis for recognising ineffectiveness. These changes are recognised on the row "Net result from items at fair value" in the income statement.

Hedge ineffectiveness

	Interest rate risk	
EURm	2018	2017
Fair value hedges		
Changes in fair value of hedging instruments	–237	–906
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	194	949
Hedge ineffectiveness recognised in the income statement[1]	–43	43

1) Recognised on the row Net result from items at fair value.

Cash flow hedges

For Nordea's cash flow hedge accounting relationships, the hedged risk is the variability in future interest cash flows due to changes in market interest rates. In order to reduce or eliminate variability in future interest payments, Nordea primarily uses interest rate swaps as hedging instruments according to Nordea's policies and risk management strategy described in Note G1 section 10 and in the Market risk section in the chapter "Risk management" in the Board of Directors' report.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps match the terms of the future interest cash flows (i.e. notional amount and expected payment date).

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing interest rate risk including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Derivatives used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	6	0	190

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	0	4	520

G18. Derivatives and Hedge accounting, cont.

In the below table, the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year, are specified.

Hedge ineffectiveness

	Interest rate risk	
EURm	2018	2017
Cash flow hedges		
Changes in fair value of hedging instruments	16	–4
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–16	4
Hedge ineffectiveness recognised in the income statement[1]	–	–
Hedging gains or losses recognised in OCI	16	–4

1) Recognised on the row Net result from items at fair value.

Cash flow hedge reserve

	Interest rate risk	
EURm	2018	2017
Balance at 1 Jan	–3	–
Cash flow hedges:		
Valuation gains/losses during the year	16	–4
Tax on valuation gains/losses during the year	–3	1
Transferred to the income statement during the year	–6	–
Tax on transfers to the income statement during the year	1	–
Other comprehensive income, net of tax	8	–3
Total comprehensive income	8	–3
Balance at 31 Dec	**5**	**–3**
of which relates to continuing hedges for which hedge accounting is applied	5	–3
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

The maturity profile of Nordea's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) follows below:

Maturity profile of the nominal amount of hedging instrumens

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	5,024	19,030	108,380	25,517	157,951
Net cash outflows	**–**	**5,024**	**19,030**	**108,380**	**25,517**	**157,951**

31 Dec 2017, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	3,925	11,368	55,953	18,102	89,348
Net cash outflows	**–**	**3,925**	**11,368**	**55,953**	**18,102**	**89,348**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk (FX risk) from trading activities is limited through a VaR limit while FX risk from structural exposures are limited through a stress loss limit for the CET1-ratio impact from FX fluctuations in a severed but plausible stress scenario (see the Market risk section in the chapter "Risk management" in the Board of Directors' report).

Nordea's issuance of credits and borrowing can be denominated in the currency of the borrower or investor. Borrowing, investing and lending are not always executed in the same currency and thus exposes Nordea to a foreign exchange risk. Differences in exposures to individual currencies that exist between different transactions are matched by predominantly entering into cross currency interest rate swaps. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

In addition to the above, Nordea also has exposure to structural foreign currency risk through its foreign operations that have a functional currency other than Nordea's presentation currency, EUR (i.e. a translation risk). Fluctuation of the spot exchange rates will cause Nordea's reported net investment in foreign operations to vary and the CET1-ratio to fluctuate from the currency mismatch between equity and Risk Exposure Amounts (REA). Nordea applies hedge accounting when it hedges its investments in fully consolidated foreign operations whose functional currency is not EUR.

For hedge accounting relationships related to currency risk, the hedged item is a foreign currency component. The hedging ratio is one-to-one and is established by matching the notional of the derivatives against the principal of the hedged item.

The currency component is determined as the change in present value of the future cash flows using foreign exchange curves. The foreign currency component is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Cash flow and net investment hedges

The below tables provide information about the hedging instruments as well as the outcome of the cash flow and net investment hedges addressing currency risks including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

G18. Derivatives and Hedge accounting, cont.

Derivatives used for hedge accounting

31 Dec 2018, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	1,137	437	20,605
Net investment hedges			
Foreign exchange risk	8	84	8,544
Total derivatives used for hedge accounting	**1,145**	**521**	**29,149**

31 Dec 2017, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	525	586	15,134
Net investment hedges			
Foreign exchange risk	53	33	9,219
Total derivatives used for hedge accounting	**578**	**619**	**24,353**

In the below table, the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year, are specified.

Hedge ineffectiveness

EURm	Foreign exchange risk 2018	Foreign exchange risk 2017
Cash flow hedges		
Changes in fair value of hedging instruments	704	47
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–704	–47
Hedge ineffectiveness recognised in the income statement[1]	–	–
Hedging gains or losses recognised in OCI	704	47
Net investment hedges		
Changes in fair value of hedging instruments	67	175
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–67	–175
Hedge ineffectiveness recognised in the income statement[1]	–	–
Hedging gains or losses recognised in OCI	67	175

1) Recognised on the row Net result from items at fair value.

Cash flow hedge reserve

EURm	Foreign exchange risk 2018	Foreign exchange risk 2017
Balance at 1 Jan 2018	–43	37
Cash flow hedges:		
Valuation gains/losses during the year	704	47
Tax on valuation gains/losses during the year	–156	–20
Transferred to the income statement during the year	–670	–150
Tax on transfers to the income statement during the year	148	43
Other comprehensive income, net of tax	26	–80
Total comprehensive income	26	–80
Balance at 31 Dec 2018	**–17**	**–43**
of which relates to continuing hedges for which hedge accounting is applied	–17	–43
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

Maturity profile of the nominal amount of hedging instrumens

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	–	2,663	11,886	13,707	3,572	31,828
Total	–	**2,663**	**11,886**	**13,707**	**3,572**	**31,828**

31 Dec 2017, EURm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	–	–	1,220	25,402	2,953	29,575
Total	–	–	**1,220**	**25,402**	**2,953**	**29,575**

G19. Investments in associated undertakings and joint ventures

EURm	31 Dec 2018	31 Dec 2017
Acquisition value at beginning of year	1,237	590
Acquisitions during the year	335	972
Sales during the year	–3	–9
Share in earnings[1]	122	61
Dividend received	–23	–93
Reclassification	–28	–267
Translation differences	–37	–17
Acquisition value at end of year	**1,603**	**1,237**
Accumulated impairment charges at beginning of year	–2	–2
Accumulated impairment charges at end of year	**–2**	**–2**
Total	**1,601**	**1,235**

1) See table Share in earnings.

Share in earnings

EURm	31 Dec 2018	31 Dec 2017
Profit from companies accounted for under the equity method	124	23
Portfolio hedge, Eksportfinans ASA	–2	–3
Associated undertakings in Life insurance, reported as Net result from items at fair value	–	41
Share in earnings	**122**	**61**

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2018	31 Dec 2017
Total assets	2,054	2,226
Net profit for the year	21	3
Other comprehensive income	0	0
Total comprehensive income	21	3

Nordea has issued contingent liabilities of EUR 26m (EUR 1m) on behalf of associated undertakings.

Associated undertakings

31 Dec 2018	Registration number	Domicile	Carrying amount 2018, EURm	Carrying amount 2017, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	161	172	23
Eiendomsverdi AS	881971682	Oslo	13	–	25
Suomen Luotto-osuuskunta	0201646-0	Helsinki	2	2	27
LR Realkredit A/S	26045304	Copenhagen	7	9	39
Nordea Liv & Pension, livforsikringsselskab A/S	24260577	Ballerup	326	–	30
E-nettet Holding A/S	28308019	Copenhagen	3	3	20
Mandrague Capital Partners AB	556854-2780	Stockholm	5	–	40
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	7	8	33
PFC Technology AB	556851-3112	Stockholm	4	–	20
NF Fleet Oy	2006935-5	Espoo	9	9	20
NF Fleet AB	556692-3271	Stockholm	6	5	20
NF Fleet A/S	29185263	Copenhagen	4	5	20
NF Fleet AS	988906808	Oslo	3	2	20
Upplysningscentralen UC AB	556137-5113	Stockholm	–	3	26
Bankomat AB	556817-9716	Stockholm	7	8	20
Visa Sweden	801020-5097	Stockholm	6	29	–
Other			1	7	
Total			**564**	**262**	

Nordea's share of the joint ventures' aggregated balance sheets and income statements (excluding Luminor, see below) can be summarised as follows:

EURm	31 Dec 2018[1]	31 Dec 2017
Total assets	345	252
Net profit for the year	–4	–54
Other comprehensive income	0	1
Total comprehensive income	–4	–53

1) Estimate based on situation as of Q3 2018.

G19. Investments in associated undertakings and joint ventures, cont.

Joint ventures

31 Dec 2018	Registration number	Domicile	Carrying amount 2018, EURm	Carrying amount 2017, EURm	Voting power of holding %	Ownership %	Average number of FTE
Luminor Group AB[1]	559072-8316	Stockholm	1,037	973	50	56	3,000
Relacom Management AB[1]	556746-3103	Stockholm	–	–	61	61	3,000
Total			**1,037**	**973**			
Total associated undertakings and joint ventures			**1,601**	**1,235**			

1) The joint contol is based on a shareholders agreement where it is stated that decisions about all relevant activities in the entity is made in common.

For information about investments in group undertaking and companies where Nordea has unlimited responsibility, see Note P21 "Investments in group undertakings".

Nordea has one material joint venture, Luminor Group. The company is the result of the merger of Nordea's and DnB's business in the Baltics. Nordea has entered into an agreement to reduce the holding in Luminor Group to be executed in 2019. At 31 Dec 2018, Nordea held 56.3% of the capital in Luminor but only 50.0% of the voting rights and thus report Luminor as a joint venture.

Luminor is included in the consolidated accounts of Nordea via the equity method. Luminor applies IFRS in their consolidated accounts and the balance sheet and income statements below are based on IFRS. The figures disclosed show the entire Luminor Group, not just Nordea's share.

Balance sheet Luminor Group

EURm	31 Dec 2018	31 Dec 2017
Assets		
Cash and balances with central banks	3,275	2,620
Loans to central banks and credit institutions	204	574
Loans to the public	11,451	11,647
Interest-bearing securities	167	34
Derivatives	46	28
Other assets	167	191
Total assets	**15,310**	**15,094**
Liabilities and equity		
Deposits by credit institutions	3,939	4,761
Deposits and borrowings from the public	9,073	8,430
Debt securities in issue	350	65
Derivatives	43	33
Other liabilities	107	91
Equity	1,799	1,714
Total liabilities and equity	**15,310**	**15,094**

Income statement Luminor Group

EURm	31 Dec 2018	31 Dec 2017[1]
Interest income	309	78
Interest expense	−39	−10
Net commission income	83	21
Net result from items at fair value	32	15
Other income	4	2
Total operating income	**389**	**106**
Staff costs	−114	−30
Other administrative expenses	−115	−48
Depreciation and amortisation	−14	−2
Net loan losses	−4	−19
Operating profit	**142**	**7**
Income tax expense	−14	−13
Net profit for the year	**128**	**−6**
Other comprehensive income	2	−2
Total comprehensive income	**130**	**−4**

1) The company existed for 3 months 2017.

Reconciliation of the carrying amount in Luminor

EURm	31 Dec 2018	31 Dec 2017
Nordeas share of equity in Luminor	1,013	965
Transaction costs	23	23
Other	1	−15
Carrying amount of the holding in Luminor	**1,037**	**973**

G20. Intangible assets

Goodwill allocated to cash generating units[1]		
Banking Russia	–	161
Business Banking Denmark	141	141
Business Banking Norway	462	466
Business Banking Sweden	82	85
Corporate & Investment Banking Norway[3]	172	–
Life & Pensions, Norway[2]	–	128
Personal Banking Denmark	447	448
Personal Banking Norway[2]	388	263
Personal Banking Sweden	124	128
Shipping, Offshore & Oil services[3]	–	174
Total goodwill	**1,816**	**1,994**
Computer software	2,167	1,917
Other intangible assets	52	72
Total intangible assets	**4,035**	**3,983**

1) Excluding goodwill in associated undertakings.
2) The goodwill allocated to Life & Pensions in 2017 have been reallocated to Personal Banking Norway in 2018 to better reflect where the cash flows are generated.
3) The segment Shipping Offshore & Oil services has been merged with the segment Corporate & Institutional Banking Norway.

Movements in goodwill		
Acquisition value at beginning of year	1,995	2,248
Reclassifications	–	–169
Translation differences	–37	–84
Acquisition value at end of year	**1,958**	**1,995**
Accumulated impairment charges at beginning of year	–1	–1
Impairment charges during the year	–141	–
Accumulated impairment charges at end of year	**–142**	**–1**
Total	**1,816**	**1,994**

Movements in computer software		
Acquisition value at beginning of year	2,377	1,802
Acquisitions during the year	534	645
Sales/disposals during the year	–78	–
Transfers/reclassifications during the year	–	–23
Translation differences	–45	–47
Acquisition value at end of year	**2,788**	**2,377**
Accumulated amortisation at beginning of year	–417	–315
Amortisation according to plan for the year	–162	–123
Accumulated amortisation on sales/disposals during the year	20	–
Transfers/reclassifications during the year	–	8
Translation differences	11	13
Accumulated amortisation at end of year	**–548**	**–417**
Accumulated impairment charges at beginning of year	–43	–40
Impairment charges during the year	–32	–5
Translation differences	2	2
Accumulated impairment charges at end of year	**–73**	**–43**
Total	**2,167**	**1,917**

Impairment testing of goodwill and computer software

A cash generating unit, defined as the operating segment, is the basis for the impairment test.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill and computer software under development with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows for the coming three years are based on financial forecasts. The forecasts are based on the Nordea macro economic outlook, including information on GDP growth, inflation and benchmark rates for relevant countries. Based on these macro forecasts, business areas project how margins, volumes, sales and costs will develop the coming years. Credit losses are estimated using the long term average for the different business areas. This results in an income statement for each year. The projected cash flow for each year is the forecasted net result in these income statements, reduced by the capital needed to grow the business in accordance with the long term growth assumptions. The projections take into consideration the major projects initiated in Nordea, e.g. the transformation program. There is also an allocation of central costs to business areas to make sure the cash flows for the CGUs include indirect costs. Tax costs are estimated based on the standard tax rate. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. Growth rates are based on historical data, updated to reflect the current situation.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The following growth rates and discount rates have been used:

	Discount rate[1]		Growth rate	
EURm	2018	2017	2018	2017
Sweden	6.6	7.1	2.0	1.8
Denmark	5.9	6.6	1.3	1.3
Finland	5.9	6.6	1.3	1.3
Norway	6.4	7.1	1.8	1.8
Russia	9.2	9.5	0.0	0.0

1) Post-tax

The impairment tests conducted in 2018 did not indicate any need for goodwill impairment, except for Russia as explained below. See also Note G1 "Accounting policies" section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such a change would not result in any impairment.

Impairment

Due to the reduced business volumes in Nordea Russia combined with a continued cautious strategy going forward, the value of the Russian business does no longer sustain the recognised goodwill stemming from a significantly higher business volume and earnings level. Following this, Nordea has recognised an impairment loss of EUR 141m. With this impairment, there is no longer any goodwill recognised in relation to the Russian operations. The impairment test is based on the value in use of the Russian operations and the estimated future cash flows have been discounted with a post-tax discount rate of 9.2% (9.5%).

The goodwill has been recognised in the segment Banking Russia, which is a separate segment within Wholesale Banking. The impairment expense is recognised as a reconciliation difference in Note G2 "Segment reporting".

G21. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G13) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

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

EURm	31 Dec 2018	31 Dec 2017
Gross investments	6,436	6,547
Less unearned finance income	–786	–815
Net investments in finance leases	**5,650**	**5,732**
Less unguaranteed residual values accruing to the benefit of the lessor	–34	–14
Present value of future minimum lease payments receivable	**5,614**	**5,718**
Accumulated allowance for uncollectible minimum lease payments receivable	8	3

As of 31 December 2018 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2018	
EURm	Gross investment	Net investment
2019	1,791	1,507
2020	1,615	1,369
2021	1,348	1,196
2022	594	546
2023	503	479
Later years	585	553
Total	**6,436**	**5,650**

G21. Leasing, cont.

Operating leases

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

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

EURm	31 Dec 2018
2019	1
2020	1
2021	1
2022	0
2023	–
Later years	–
Total	**3**

Nordea as a lessee

Finance leases

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

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment.

Leasing expenses during the year

EURm	2018	2017
Leasing expenses during the year	–218	–204
- of which minimum lease payments	–218	–197
- of which contingent rents	0	–7
Leasing income during the year regarding sublease payments	4	4

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

EURm	31 Dec 2018
2019	144
2020	121
2021	101
2022	88
2023	77
Later years	686
Total	**1,217**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 12m.

G22. Investment properties

EURm	31 Dec 2018	31 Dec 2017
Carrying amount at beginning of year	1,448	3,119
Acquisitions during the year	131	425
Sales/disposals during the year	–15	–179
Fair value adjustments	57	39
Transfers/reclassifications during the year	0	–2,043
Translation differences	–14	87
Carrying amount at end of year	**1,607**	**1,448**

Amounts recognised in the income statement[1]

EURm	2018	2017
Fair value adjustments	62	72
Rental income	85	159
Direct operating expenses that generate rental income	–21	–29
Direct operating expenses that did not generate rental income	–1	–10
Total	**125**	**192**

1) Included in Net result from items at fair value.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see Note G40 "Assets and liablilities at fair value.

G23. Other assets

EURm	31 Dec 2018	31 Dec 2017
Claims on securities settlement proceeds	594	924
Cash/margin receivables	10,161	9,007
Other	3,994	2,510
Total	**14,749**	**12,441**

G24. Prepaid expenses and accrued income

EURm	31 Dec 2018	31 Dec 2017
Accrued interest income	272	297
Other accrued income	324	464
Prepaid expenses	717	702
Total	**1,313**	**1,463**

G25. Deposits by credit institutions

EURm	31 Dec 2018	31 Dec 2017
Central banks	16,456	13,751
Banks	21,579	18,401
Other credit institutions	4,384	7,831
Total	**42,419**	**39,983**

G26. Deposits and borrowings from the public

EURm	31 Dec 2018	31 Dec 2017
Deposits[1]	160,228	165,418
Repurchase agreements	4,730	7,016
Total	**164,958**	**172,434**

1) Deposits related to individual pension savings (IPS) are also included.

G27. Liabilities to policyholders

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

EURm	31 Dec 2018	31 Dec 2017
Traditional life insurance provisions	6,187	6,264
- of which guaranteed provisions	6,110	6,178
- of which non-guaranteed provisions	77	86
Collective bonus potential	1,937	2,249
Unit-linked insurance provisions	6,375	6,922
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	6,375	6,922
Insurance claims provision	433	422
Provisions, Health & personal accident	69	74
Total Insurance contracts	**15,001**	**15,931**
Investment contracts	3,229	3,481
- of which guaranteed provisions	3,229	3,481
- of which non-guaranteed provisions	–	–
Total	**18,230**	**19,412**

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies.

G27. Liabilities to policyholders, cont.

31 Dec 2018, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Gross premiums written	94	–	340	–	–	132	566
Transfers	34	–	–34	–	–	–	0
Addition of interest/investment return	261	–	336	–	–	–97	500
Claims and benefits	–292	–	–606	12	–3	–262	–1,151
Expense loading inclusive addition of expense bonus	–25	–	–44	–	–	–28	–97
Change in provisions/bonus potential	144	–265	122	–	–1	–	0
Other	–242	–	–656	–	–	109	–789
Translation differences	–51	–47	–5	–1	–1	–106	–211
Provisions/bonus potentials, end of year	**6,187**	**1,937**	**6,375**	**433**	**69**	**3,229**	**18,230**
Provision relating to bonus schemes/ discretionary participation feature:	99%					71%	

31 Dec 2017, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,124**	**3,606**	**14,240**	**460**	**252**	**3,528**	**41,210**
Gross premiums written	612	–	2,591	–	–	137	3,340
Transfers/reclassification[1]	–12,299	–1,179	–9,637	–44	–173	5	–23,327
Addition of interest/investment return	517	–	1,072	–	–	284	1,873
Claims and benefits	–1,262	–	–1,241	–16	–7	–271	–2,797
Expense loading including addition of expense bonus	–91	–	–95	–	–	–31	–217
Change in provisions/bonus potential	42	–121	79	26	6	–	32
Other	20	–	–47	–	–	–25	–52
Translation differences	–399	–57	–40	–4	–4	–146	–650
Provisions/bonus potentials, end of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Provision relating to bonus schemes/ discretionary participation feature:	99%					72%	

1) EUR 23,316m is related to a reclassification to "Assets held for sale". See Note G42 for further information.

Insurance risks

Insurance risk is described in the "Risk, Liquidity and Capital management" section of the Board of Directors' Report. Additional quantitative information is found below

Life insurance risk and market risks in the Life insurance operations, Sensitivites

	31 Dec 2018		31 Dec 2017	
EURm	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]
Mortality – increased living with 1 year	23.2	–17.9	23.4	–18.7
Mortality – decreased living with 1 year	–0.4	0.3	–0.5	0.4
Disability – 10% increase	8.9	–6.9	9.4	–7.5
Disability – 10% decrease	–6.3	4.9	–6.4	5.1
50 bp increase in interest rates	–287.3	–5.6	–266.1	–2.9
50 bp decrease in interest rates	288.7	5.6	266.9	2.9
12% decrease in all share prices	–680.8	–0.8	–724.1	–1.3
8% decrease in property value	–115.9	–0.8	–106.3	–0.6
8% loss on counterparts	–1.5	0.0	–4.7	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decrease.

G27. Liabilities to policyholders, cont.

Liabilities to policyholders divided in guarantee levels (technical interest rate)

31 Dec 2018, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	6,447	1,367	2,772	2,181	2,175	849	15,791

31 Dec 2017, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,006	1,502	2,924	2,185	2,225	825	16,667

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guarantees	Yes
Unit–Link	Mortality	Yes
	Disability	Yes
	Return guarantees	No
Health and personal accident	Mortality	No
	Disability	Yes
	Return guarantees	No
Financial contract	Mortality	No
	Disability	No
	Return guarantees	Yes

G28. Debt securities in issue

EURm	31 Dec 2018	31 Dec 2017
Certificates of deposit	29,693	10,743
Commercial papers	17,078	24,441
Covered bonds	107,936	111,701
Senior Non Preferred bonds	2,440	–
Other bonds	33,227	32,186
Other	48	43
Total	**190,422**	**179,114**

G29. Other liabilities

EURm	31 Dec 2018	31 Dec 2017
Liabilities on securities settlement proceeds	1,617	3,055
Sold, not held, securities	12,495	13,400
Accounts payable	152	161
Cash/margin payables	4,289	8,857
Other	4,762	3,042
Total	**23,315**	**28,515**

G30. Accrued expenses and prepaid income

EURm	31 Dec 2018	31 Dec 2017
Accrued interest	5	8
Other accrued expenses	1,423	1,357
Prepaid income	268	238
Total	**1,696**	**1,603**

G31. Provisions

EURm	31 Dec 2018	31 Dec 2017
Restructuring	193	225
Guarantees/commitments	121	91
Other	7	13
Total	**321**	**329**

Provisions for restructuring costs have been utilised by EUR 132m during 2018, and an increase of EUR 103m has been accounted for. The restructuring provision is related to the ongoing transformation of Nordea, including activities to close down Nordea's Luxembourg-based private banking business. Provisions are mainly expected to be utilised during 2019 and as for any other provision there is an uncertainty around timing and amount. The uncertainty is expected to decrease as the plans are being executed.

Loan loss provisions off-balance sheet items amount to EUR 121m. More information on these provisions can be found below.

EURm	Restructuring	Other
At beginning of year	225	13
New provisions made	103	5
Provisions utilised	–123	–8
Reversals	–9	–3
Reclassifications	0	0
Translation differences	–3	0
At end of year	**193**	**7**

G31. Provisions, cont.

Movements in provisions for off balance sheet items

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018[1]	**17**	**48**	**74**	**139**
Origination and acquisition	6	5	0	11
Transfers from stage 1 to stage 2	–1	12	–	11
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	2	–8	–	–6
Transfers from stage 2 to stage 3	–	–1	8	7
Transfers from stage 3 to stage 1	0	–	–2	–2
Transfers from stage 3 to stage 2	–	0	–2	–2
Changes in credit risk without stage transfer	–2	–10	–5	–17
Repayments and disposals	–4	–5	0	–9
Write-off through decrease in allowance account	–	–	–13	–13
Translation differences	0	0	0	0
Closing balance at 31 Dec 2018	**18**	**41**	**62**	**121**

1) The opening balance includes an adjustment of EUR 48m, due to implementation of IFRS9. More information is available in note G1 section 2.

Rating/scoring information on off balance sheet items

	Nominal amount 31 Dec 2018			
	Stage 1	Stage 2	Stage 3	Total
7	4,503	–	–	4,503
6+ / A+	12,559	5	0	12,564
6 / A	5,729	2	0	5,731
6– / A–	4,693	15	0	4,708
5+ / B+	7,563	54	0	7,617
5 / B	12,028	54	0	12,082
5– / B–	9,774	52	0	9,826
4+ / C+	9,042	136	0	9,178
4 / C	7,495	233	0	7,728
4– / C–	5,061	397	1	5,459
3+ / D+	1,652	705	0	2,357
3 / D	1,034	576	5	1,615
3– / D–	795	580	2	1,377
2+ / E+	214	290	3	507
2 / E	128	193	2	323
2– / E–	34	86	0	120
1+ / F+	35	65	1	101
1 / F	11	65	0	76
1– / F–	26	104	1	131
Standardised/Unrated	2,343	452	3	2,798
0+ / 0 / 0–	–	0	694	694
Total	**84,719**	**4,064**	**712**	**89,495**

G32. Retirement benefit obligations

EURm	31 Dec 2018	31 Dec 2017
Retirement benefit assets	246	250
Retirement benefit obligations	398	281
Net liability (–)/asset (+)	**–152**	**–31**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full, with a predefined surplus or alternatively safeguarded by a credit insurance contract (Sweden only). Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to monitor the likely level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), inflation, salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

IAS 19 pension calculations and assumptions

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

Assumptions[1]

	Swe	Nor	Fin	Den	UK
2018					
Discount rate[2]	2.17%	2.82%	1.58%	1.80%	2.56%
Salary increase	3.00%	2.75%	1.75%	2.25%[3]	–
Inflation	2.00%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
2017					
Discount rate[2]	2.49%	2.60%	1.41%	1.70%	2.31%
Salary increase	2.75%	2.75%	1.75%	2.25%[3]	–
Inflation	1.75%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 2018 have an impact on the liability calculation by year-end 2018, while the assumptions disclosed for 2017 are used for calculating the pension expense in 2018.
2) More information on the discount rate can be found in Note G1 "Accounting policies", section 23. The sensitivities to changes in the discount rate can be found below.
3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.
4) With CMI_2017 projections for 2018 calculations and CMI_2016 projections for 2017 calculations.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den	UK
Discount rate - Increase 50bps	–10.5%	–7.7%	–5.9%	–4.9%	–10.5%
Discount rate - Decrease 50bps	12.1%	8.7%	6.6%	5.4%	12.1%
Salary increase - Increase 50bps	3.8%	0.4%	0.4%	4.8%	–
Salary increase - Decrease 50bps	–2.8%	–0.4%	–0.4%	–4.5%	–
Inflation - Increase 50bps	10.3%	7.7%	4.9%	–	2.0%
Inflation - Decrease 50bps	–9.2%	–6.5%	–4.5%	–	–1.8%
Mortality - Increase 1 year	4.7%	3.5%	4.3%	5.5%	4.6%
Mortality - Decrease 1 year	–4.6%	–4.5%	–4.2%	–5.4%	–4.5%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it gives the possibility to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2017 Annual Report there have been changes in the methods used when preparing the sensitivity analysis in Sweden and Norway. The 2018 sensitivity analysis now include the impact on the liabilities held for future SWT (special wage tax) or SSC (social security contributions) in Sweden and Norway respectively. The method for calculation of sensitivities in the other countries is unchanged since 2017.

As all pensions in Denmark are salary indexed the inflation has no impact on the DBO in Denmark.

G32. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2018	Nor 2018	Fin 2018	Den 2018	UK 2018	Total 2018	Total 2017
Obligations	1,840	744	722	96	92	3,494	3,454
Plan assets	1,604	681	824	122	111	3,342	3,423
Net liability(–)/asset(+)	**–236**	**–63**	**102**	**26**	**19**	**–152**	**–31**
- of which retirement benefit liabilities	238	156	3	1	–	398	281
- of which retirement benefit assets	2	93	105	27	19	246	250

Movements in the obligation

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,704	764	776	101	109	3,454
Current service cost	28	4	4	–	–	36
Interest cost	40	19	9	2	3	73
Pensions paid	–68	–31	–43	–6	–17	–165
Past service cost and settlements	–1	9	–6	–	1	3
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	171	–24	–15	–2	–3	127
Remeasurement from experience adjustments	–3	12	–3	–	1	7
Translation differences	–65	–4	–	0	–1	–70
Change in provision for SWT/SSC[1]	34	–5	–	–	–	29
Closing balance	**1,840**	**744**	**722**	**96**	**92**	**3,494**
- of which relates to the active population	27%	14%	14%	–	–	20%

2017, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,524	869	800	103	138	3,434
Current service cost	25	6	3	–	–	34
Interest cost	41	22	12	2	3	80
Pensions paid	–70	–35	–40	–6	–17	–168
Past service cost and settlements	14	–5	0	–	–	9
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Translation differences	–52	–66	–	–1	–4	–123
Change in provision for SWT/SSC[1]	25	–10	–	–	0	15
Closing balance	**1,704**	**764**	**776**	**101**	**109**	**3,454**
- of which relates to the active population	27%	14%	15%	–	–	20%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 18 (18) years in Sweden, 14 (15) years in Norway, 12 (15) years in Finland, 11 (11) years in Denmark and 22 (24) years in UK based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to lower duration. The increase in average duration during the year is due to changed assumptions.

G32. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,634	666	865	127	131	3,423
Interest income (calculated using the discount rate)	38	17	11	2	3	71
Pensions paid	–	–19	–43	–6	–17	–85
Settlement	–	–	–2	–	–	–2
Contributions by employer	–	4	0	3	–	7
Remeasurement (actual return less interest income)	–5	20	–7	–3	–6	–1
Translation differences	–63	–7	0	–1	0	–71
Closing balance	**1,604**	**681**	**824**	**122**	**111**	**3,342**
2017, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Opening balance	1,591	703	861	131	152	3,438
Interest income (calculated using the discount rate)	42	18	13	3	3	79
Pensions paid	–	–20	–40	–6	–17	–83
Contributions by employer	–	7	0	3	–	10
Remeasurement (actual return less interest income)	49	15	31	–4	–3	88
Translation differences	–48	–57	–	0	–4	–109
Closing balance	**1,634**	**666**	**865**	**127**	**131**	**3,423**

Asset composition

The combined return on assets in 2018 was 2.0% (4.9%). Asset returns across all asset classes were negatively impacted during the latter part of the year, but remained overall positive. At the end of the year the equity exposure in Nordea´s pension funds/foundations represented 24% (28%) of total assets.

Asset composition in funded schemes

%	Swe 2018	Nor 2018	Fin 2018	Den 2018	UK 2018	Total 2018	Total 2017
Bonds	73%	59%	54%	87%	79%	66%	63%
- sovereign	38%	36%	29%	38%	79%	36%	34%
- covered bonds	21%	17%	5%	49%	0%	17%	13%
- corporate bonds	12%	5%	20%	0%	0%	12%	15%
- issued by Nordea entities	2%	1%	–	–	–	1%	1%
- with quoted market price in an active market	73%	59%	54%	87%	79%	66%	63%
Equity	24%	24%	28%	12%	21%	24%	28%
- domestic	6%	6%	7%	12%	6%	6%	7%
- European	6%	6%	7%	0%	7%	6%	8%
- US	6%	6%	8%	0%	7%	7%	8%
- emerging	6%	6%	6%	0%	1%	5%	5%
- Nordea shares	–	–	–	–	–	0%	0%
- with quoted market price in an active market	24%	24%	28%	12%	21%	24%	28%
Real estate[1]	0	14%	15%	0%	0%	7%	7%
- occupied by Nordea	–	–	5%	–	–	1%	1%
Cash and cash equivalents	3%	3%	3%	1%	0%	3%	2%

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

The Group expects to contribute EUR 4m to its defined benefit plans in 2019.

G32. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 54m (EUR 51m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7 "Staff costs").

Recognised in the income statement

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	28	4	4	–	–	36
Net interest	2	2	–2	0	0	2
Past service cost and settlements	–1	9	–4	–	1	5
SWT/SSC[1]	8	3	–	–	–	11
Pension cost on defined benefit plans (expense+/ income–)	**37**	**18**	–2	0	**1**	**54**
2017, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Current service cost	25	6	3	–	–	34
Net interest	–1	4	–1	–1	0	1
Past service cost and settlements	14	–5	0	–	–	9
SWT/SSC[1]	7	0	–	–	–	7
Pension cost on defined benefit plans (expense+/ income–)	**45**	**5**	**2**	–1	**0**	**51**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2017, excluding past service cost and related SWT and SSC, the pension cost has increased in 2018 mainly as a consequence of the change of actuarial assumptions at the end of 2017.

Recognised in other comprehensive income

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	171	–24	–15	–2	–3	127
Remeasurement from experience adjustments	–3	12	–3	–	1	7
Remeasurement of plan assets (actual return less interest income)	5	–20	7	3	6	1
SWT/SSC[1]	44	–6	–	–	–	38
Pension cost on defined benefit plans (expense+/income–)	**217**	**–38**	**–11**	**2**	**3**	**173**
2017, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Remeasurement of plan assets (actual return less interest income)	–49	–15	–31	4	3	–88
SWT/SSC[1]	36	–6	–	–	–	30
Pension cost on defined benefit plans (expense+/income–)	**184**	**–38**	**–30**	**7**	**–8**	**115**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation

G32. Retirement benefit obligations, cont.

between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover ongoing pension expenses as well to provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2018 was 7.0% of the employees' wages below 7.1 average base amounts and 18.0% of the employees' wages above 7.1 average base amounts. Average base amounts are defined in the Norwegian National Insurance Act. The premium is calculated based on the average wages- and average base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2018 amounts to EUR 14m. Payments to the plan during 2018 covered 2,454 employees. The premium rate for 2019 will be on the same level as for 2018. The expected premiums in 2019 amounts to EUR 14m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 6m (EUR 7m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2018 were EUR 0m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G7 "Staff costs".

G33. Subordinated liabilities

EURm	31 Dec 2018	31 Dec 2017
Dated subordinated debenture loans	6,603	5,947
Undated subordinated debenture loans	168	242
Hybrid capital loans	2,384	2,798
Total	**9,155**	**8,987**

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

G34. Assets pledged as security for own liabilities

EURm	31 Dec 2018	31 Dec 2017
Assets pledged for own liabilities		
Securities etc[1]	23,465	25,881
Loans to the public	144,707	138,882
Other assets pledged	3,727	34,210
Total	**171,899**	**198,973**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	13,062	14,575
Deposits and borrowings from the public	2,402	5,646
Derivatives	–	8,978
Debt securities in issue	107,647	106,379
Other liabilities and commitments	2,587	24,408
Total	**125,698**	**159,986**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G43 "Transferred assets and obtained collaterals".

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

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

G35. Other Assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions (EUR 4,788m (EUR 4,923m)). The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

G36. Contingent liabilities

EURm	31 Dec 2018	31 Dec 2017
Guarantees		
- Loan guarantees	2,434	4,443
- Other guarantees	13,949	12,892
Documentary credits	1,433	1,639
Other contingent liabilities	3	46
Total	**17,819**	**19,020**

In the normal business Nordea issues various forms of guarantees in favour of Nordea's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support Nordea´s customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received. The table above includes all issued guarantees, also those where the possibility of an outflow of resources are considered to be remote.

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings of Nordea Bank Abp.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

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

G37. Commitments

EURm	31 Dec 2018	31 Dec 2017
Unutilised overdraft facilities	29,626	29,956
Loan commitments	43,661	44,589
Future payment obligations	100	1,441
Other commitments	1,092	1,046
Total	**74,479**	**77,032**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2018 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2018. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments, see Note G1 "Accounting policies", section 25, about derivatives, see Note G18 "Derivatives and Hedge accounting" and about reverse repurchase agreements, see Note G43 "Transferred assets and obtained collaterals".

G38. Capital adequacy

As from 2018 the Capital adequacy disclosures are not part of the financial statements. The disclosures for the Group can be found on page 262 and the disclosures for the parent company on page 274.

G39. Classification of financial instruments

Assets

31 Dec 2018, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)			Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings / joint ventures	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)	Derivatives used for hedging			
Cash and balances with central banks	41,578	–	–	–	–	–	41,578
Loans to central banks	6,446	1,196	–	–	–	–	7,642
Loans to credit institutions	8,827	2,493	–	–	–	–	11,320
Loans to the public	234,471	73,833	–	–	–	–	308,304
Interest-bearing securities	3,384	32,682	7,134	–	33,022	–	76,222
Financial instruments pledged as collateral	–	7,026	–	–	542	–	7,568
Shares	–	12,452	–	–	–	–	12,452
Assets in pooled schemes and unit-linked investment contracts	–	24,272	153	–	–	158	24,583
Derivatives	–	33,915	–	3,110	–	–	37,025
Fair value changes of the hedged items in portfolio hedge of interest rate risk	169	–	–	–	–	–	169
Investments in associated undertakings and joint ventures	–	–	–	–	–	1,601	1,601
Intangible assets	–	–	–	–	–	4,035	4,035
Properties and equipment	–	–	–	–	–	546	546
Investment properties	–	–	–	–	–	1,607	1,607
Deferred tax assets	–	–	–	–	–	164	164
Current tax assets	–	–	–	–	–	284	284
Retirement benefit assets	–	–	–	–	–	246	246
Other assets	955	12,473	–	–	–	1,321	14,749
Prepaid expenses and accrued income	989	–	–	–	–	324	1,313
Total	**296,819**	**200,342**	**7,287**	**3,110**	**33,564**	**10,286**	**551,408**

Liabilities

31 Dec 2018, EURm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL)			Non-financial liabilities	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)	Derivatives used for hedging		
Deposits by credit institutions	33,933	8,486	–	–	–	42,419
Deposits and borrowings from the public	158,433	6,525	–	–	–	164,958
Deposits in pooled schemes and unit-linked investment contracts	–	–	25,653	–	–	25,653
Liabilities to policyholders	–	–	3,234	–	14,996	18,230
Debt securities in issue	135,644	–	54,778	–	–	190,422
Derivatives	–	38,624	–	923	–	39,547
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,273	–	–	–	–	1,273
Current tax liabilities	–	–	–	–	414	414
Other liabilities	989	17,828	–	–	4,498	23,315
Accrued expenses and prepaid income	273	–	–	–	1,423	1,696
Deferred tax liabilities	–	–	–	–	706	706
Provisions	–	–	–	–	321	321
Retirement benefit liabilities	–	–	–	–	398	398
Subordinated liabilities	9,155	–	–	–	–	9,155
Total	**339,700**	**71,463**	**83,665**	**923**	**22,756**	**518,507**

G39. Classification of financial instruments, cont.

Assets

31 Dec 2017, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss (FVPL) Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings / joint ventures	Assets held for sale	Total
Cash and balances with central banks	43,081	–	–	–	–	–	–	–	43,081
Loans to central banks	4,487	–	309	–	–	–	–	–	4,796
Loans to credit institutions	6,768	–	1,824	–	–	–	–	–	8,592
Loans to the public	235,525	–	21,852	52,781	–	–	–	–	310,158
Interest-bearing securities	–	3,093	27,825	8,034	–	36,342	–	–	75,294
Financial instruments pledged as collateral	–	–	6,489	–	–	–	–	–	6,489
Shares	–	–	5,254	11,926	–	–	–	–	17,180
Assets in pooled schemes and unit-linked investment contracts	–	–	–	25,728	–	–	151	–	25,879
Derivatives	–	–	44,415	–	1,696	–	–	–	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	163	–	–	–	–	–	–	–	163
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	1,235	–	1,235
Intangible assets	–	–	–	–	–	–	3,983	–	3,983
Properties and equipment	–	–	–	–	–	–	624	–	624
Investment properties	–	–	–	–	–	–	1,448	–	1,448
Deferred tax assets	–	–	–	–	–	–	118	–	118
Current tax assets	–	–	–	–	–	–	121	–	121
Retirement benefit assets	–	–	–	–	–	–	250	–	250
Other assets	1,523	–	10,272	–	–	–	646	–	12,441
Prepaid expenses and accrued income	999	–	–	–	–	–	464	–	1,463
Assets held for sale	–	–	–	–	–	–	–	22,186	22,186
Total	**292,546**	**3,093**	**118,240**	**98,469**	**1,696**	**36,342**	**9,040**	**22,186**	**581,612**

Liabilities

31 Dec 2017, EURm	Financial liabilities at fair value through profit or loss (FVPL) Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
Deposits by credit institutions	5,905	–	–	34,078	–	–	39,983
Deposits and borrowings from the public	9,075	29	–	163,330	–	–	172,434
Deposits in pooled schemes and unit-linked investment contracts	–	26,333	–	–	–	–	26,333
Liabilities to policyholders	–	3,486	–	–	15,926	–	19,412
Debt securities in issue[1]		56,603	–	122,511	–	–	179,114
Derivatives[1]	41,607	–	1,106	–	–	–	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,450	–	–	1,450
Current tax liabilities	–	–	–	–	389	–	389
Other liabilities	24,421	–	–	2,833	1,261	–	28,515
Accrued expenses and prepaid income	–	–	–	246	1,357	–	1,603
Deferred tax liabilities	–	–	–	–	722	–	722
Provisions	–	–	–	–	329	–	329
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	–	–	–	8,987	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total	**81,008**	**86,451**	**1,106**	**333,435**	**20,265**	**26,031**	**548,296**

G39. Classification of financial instruments, cont.

Financial assets designated at fair value through profit or loss

EURm	2018 Financial assets	2017 Loans
Carrying amount per end of year	7,287	52,781
Maximum exposure to credit risk per end of year	7,287	52,781
Nominal amount of credit derivatives used to mitigate the maximum exposure to credit risk per end of the year	–	–
Changes in fair value due to changes in own credit risk, during the year	–	22
Changes in fair value due to changes in own credit risk, accumulated	–	125
Change in fair value of related credit derivatives, during the year	–	–
Change in fair value of related credit derivatives, accumulated	–	–

Assets designated at fair value through profit or loss (fair value option) per 31 December 2018 consist of all assets in Nordea Life and Pension held under investment contracts, EUR 7,134m. Also, assets in pooled schemes and unit-linked investment contracts in Life, EUR 153m, are per 31 December 2018 designated at fair value through profit or loss. For more information see Note G1 section 13. Nordea does not disclose the effect of changes in credit risk on the fair values of these assets and the fair value change in related credit derivatives, as such changes in value will directly result in significantly the same change in carrying amount of the corresponding liabilities to policyholders, i.e. there is no significant impact on the income statement or equity due to changes in credit risk of these assets in Life.

Lending designated at fair value through profit or loss exposed to changes in credit risk 31 December 2017 consist of lending in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 52,641m and lending in the Markets operation, EUR 140m. The fair value of lending in Nordea Kredit Realkreditaktieselskab increased by EUR 22m in 2017 due to changes in credit risk. The cumulative change per 31 December 2017 since designation is a decrease of EUR 125m. The method used to estimate the amount of change in the fair value attributable to changes in credit risk is similar to the incurred loss impairment model for amortised cost assets under IAS 39. The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant.

Financial liabilities designated at fair value through profit or loss per 31 december 2018 consist of issued bonds in the Danish group undertakings Nordea Kredit Realkreditaktieselskab, EUR 51,616m (EUR 51,616m), issued structured bonds in Markets operation, EUR 3,162m (EUR 5,016m), deposits linked to the investment return of separate assets, EUR 3,964m (EUR 4,317m) and investment contracts and pooled schemes in Life, EUR 24,923m (EUR 25,502m). For issued structured bonds in Markets, changes in fair value due to changes in own credit risk is recognised in other comprehensive income and Nordea is calculating the change in own credit spread based on the change in Nordea's funding spread by assuming the liquidity premium for the issuance to be constant over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on issuance date and actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk. The value of the investment contracts in Life and asset linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

Changes in fair value due to changes in own credit risk of bonds issued in Nordea Kredit Realkreditaktieselskab, is calculated by determining the amount of changes in its fair value that is not attributable to changes in market conditions. The method used to estimate the amount of changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds. This model is assessed to provide the best estimate of the impact of own credit risk. The changes in own credit risk on issued mortgage bonds in Nordea Kredit Realkreditaktieselskab are not recognised in other comprehensive income as that would create an accounting missmatch with the corresponding change in fair value of the mortgage loans that is recognised in profit or loss. For this reason the whole change in the fair value of issued mortgage bonds in Nordea Kredit Realkreditaktieselskab is recognised in the income statement. For the issued mortgage bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loans as a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loans.

Financial liabilities designated at fair value through profit or loss

	2018			2017	
EURm	Liabilities where changes in credit risk is presented in OCI	Liabilites where changes in credit risk is presented in profit or loss	Total	Liabilites where changes in credit risk is presented in profit or loss	Total
Carrying amount per end of the year	3,162	80,503	83,665	86,451	86,451
Amount to be paid at maturity[1]	3,322	81,600	84,922	99,567	99,567
Changes in fair value due to changes in own credit risk, during the year	20	–54	–34	78	78
Changes in fair value due to changes in own credit risk, accumulated	10	–550	–540	–496	–496

1) Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. For these liabilities the amount disclosed to be paid at maturity has been set to the carrying amount.

G40. Assets and liabilities at fair value

Fair value of financial assets and liabilities

EURm	31 Dec 2018 Carrying amount	31 Dec 2018 Fair value	31 Dec 2017 Carrying amount	31 Dec 2017 Fair value
Financial assets				
Cash and balances with central banks	41,578	41,578	43,081	43,081
Loans	327,435	330,681	323,709	325,372
Interest-bearing securities	76,222	76,334	75,294	75,473
Financial instruments pledged as collateral	7,568	7,568	6,489	6,489
Shares	12,452	12,452	17,180	17,180
Assets in pooled schemes and unit-linked investment contracts	24,425	24,425	25,728	25,728
Derivatives	37,025	37,025	46,111	46,111
Other assets	13,428	13,428	11,795	11,795
Prepaid expenses and accrued income	989	989	999	999
Total	**541,122**	**544,480**	**550,386**	**552,228**

Fair value of financial assets and liabilities, cont.

EURm	31 Dec 2018 Carrying amount	31 Dec 2018 Fair value	31 Dec 2017 Carrying amount	31 Dec 2017 Fair value
Financial liabilities				
Deposits and debt instruments	408,227	409,014	401,968	403,488
Deposits in pooled schemes and unit-linked investment contracts	25,653	25,653	26,333	26,333
Liabilities to policyholders	3,234	3,234	3,486	3,486
Derivatives	39,547	39,547	42,713	42,713
Other liabilities	18,817	18,817	27,254	27,254
Accrued expenses and prepaid income	273	273	246	246
Total	**495,751**	**496,538**	**502,000**	**503,520**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" below.

Assets and liabilities held at fair value on the balance sheet
Categorisation into the fair value hierarchy

31 Dec 2018, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	1,196	–	–	–	1,196
Loans to credit institutions	–	–	2,493	–	–	–	2,493
Loans to the public	–	–	73,833	–	–	–	73,833
Interest-bearing securities[2]	30,947	3,896	49,130	3,393	329	4	80,406
Shares	10,159	8,381	596	595	1,697	916	12,452
Assets in pooled schemes and unit-linked investment contracts	24,167	20,692	227	227	189	189	24,583
Derivatives	70	–	35,917	89	1,038	–	37,025
Investment properties	–	–	–	–	1,607	1,588	1,607
Other assets	–	–	12,399	–	74	–	12,473
Total	**65,343**	**32,969**	**175,791**	**4,304**	**4,934**	**2,697**	**246,068**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,486	–	–	–	8,486
Deposits and borrowings from the public	–	–	6,525	–	–	–	6,525
Deposits in pooled schemes and unit-linked investment contracts	–	–	25,653	21,689	–	–	25,653
Liabilities to policyholders	–	–	3,234	3,234	–	–	3,234
Debt securities in issue	12,405	–	39,746	–	2,627	–	54,778
Derivatives	42	–	38,482	80	1,023	–	39,547
Other liabilities	7,192	–	10,622	–	14	–	17,828
Total	**19,639**	**–**	**132,748**	**25,003**	**3,664**	**–**	**156,051**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 7,568m relates to the balance sheet item Financial instruments pledged as collateral.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2017, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	309	–	–	–	309
Loans to credit institutions	–	–	1,824	–	–	–	1,824
Loans to the public	–	–	74,633	–	–	–	74,633
Interest-bearing securities[2]	27,889	3,469	50,633	4,555	168	5	78,690
Shares	13,629	8,986	1,967	1,965	1,584	927	17,180
Assets in pooled schemes and unit-linked investment contracts	24,016	20,120	1,521	1,521	342	342	25,879
Derivatives	56	–	44,544	242	1,511	–	46,111
Investment properties	–	–	–	–	1,448	1,437	1,448
Other assets	–	–	10,272	–	–	–	10,272
Total	**65,590**	**32,575**	**185,703**	**8,283**	**5,053**	**2,711**	**256,346**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	5,905	14	–	–	5,905
Deposits and borrowings from the public	–	–	9,104	–	–	–	9,104
Deposits in pooled schemes and unit-linked investment contracts	–	–	26,333	22,016	–	–	26,333
Liabilities to policyholders	–	–	3,486	3,486	–	–	3,486
Debt securities in issue	18,004	–	34,590	–	4,009	–	56,603
Derivatives	41	–	41,614	3	1,058	–	42,713
Other liabilities	8,701	–	15,720	–	–	–	24,421
Total	**26,746**	**–**	**136,752**	**25,519**	**5,067**	**–**	**168,565**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 6,489m relates to the balance sheet item Financial instruments pledged as collateral.

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

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

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

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

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

All valuation models, both complex and simple models, make use of market prices and inputs. These market prices and inputs comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies the interest rates are all observable, and implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations may also be observable for the most liquid equity instruments. For less liquid equity names the option market is fairly illiquid, and hence implied volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is

G40. Assets and liabilities at fair value, cont.

significant the instrument is categorised as Level 3 in the fair value hierarchy.

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

For OTC derivatives valuation models are used for establishing fair value. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model inputs are observable in active markets.

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

Nordea furthermore holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower and the fair value of the margin associated with each loan.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by portfolio adjustments.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value from the counterparty´s credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, Nordea obtains credit spreads from the credit default swap (CDS) market, and probabilities of defaults (PDs) are inferred from this data. For counterparties that do not have a liquid CDS, PDs are estimated using a cross sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating region and industry.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). In addition, Nordea applies in its fair value measurement close-out-cost valuation adjustments and model risk adjustments for identified model deficiencies.

Nordea has during 2018, changed the margin reset frequency assumption in the fair value model covering a loan portfolio in Denmark. The change generated a pre-tax gain of EUR 135m accounted for as "Net result from items at fair value" in the income statement.

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

Transfers between Level 1 and 2

During the year, Nordea transferred interest-bearing securities (including such financial instruments as pledged as collateral) of EUR 6,778m (EUR 3,175m) from Level 1 to Level 2 and EUR 3,169 (EUR 1,937) from Level 2 to Level 1 of the fair value hierarchy. Nordea has also transferred derivative assets of EUR 4m (EUR 24m) and derivatives liabilities of EUR 2m (EUR 14m) from Level 2 to Level 1. Nordea has also transferred debt securities in issue of EUR 7,534m (EUR 33,613m) from Level 1 to Level 2 and EUR 384m (EUR -m) from Level 2 to Level 1. Further Nordea transferred other liabilities from Level 1 to Level 2 of EUR 1,494m (EUR -m) and EUR 128m (EUR -m) from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year. The reason for the transfer from Level 1 to Level 2 of debt securities in issue of EUR 33,613m and interest-bearing securities of EUR 1,046m during 2017 is an alignment of the classification process for the government bonds and mortgage bonds across different business areas within Nordea.

G40. Assets and liabilities at fair value, cont.

Movements in Level 3

2018, EURm	1 Jan 2018	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2018
Interest-bearing securities	168	–2	2	–	169	–9	2	–	–	–	–1	329
- of which Life	5	–	–	–	–	–	–	–	–	–	–1	4
Shares	1,584	130	66	–	317	–333	–64	5	–	–3	–5	1,697
- of which Life	927	84	12	–	103	–135	–64	5	–	–	–16	916
Assets in pooled schemes and unit-linked investment contracts	342	4	–7	–	–55	–86	–3	–	–	–	–6	189
- of which Life	342	4	–7	–	–55	–86	–3	–	–	–	–6	189
Derivatives (net)	453	–264	–431	–	–	18	246	3	–10	–	–	15
Other assets	–	–	–	–	6	–	–	68	–	–	–	74
- of which Life	–	–	–	–	–	–	–	40	–	–	–	40
Investment properties	1,448	–	57	–	131	–15	–	–	–	–	–14	1,607
- of which Life	1,437	–	57	–	113	–5	–	–	–	–	–14	1,588
Debt securities in issue	4,009	3	–585	–23	437	–	–1,215	1	–	–	–	2,627
Other Liabilities	–	–	–	–	–	–	–	14	–	–	–	14

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year.

Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G5). Assets and liabilities related to derivatives are presented net.

2017, EURm	1 Jan 2017	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2017
Interest-bearing securities	210	1	7	–	28	–24	–1	–	–32	–20	–1	168
- of which Life	38	–	–	–	20	–	–	–	–32	–20	–1	5
Shares	3,785	9	–78	2	878	–692	–39	243	–47	–2,449	–28	1,584
- of which Life	3,185	7	–141	–	711	–521	–38	243	–47	–2,449	–23	927
Assets in pooled schemes and unit-linked investment contracts	155	–	6	–	37	–2	–2	152	–4	–	–	342
- of which Life	155	–	6	–	37	–2	–2	152	–4	–	–	342
Derivatives (net)	400	–152	–45	–	–	–	152	98	–1	–	1	453
Investment properties	3,119	–4	–7	–	425	–148	–	–	–6	–1,879	–52	1,448
- of which Life	3,104	–	–6	–	420	–145	–	–	–6	–1,879	–51	1,437
Debt securities in issue	–	–	–	–	–	–	–	4,009	–	–	–	4,009

G40. Assets and liabilities at fair value, cont.

The valuation processes for fair value measurements

Financial instruments

The valuation process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the 1st line of defence, which is independent from the risk taking units in the front office. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by comparing the prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. The verification of the correctness of prices and inputs is as minimum carried out on a monthly basis and is for many products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

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

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the 1st line of defence. These teams are responsible for 2nd line of defence oversight for valuations, with independent reporting responsibilities towards the CRO and the BAC.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which are in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC report quarterly to the Nordea Group Valuation Committee.

Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G40. Assets and liabilities at fair value, cont.

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

31 Dec 2018, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	323	–	Discounted cash flows	Credit spread	–32/32
Corporates	6	4	Discounted cash flows	Credit spread	–0/0
Total	**329**	**4**			**–32/32**
Shares					
Private equity funds	745	457	Net asset value[3]		–84/84
Hedge funds	102	83	Net asset value[3]		–6/6
Credit Funds	398	176	Net asset value/market consensus[3]		–33/33
Other funds	292	183	Net asset value/fund prices[3]		–26/26
Other[4]	191	48	–		–16/16
Total	**1,728**	**947**			**–165/165**
Derivatives					
Interest rate derivatives	259	–	Option model	Correlations	–13/14
				Volatilities	
Equity derivatives	–25	–	Option model	Correlations	–12/8
				Volatilities	
				Dividend	
Foreign exchange derivatives	–13	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	–212	–	Credit derivative model	Correlations	–34/33
				Recovery rates	
				Volatilities	
Other	6	–	Option model	Correlations	–0/0
				Volatilities	
Total	**15**	**–**			**–59/55**
Debt securities in issue					
Issued structured bonds	2,627	–	Credit derivative model	Correlations	–13/13
				Recovery rates	
				Volatilities	
Total	**2,627**	**–**			**–13/13**
Other, net					
Other assets and Other liabilities, net	60	40			–7/7
Total	**60**	**40**			**–7/7**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.
2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.
3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 5% to 100% compared to the values received from suppliers/custodians.
4) Of which EUR 31m related to assets in pooled schemes and unit-linked investment.

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

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

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

G40. Assets and liabilities at fair value, cont.

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

31 Dec 2017, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	162	–	Discounted cash flows	Credit spread	–1/1
Corporates	6	5	Discounted cash flows	Credit spread	–0/0
Total	**168**	**5**			**–1/1**
Shares					
Private equity funds	714	450	Net asset value[3]		–80/80
Hedge funds	118	88	Net asset value[3]		–10/10
Credit Funds	405	202	Net asset value/market consensus[3]		–28/28
Other funds	245	152	Net asset value/fund prices[3]		–21/21
Other[4]	293	226	–		–13/13
Total	**1,775**	**1,118**			**–152/152**
Derivatives					
Interest rate derivatives	332	–	Option model	Correlations	–13/14
				Volatilities	
Equity derivatives	76	–	Option model	Correlations	–14/7
				Volatilities	
				Dividend	
Foreign exchange derivatives	–2	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	25	–	Credit derivative model	Correlations	–14/12
				Recovery rates	
				Volatilities	
Other	22	–	Option model	Correlations	–0/0
				Volatilities	
Total	**453**	**–**			**–41/33**
Debt securities in issue					
Issued structured bonds	4,009	–	Credit derivative model	Correlations	–20/20
				Recovery rates	
				Volatilities	
Total	**4,009**	**–**			**–20/20**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/ custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 31% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 191m related to assets in pooled schemes and unit-linked investment.

expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

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

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2018, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	620	620	Discounted cash flows	Market rent		
				- Office	102–729 EUR/m²	284 EUR/m²
				- Other	126 EUR/m²	126 EUR/m²
				Yield requirement		
				- Office	3.9%–6.0%	4.8%
				- Other	6.5%–9.5%	7.7%
Finland[3]	881	881	Discounted cash flows[2]	Market rent		
				- Commercial	144–233 EUR/m²	189 EUR/m²
				- Office	123–294 EUR/m²	208 EUR/m²
				- Apartment	189–306 EUR/m²	248 EUR/m²
				- Other	231–288 EUR/m²	260 EUR/m²
				Yield requirement		
				- Commercial	5.8%–7.0%	6.4%
				- Office	4.3%–8.3%	6.3%
				- Apartment	3.3%–4.8%	4.0%
				- Other	4.5%–6.3%	5.4%
Sweden	245	245	Discounted cash flows[2]	Market rent		
				- Commercial	66–209 EUR/m₂	124 EUR/m²
				- Office	233 EUR/m²	233 EUR/m²
				- Apartment	169–179 EUR/m²	174 EUR/m²
				- Other	66 EUR/m²	66 EUR/m²
				Yield requirement		
				- Commercial	5.3%–6.8%	5.8%
				- Office	4.6%–5.0%	4.8%
				- Apartment	3.8%–4.7%	4.0%
				- Other	7.0%–7.2%	7.1%
Other	19	–	Discounted cash flows	–	–	–
Total	**1,765**	**1,746**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 158m related to investment properties in pooled schemes and unit-linked investments in Life.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2017, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	530	530	Discounted cash flows	Market rent		
				- Commercial	273 EUR/m^2	273 EUR/m^2
				- Office	194–737 EUR/m^2	283 EUR/m^2
				- Apartment	206 EUR/m^2	206 EUR/m^2
				- Other	128 EUR/m^2	128 EUR/m^2
				Yield requirement		
				- Commercial	5.7%–5.7%	5.7%
				- Office	3.9%–6.4%	5.1%
				- Apartment	4.5%–4.5%	4.5%
				- Other	6.0%–9.5%	7.0%
Finland[3]	839	839	Discounted cash flows[2]	Market rent		
				- Commercial	150–240 EUR/m^2	195 EUR/m^2
				- Office	98–300 EUR/m^2	199 EUR/m^2
				- Apartment	189–297 EUR/m^2	243 EUR/m^2
				- Other	225–279 EUR/m^2	252 EUR/m^2
				Yield requirement		
				- Commercial	5.8%–7.0%	6.4%
				- Office	4.5%–8.3%	6.4%
				- Apartment	3.3%–4.8%	4.0%
				- Other	4.5%–6.3%	5.4%
Sweden	219	219	Discounted cash flows[2]	Market rent		
				- Commercial	114–213 EUR/m$_2$	149 EUR/m^2
				- Office	238–239 EUR/m^2	239 EUR/m^2
				- Apartment	167–172 EUR/m^2	169 EUR/m^2
				- Other	67–82 EUR/m^2	69 EUR/m^2
				Yield requirement		
				- Commercial	5.5%–6.5%	6.0%
				- Office	4.8%–5.1%	4.9%
				- Apartment	3.8%–4.8%	4.3%
				- Other	5.8%–7.3%	6.1%
Other	11	–	Discounted cash flows	–	–	–
Total	**1,599**	**1,588**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 151m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see, Note G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

G40. Assets and liabilities at fair value, cont.

Deferred day 1 profit – derivatives, net

EURm	2018	2017
Amount at beginning of year	58	23
Deferred profit/loss on new transactions	62	89
Recognised in the income statement during the year[1]	–39	–54
Amount at end of year	**81**	**58**

1) Of which EUR –m (EUR –2m) due to transfers of derivatives from Level 3 to Level 2.

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

	31 Dec 2018		31 Dec 2017		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	41,578	41,578	43,081	43,081	3
Loans	249,913	253,159	246,943	248,606	3
Interest-bearing securities	3,384	3,496	3,093	3,272	1,2
Other assets	955	955	1,523	1,523	3
Prepaid expenses and accrued income	989	989	999	999	3
Total	**296,819**	**300,177**	**295,639**	**297,481**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	338,438	339,225	330,356	331,876	3
Other liabilities	989	989	2,833	2,833	3
Accrued expenses and prepaid income	273	273	246	246	3
Total	**339,700**	**340,487**	**333,435**	**334,955**	

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

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

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

Interest-bearing securities
The fair value is EUR 3,496m (EUR 3,272m), of which EUR 0m (EUR 92m) is categorised in Level 1 and EUR 3,496m (EUR 3,180m) in Level 2. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

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

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

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

G41. Financial instruments set off on balance or subject to netting agreements

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2018, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives[3]	110,616	–73,806	36,810	–22,881	–	–10,183	3,746
Reverse repurchase agreements	37,336	–12,448	24,888	–	–24,888	–	0
Securities borrowing agreements	4,176	–	4,176	–	–2,444	–	1,732
Variation margin	453	–453	0	–	–	–	0
Total	**152,581**	**–86,707**	**65,874**	**–22,881**	**–27,332**	**–10,183**	**5,478**

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2018, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives[3]	107,209	–70,998	36,211	–22,881	–	–4,311	9,019
Repurchase agreements	29,092	–12,448	16,644	–	–16,644	–	0
Securities lending agreements	2,963	–	2,963	–	–3,703	–	–740
Variation margin	3,261	–3,261	0	–	–	–	0
Total	**142,525**	**–86,707**	**55,818**	**–22,881**	**–20,347**	**–4,311**	**8,279**

1) All amounts are measured at fair value, except for reversed repurchase agreements of EUR 3,217m and repurchase agreements of EUR 3,210m which are measured at amortised cost.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.
3) For derivatives cleared through Central Counterparties, Nordea offsets on the balance sheet for 2018 the cash collateral receivables and liabilities against the relating derivative liabilities and derivative assets respectively when the transactions currency is the same.

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2017, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	171,059	–125,509	45,550	–29,391	–	–8,868	7,291
Reverse repurchase agreements	28,926	–10,107	18,819	–	–18,819	–	0
Securities borrowing agreements	5,781	–	5,781	–	–5,781	–	0
Total	**205,766**	**–135,616**	**70,150**	**–29,391**	**–24,600**	**–8,868**	**7,291**

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2017, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	167,406	–125,509	41,897	–29,391	–	–9,611	2,895
Repurchase agreements	23,075	–10,107	12,968	–	–12,968	–	–
Securities lending agreements	3,917	–	3,917	–	–3,917	–	–
Total	**194,398**	**–135,616**	**58,782**	**–29,391**	**–16,885**	**–9,611**	**2,895**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

G41. Financial instruments set off on balance or subject to netting agreements, cont.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea would be allowed to benefit from netting in the case of default by its counter parties, in any calculations involving counterparty credit risk.

For a description of counterparty risk see section Risk, Liquidity and Capital management, in the Board of Directors' report.

G42. Disposal groups held for sale

Balance sheet – Condensed[1]

EURm	2018	2017
Assets		
Loans to credit institutions	–	394
Interest-bearing securities	–	6,051
Financial instruments pledged as collateral	–	1,477
Shares	–	10,361
Derivatives	–	1,184
Investments	–	267
Investment property	–	1,879
Other assets	–	573
Total assets held for sale	**–**	**22,186**
Liabilities		
Deposits by credit institutions	–	643
Liabilities to policyholders	–	23,316
Derivativies	–	810
Current tax	–	921
Other liabilities	–	341
Total liabilities held for sale	**–**	**26,031**

1) Includes the external assets and liabilities held for sale.

Assets and liabilities held for sale as of 31 December 2017 relate to Nordea's earlier announced decision to sell additional 45 per cent of the shares in Danish Nordea Liv & Pension, livforsikringsselskab A/S. The disposal group was closed, and the assets and liabilities held for sale derecognise from Nordea's balance sheet, during the second quarter 2018. The disposal group is included in "Life & Pension unallocated" in Note G2 "Segment reporting".

G43. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions result in that securities are returned to Nordea, all risks and rewards of the instruments transferred are retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterparts in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

EURm	31 Dec 2018	31 Dec 2017
Repurchase agreements		
Interest-bearing securities	7,568	6,489
Securities lending agreements		
Shares	–	–
Total	**7,568**	**6,489**

Liabilities associated with the assets

EURm	31 Dec 2018	31 Dec 2017
Repurchase agreements	7,564	6,566
Securities lending agreements	–	–
Securitisations	–	–
Total	**7,564**	**6,566**
Net	**4**	**–77**

G43. Transferred assets and obtained collaterals, cont.

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2018	31 Dec 2017
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	35,632	28,706
- of which repledged or sold	19,661	16,263
Securities borrowing agreements		
Received collaterals which can be repledged or sold	5,648	7,138
- of which repledged or sold	2,980	–
Total	**41,280**	**35,844**

G44. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2018 Expected to be recovered or settled:			31 Dec 2017 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		41,578	–	41,578	43,081	–	43,081
Loans to central banks	G13	7,642	–	7,642	4,796	–	4,796
Loans to credit institutions	G13	10,856	464	11,320	7,143	1,449	8,592
Loans to the public	G13	77,834	230,470	308,304	85,059	225,099	310,158
Interest-bearing securities	G14	36,619	39,603	76,222	22,594	52,700	75,294
Financial instruments pledged as collateral	G15	7,568	–	7,568	3,496	2,993	6,489
Shares	G16	6,049	6,403	12,452	6,680	10,500	17,180
Assets in pooled schemes and unit-linked investment contracts	G17	17,314	7,269	24,583	16,832	9,047	25,879
Derivatives	G18	7,463	29,562	37,025	8,674	37,437	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk		74	95	169	13	150	163
Investments in associated undertakings and joint ventures	G19	139	1,462	1,601	–	1,235	1,235
Intangible assets	G20	205	3,830	4,035	89	3,894	3,983
Properties and equipment		127	419	546	81	543	624
Investment properties	G22	16	1,591	1,607	8	1,440	1,448
Deferred tax assets	G11	17	147	164	54	64	118
Current tax assets		284	–	284	121	–	121
Retirement benefit assets	G32	–	246	246	0	250	250
Other assets	G23	14,554	195	14,749	12,391	50	12,441
Prepaid expenses and accrued income	G24	1,094	219	1,313	1,121	342	1,463
Assets held for sale	G42	–	–	–	22,186	–	22,186
Total assets		**229,433**	**321,975**	**551,408**	**234,419**	**347,193**	**581,612**
Deposits by credit institutions	G25	36,690	5,729	42,419	35,438	4,545	39,983
Deposits and borrowings from the public	G26	159,718	5,240	164,958	148,706	23,728	172,434
Deposits in pooled schemes and unit-linked investment contracts	G17	5,242	20,411	25,653	5,632	20,701	26,333
Liabilities to policyholders	G27	1,939	16,291	18,230	2,086	17,326	19,412
Debt securities in issue	G28	71,549	118,873	190,422	64,930	114,184	179,114
Derivatives	G18	8,168	31,379	39,547	7,462	35,251	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk		616	657	1,273	571	879	1,450
Current tax liabilities		414	–	414	389	–	389
Other liabilities	G29	23,233	82	23,315	28,290	225	28,515

G44. Maturity analysis for assets and liabilities, cont

Expected maturity, cont.

		31 Dec 2018 Expected to be recovered or settled:			31 Dec 2017 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Accrued expenses and prepaid income	G30	1,646	50	1,696	1,547	56	1,603
Deferred tax liabilities	G11	40	666	706	94	628	722
Provisions	G31	250	71	321	289	40	329
Retirement benefit liabilities	G32	–	398	398	11	270	281
Subordinated liabilities	G33	536	8,619	9,155	943	8,044	8,987
Liabilities held for sale	G42	–	–	–	26,031	–	26,031
Total liabilities		**310,041**	**208,466**	**518,507**	**322,419**	**225,877**	**548,296**

Contractual undiscounted cash flows

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	56,154	84,802	49,015	143,084	210,748	543,803
Non interest-bearing financial assets	–	–	–	–	61,648	61,648
Non-financial assets	–	–	–	–	10,286	10,286
Total assets	**56,154**	**84,802**	**49,015**	**143,084**	**282,682**	**615,737**
Interest-bearing financial liabilities	148,248	99,049	42,558	104,831	37,452	432,138
Non interest-bearing financial liabilities	–	–	–	–	104,805	104,805
Non-financial liabilities and equity	–	–	–	–	55,657	55,657
Total liabilities and equity	**148,248**	**99,049**	**42,558**	**104,831**	**197,914**	**592,600**
Derivatives, cash inflow	–	574,388	174,708	264,725	89,041	1,102,862
Derivatives, cash outflow	–	565,441	174,087	273,162	90,700	1,103,390
Net exposure	**–**	**8,947**	**621**	**–8,437**	**–1,659**	**–528**
Exposure	**–92,094**	**–5,300**	**7,078**	**29,816**	**83,109**	**22.609**
Cumulative exposure	**–92,094**	**–97,394**	**–90,316**	**–60,500**	**22,609**	**–**

31 Dec 2017, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	55,643	75,852	47,530	145,601	222,431	547,057
Non interest-bearing financial assets	–	–	–	–	87,092	87,092
Non-financial assets	–	–	–	–	9,040	9,040
Total assets	**55,643**	**75,852**	**47,530**	**145,601**	**318,563**	**643,189**
Interest-bearing financial liabilities	142,574	95,830	42,631	103,679	41,550	426,264
Non interest-bearing financial liabilities	–	–	–	–	138,692	138,692
Non-financial liabilities and equity	–	–	–	–	53,581	53,581
Total liabilities and equity	**142,574**	**95,830**	**42,631**	**103,679**	**233,823**	**618,537**
Derivatives, cash inflow	–	551,182	142,235	241,873	15,695	950,985
Derivatives, cash outflow	–	547,892	139,470	246,203	16,221	949,786
Net exposure	**–**	**3,290**	**2,765**	**–4,330**	**–526**	**1,199**
Exposure	**–86,931**	**–16,688**	**7,664**	**37,592**	**84,214**	**25,851**
Cumulative exposure	**–86,931**	**–103,619**	**–95,955**	**–58,363**	**25,851**	**–**

The table is based on contractual maturities for the balance sheet items. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis.

In addition to the instruments on the balance sheet items, Nordea has credit commitments amounting to EUR 73,287m (EUR 74,545m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 16,383m (EUR 17,335m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

G45. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

EURm	Associated undertakings and joint ventures 31 Dec 2018	Associated undertakings and joint ventures 31 Dec 2017	Other related parties[1] 31 Dec 2018	Other related parties[1] 31 Dec 2017
Assets				
Loans	498	170	–	–
Interest-bearing securities	1,635	0	–	–
Derivatives	142	2	–	–
Other assets	2	–	–	–
Total assets	**2,277**	**172**	**–**	**–**
Liabilities				
Deposits	587	17	62	77
Debt securities in issue	25	–	–	–
Derivatives	226	0	–	–
Other liabilities	107	–	–	–
Total liabilities	**945**	**17**	**62**	**77**
Off balance[2]	**1,923**	**2,075**	**–**	**–**

EURm	Associated undertakings and joint ventures 2018	Associated undertakings and joint ventures 2017	Other related parties[1] 2018	Other related parties[1] 2017
Net interest income	23	1	–	–
Net fee and commission income	–15	3	–	–
Net result from items at fair value	–428	51	–	–
Other operating income	1	–	–	–
Total operating expenses	–15	–	–	–
Profit before loan losses	**–434**	**55**	**–**	**–**

1) Shareholders with significant influence and close family members to key management personell in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risk-taking, the transactions are not included in the table. Nordea has thus not disclosed any transactions with shareholders with significant influence.

2) Including nominal values on derivatives.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the accumulated negative fair value of the contract as of the balance sheet date amounts to approx EUR 23m. This agreement was terminated 31 December 2017 and the final payment of the Portfolio Performance Amount was paid 15 January 2018 including a termination fee.

G46. Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2018, which is available on www.nordea.com. The first section of this note is based on accounting data for the Nordea Group, while the second part of the note is collected from the Pillar III report. The second section of the note includes a reconcilation between accounting data and credit risk data in accordance with the CRR requirements. The Pillar III report contains the disclosures required by the Capital Requirements Regulation (CRR) for the "consolidated situation", which is smaller in scope than the consolidated accounts as eg Nordea Life and Pensions are not included. The Pillar III disclosure is aligned to how Nordea manages credit risk and most adequaly reflects the credit risk in Nordea.

Credit risk disclosures based on accounting data

Allowances for credit risk

EURm	Note	31 Dec 2018	31 Dec 2017
Loans to central banks and credit institutions	G13	15	1
Loans to the public	G13	2,025	2,332
Interest bearing securities measured at fair value through other comprehensive income or amortised cost	G14	2	–
Off balance sheet items	G31	121	91
Total		**2,163**	**2,424**

Maximum exposure to credit risk

		31 Dec 2018		31 Dec 2017	
EURm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to central banks and credit institutions	G13	15,287	3,689	11,256	2,133
Loans to the public	G13	236,497	73,833	237,857	74,633
Interest bearing securities	G14	36,951	46,841	39,435	42,348
Derivatives	G18	–	37,025	–	46,111
Off balance sheet items	G36 + G37	89,495	175	91,880	247
Total		**378,230**	**161,563**	**380,428**	**165,472**

Forbearance

EURm	31 Dec 2018	31 Dec 2017
Forborne loans	3,561	5,357
- of which defaulted	2,267	2,896
Allowances for individually assessed impaired and forborne loans	714	802
- of which defaulted	693	796

Key ratios	31 Dec 2018	31 Dec 2017
Forbearance ratio[1]	1.1%	1.7%
Forbearance coverage ratio[2]	20%	15%
- of which defaulted	31%	27%

1) Forborne loans/Loans before allowances.
2) Individual allowances/Forborne loans.

Additional information on forbearance is disclosed in the risk management section, page 55.

Assets taken over for protection of claims[1]

EURm	31 Dec 2018	31 Dec 2017
Current assets, carrying amount:		
Land and buildings	19	9
Shares and other participations	0	1
Other assets	2	2
Total	**21**	**12**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, not considered impaired, were at end of 2018 EUR 1,235m, up from EUR 747m one year ago, and past due loans for household customers increased to EUR 1,636m (EUR 1,286m).

G46. Credit risk disclosures, cont.

EURm	31 Dec 2018 Corporate customers	31 Dec 2018 Household customers	31 Dec 2017 Corporate customers	31 Dec 2017 Household customers
6–30 days	701	657	374	802
31–60 days	89	233	133	233
61–90 days	35	111	84	84
>90 days	410	635	156	167
Total	**1,235**	**1,636**	**747**	**1,286**
Past due not impaired loans divided by loans to the public after allowances, %	0.73	1.04	0.51	0.81

Loans to corporate customers, by size of loans

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 66% (68%) of the corporate volume represents loans up to EUR 50m per customer.

Size in EURm	31 Dec 2018 Loans EURbn	31 Dec 2018 %	31 Dec 2017 Loans EURbn	31 Dec 2017 %
0–10	62.6	42	64.2	44
10–50	35.0	24	35.8	24
50–100	19.4	13	19.5	13
100–250	17.4	12	17.0	12
250–500	5.4	4	5.9	4
500–	7.6	5	4.6	3
Total	**147.4**	**100**	**147.0**	**100**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note G14 "Interest-bearing securities" where the carrying amount of interest-bearing securities is split on different types of counterparties.

Sensitivities

One important factor in estimating expected credit losses in accordance with IFRS 9 is to assess what constitutes a significant increase in credit risk. Nordea uses a relative trigger of 250% and an absolute trigger of 150 basis points. If the relative trigger would have been set to 200% and the absolute trigger to 100 basis points, the provisions would have increased by EUR 33m. This also includes the effect of using one notch less as trigger for loans where rating/scoring is used to decide stage. For more information on the rating scal and average PDs, see Note G13.

Had the relative trigger been set to 300% and the absolute trigger been set to 200 basis points, the provisions would have decreased by EUR 41m. This also includes the effect of using one more notch as trigger for loans where rating/scoring is used to decide stage.

The provisions are sensitive to rating migration even if triggers are not reached. The table below shows the impact on provisions from a one notch downgrade on all exposures in the bank. It includes both the impact of the higher risk for all exposures as well as the impact of transferring from stage 1 to stage 2 for those exposures that reach the trigger. It also includes the impact from the exposures with one rating grade above default becoming default, which is estimated at EUR 120m. This figure is based on calculations with the statistical model rather than individual estimates that would be the case in reality for material defaulted loans.

EURm	Recognised provisions	Provisions if one notch downgrade
Personal Banking	339	472
Commercial and Business Banking	998	1,145
Wholesale Banking	752	838
Other	74	84
Group	**2,163**	**2,539**

Forward looking information

Forward looking information is used both for assessing significant increase in credit risk and in the calculation of expected credit losses. Nordea estimates three macro-economic scenarios, a baseline together with an upside and a downside scenario.

The baseline macroeconomic and financial scenario is provided by Nordea Economic Research based on an Oxford Economics model. The macro economic forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historic relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years and for periods beyond, a long-term average is used.

The definition of the upside and downside scenarios are based on Oxford Economics' quarterly Global Risk Survey. In this survey respondents report what they see as the top upside and downside global economic risks over the next two years. Based on these answers Oxford Economics create a number of global economic scenarios, each simulating a potential materialisation of one of these top risk factors. Oxford Economics also assign a probability to each scenario, based on the Global Risk Survey. Nordea use these scenarios and probabilities from Oxford Economics when defining the upside and downside scenarios. For 2018, the following weights have been applied: base 60%, adverse 20% and favourable 20%. The model results are assessed and, if needed, adjusted by Nordea's country responsible macro and financial analysts, using judgement based on previous similar episodes to ensure consistency across countries and asset prices. Adjustments are for instance needed when certain industries are impacted, or when sanctions are placed on individual countries, but changes have not yet been reflected in rating migrations.

Checks of the model results are performed by reviewing quantitative data before and after reactions. As part of the process to ensure accurate and consistent data deliveries from Nordea's economists, the data is also subject to a number of statistical tests.

G46. Credit risk disclosures, cont.

	Base	Adverse	Favourable
Denmark			
GDP growth, %	0.7–3.1	−0.3–3.6	0.7–3.5
Unemployment, %	3.9–4.0	4.0–5.2	3.6–4.1
Change in household consumption, %	1.2–3.5	0.8–3.1	1.0–3.8
Change in house prices, %	3.1–4.6	−1.9–5.0	0.8–6.3
Finland			
GDP growth, %	1.0–2.1	−0.2–2.7	0.6–2.5
Unemployment, %	7.0–7.2	6.9–8.0	6.7–7.2
Change in household consumption, %	1.0–2.1	0.4–1.9	0.8–2.5
Change in house prices, %	0.3–2.2	−4.6–3.2	−0.3–2.4
Norway			
GDP growth, %	1.5–2.0	0.7–2.4	1.2–2.4
Unemployment, %	3.3–3.7	3.3–4.4	3.1–3.6
Change in household consumption, %	1.4–2.1	0.5–2.1	1.4–2.5
Change in house prices, %	3.0–3.9	−1.6–8.1	−0.5–8.9
Sweden			
GDP growth, %	1.8–2.5	0.9–3.8	1.2–3.1
Unemployment, %	5.4–6.3	5.4–7.3	5.3–6.1
Change in household consumption, %	1.7–2.4	1.1–3.5	1.4–2.7
Change in house prices, %	2.1–3.8	0.4–5.4	1.1–4.4

Provisions calculated under different scenarios

	Base	Adverse	Favourable	Weighted average	Individual provisions and adjustments	Recognised provisions
Personal Banking	204	206	203	204	135	339
Commercial and Business Banking	213	220	210	214	784	998
Wholesale Banking	141	147	139	142	610	752
Other	33	33	33	33	41	74
Group	**591**	**606**	**585**	**593**	**1,570**	**2,163**

Credit risk disclosures based on Pillar III data

Exposure types[1]

EURm	31 Dec 2018	31 Dec 2017
On-balance sheet items	409,957	404,263
Off-balance sheet items	46,472	48,515
Securities financing	4,855	5,310
Derivatives	14,865	17,520
Total exposure	**476,149**	**475,608**

1) Securitisation positions are included in the table.

Link between credit risk exposure and the balance sheet

This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRR. The main differences are outlined in this section to illustrate the link between the different reporting methods. Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure, unless otherwise stated. In accordance with the CRR, credit risk exposure presented in this note is divided into exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

G46. Credit risk disclosures, cont.

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

The table below shows the link between the CRR credit risk exposure and items presented in the Annual Report.

On-balance sheet items

The following items are excluded from the balance sheet, when on-balance sheet exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances and intangible assets.

Off-balance sheet items

The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- "Assets pledged as security for own liabilities" and "Other assets pledged" (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives

Derivatives and securities financing

The fair value of derivatives is recognised on the balance sheet in accordance with accounting standards. However, in the CRR, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRR calculations these exposure types are determined net of the collateral.

On-balance sheet items[1]

EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items not according to CRR	Other	Balance sheet
31 Dec 2018						
Cash and balances with central banks	42,912	–	–	–	–1,334	41,578
Loans to credit institutions and central banks	8,376	–	8,295	385	1,906	18,962
Loans to the public	293,515	–	20,771	–1,385	–4,597	308,304
Interest-bearing securities and pledged instruments	59,432	13,932	–	10,429	–3	83,790
Derivatives[2]	–	–	36,947	78	–	37,025
Intangible assets	–	–	–	154	3,881	4,035
Other assets and prepaid expenses	6,061	16,281	–	32,481	2,891	57,714
Total assets	**410,296**	**30,213**	**66,013**	**42,142**	**2,744**	**551,408**
Total exposure[3]	**409,957**					
31 Dec 2017						
Cash and balances with central banks	44,503	–	–	0	–1,422	43,081
Loans to credit institutions and central banks	9,396	2	3,951	218	–179	13,388
Loans to the public	293,240	–2	23,084	–3,059	–3,105	310,158
Interest-bearing securities and pledged instruments	52,482	18,272	–	11,028	–	81,782
Derivatives[2]	0	–	47,370	–1,259	–	46,111
Intangible assets	–	–	–	153	3,829	3,983
Other assets and prepaid expenses	5,831	20,691	–	55,968	620	83,109
Total assets	**405,452**	**38,963**	**74,405**	**63,049**	**–257**	**581,612**
Total exposure[3]	**404,263**					

1) Securitisation positions to an original exposure amount of 6,907 EURm and an exposure amount of 6,907 EURm are includen in the table.
2) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives is included in the credit risk.
3) The on-balance exposures have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

G46. Credit risk disclosures, cont.

Off-balance sheet items[1]

31 Dec 2018, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	17,819	–	–	17,819
Commitments	74,315	164	–	74,479
Total	**92,134**	**164**	**–**	**92,298**

31 Dec 2018, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	41,194	463	41,657	50%	21,028
Checking accounts	17,953	213	18,166	51%	9,220
Loan commitments	14,025	2,313	16,338	62%	10,054
Guarantees	16,827	–	16,827	35%	5,878
Other	2,135	–	2,135	14%	292
Total	**92,134**	**2,989**	**95,123**		**46,472**

31 Dec 2017, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	18,978	42	–	19,020
Commitments	75,553	1,479	–	77,032
Total	**94,531**	**1,521**	**–**	**96,052**

31 Dec 2017, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	39,725	4,231	43,956	51%	22,426
Checking accounts	19,333	48	19,381	53%	10,189
Loan commitments	16,485	1,064	17,549	52%	9,167
Guarantees	17,783	–	17,783	36%	6,361
Other	1,205	–	1,205	31%	372
Total	**94,531**	**5,343**	**99,874**		**48,515**

1) Securitisation positions are included in the table.

G46. Credit risk disclosures, cont.

Exposure classes split by exposure type

31 Dec 2018, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	82,490	859	656	2,882	86,887
Institutions	36,021	776	2,637	4,444	43,878
Corporate	109,742	26,301	1,134	7,162	144,339
Retail[1]	167,572	17,159	–	72	184,803
Securitisation	6,946	1,319	–	–	8,265
Other	7,186	58	428	305	7,977
Total exposure	**409,957**	**46,472**	**4,855**	**14,865**	**476,149**

31 Dec 2017, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,068	1,053	1,662	3,975	84,758
Institutions	33,719	817	2,475	5,422	42,433
Corporate	109,735	27,969	1,168	8,031	146,903
Retail[1]	167,876	17,051	2	79	185,008
Securitisation	6,813	1,586	–	–	8,399
Other	8,052	39	3	13	8,107
Total exposure	**404,263**	**48,515**	**5,310**	**17,520**	**475,608**

1) Includes exposures secured by real estate.

Exposure split by geography and exposure classes

31 Dec 2018, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	56,889	8,009	32,428	3,351	13,101	1,465	203	21,964	6,366	86,887
Institutions	34,919	18,732	267	5,916	10,004	9	205	561	8,184	43,878
Corporate	118,481	37,096	25,169	26,314	29,902	3,958	1,503	2,250	18,147	144,339
Retail[1]	179,258	51,836	39,896	31,908	55,618	3,751	18	204	1,572	184,803
Other	4,321	850	1,665	952	854	533	14	139	2,970	7,977
Total exposure[2]	**393,868**	**116,523**	**99,425**	**68,441**	**109,479**	**9,716**	**1,943**	**25,118**	**37,239**	**467,884**

31 Dec 2017, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	44,074	6,877	24,091	3,494	9,612	1,603	211	28,343	10,527	84,758
Institutions	32,515	14,795	184	6,261	11,275	48	128	525	9,217	42,433
Corporate	120,309	37,717	25,023	26,604	30,965	4,482	1,990	1,848	18,274	146,903
Retail[1]	180,117	52,072	41,651	30,566	55,828	1,322	14	213	3,342	185,008
Other	3,948	976	415	875	1,682	3,244	48	356	511	8,107
Total exposure[2]	**380,963**	**112,437**	**91,364**	**67,800**	**109,362**	**10,699**	**2,391**	**31,285**	**41,871**	**467,209**

1) Includes exposures secured by real estate.
2) Securitisation positions are not included in the table.

In the table below, total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (statistical classification codes of economic activities in the European community). The industry group which has the largest share of total exposures is other, public and organisations; they account for 59% of total exposure.

G46. Credit risk disclosures, cont.

Exposure split by industry sector[1]

EURm	31 Dec 2018	31 Dec 2017
Construction and engineering	5,721	6,136
Consumer durables (cars, appliances etc)	2,632	2,945
Consumer staples (food, agriculture etc)	11,683	11,570
Energy (oil, gas etc)	2,311	2,923
Health care and pharmaceuticals	1,768	1,425
Industrial capital goods	3,300	3,871
Industrial commercial services	14,080	15,276
IT software, hardware and services	1,956	1,826
Media and leisure	2,194	2,403
Metals and mining materials	893	997
Other financial institutions	64,370	60,322
Other materials (chemical, building materials etc)	5,218	5,336
Other, public and organisations	274,627	273,007
Paper and forest material	1,908	1,559
Real estate management and investment	44,139	44,964
Retail trade	10,193	10,960
Shipping and offshore	9,224	9,500
Telecommunication equipment	209	209
Telecommunication operators	1,409	1,452
Transportation	3,993	4,279
Utilities distribution and production	6,056	6,249
Total exposure	**467,884**	**467,209**

1) Securitisation positions are not included in the table.

At the end of 2018, the share of total exposure secured by eligible collateral remained stable at 44% (44%). The proportion has remained relatively stable during the period. Approximately 3% (3%) of total exposure was secured by guarantees and credit derivatives.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2018, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	87,657	86,887	350	0
Institutions	45,405	43,878	167	166
Corporate	177,749	144,339	11,175	62,918
Retail[1]	196,738	184,803	2,283	142,098
Other	8,316	7,977	6	0
Total exposure[2]	**515,865**	**467,884**	**13,981**	**205,182**

31 Dec 2017, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	86,588	84,758	522	893
Institutions	45,094	42,433	205	196
Corporate	184,070	146,903	10,849	60,677
Retail[1]	194,360	185,008	2,286	143,992
Other	8,570	8,107	41	52
Total exposure[2]	**518,682**	**467,209**	**13,903**	**205,810**

1) Includes exposures secured by real estates.
2) Securitisation positions are not included in the table.

G46. Credit risk disclosures, cont.

Collateral distribution

The table presents the distribution of collateral used in the capital adequacy calculation process. The table shows that real estate collateral had the majority share with 73% (74%) of total eligible collateral. Commerical real estate increased somewhat to 18% (17%). For the other collateral categories, the proportions remained relatively stable in 2018.

	31 Dec 2018	31 Dec 2017
Financial Collateral	1.1%	1.2%
Receivables	0.9%	0.9%
Residential Real Estate	72.9%	73.7%
Commercial Real Estate	18.3%	16.6%
Other Physical Collateral	6.8%	7.6%
Total	**100.0%**	**100.0%**

Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV bucket based on the LTV ratio. In 2018, the proportion of the lowest LTV bucket increased slightly, offset by all other LTV buckets.

	31 Dec 2018		31 Dec 2017	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	110.9	81	110.3	80
50–70%	19.6	14	20.2	15
70–80%	4.3	3	4.6	3
80–90%	1.2	1	1.4	1
>90%	0.6	1	0.7	1
Total	**136.6**	**100**	**137.2**	**100**

Collateralised Debt Obligations (CDO)

Nordea acts as an intermediary in the credit derivatives market, mainly in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and synthetic CDOs. When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

Credit derivative transactions create counterparty credit risk in a similar manner to other derivative transactions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements.

G47. Interests in structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It normally has restricted activities with a narrow and well defined objective. If Nordea controls such an entity, it is consolidated.

Consolidated structured entities

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities of maximum EUR 1,060m (EUR 1,060m) and at year-end EUR 938 (EUR 895m) were utilised. Total assets in the conduit were EUR 971m (EUR 923m) as per year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from that the payments are dependent on the pace in which Viking releases its assets.

Kalmar Structured Finance A/S was established to allow customers to invest instructured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby acquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 1m (EUR 1m) at year end. Nordea holds CLNs issued by the SPE as part of offering a secondary market for the notes. The investment amounted to EUR 1m (EUR 1m) at year end.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities of maximum EUR 125m (EUR 125m) and at year-end EUR 114m (EUR 113m) were utilised. The entity holds assets of EUR 117m (EUR 125m) as per year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest but do not control, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interests in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products where Nordea invests in investment funds:

a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) to hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in value on investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor stands the investment risk are reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in value on investment funds held on behalf of other policyholders are to a large extent passed on to the policyholders, but as Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value

Investment funds acquired to hedge exposures in structured products reduce the exposures and, to the extent hedges are effective, Nordea is not exposed to changes in value. The maximum loss on these funds is estimated to EUR 3m (EUR 6m), net of hedges.

Investments in illiquid private equity and credit funds are an integrated part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated to EUR 509m (EUR 469m), equal to the investment in the funds.
Nordeas interests in unconsolidated structured entities and any related liability are disclosed in the table below.

EURm	31 Dec 2018	31 Dec 2017
Assets, carrying amount:		
Shares	8,044	9,306
Assets in pooled schemes and unit linked investment contracts	22,179	21,630
Assets held for sale	–	8,389
Total assets	**30,223**	**39,325**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit linked investment contracts	856	787
Liabilities to policyholders	28,758	29,937
Liabilities held for sale	–	8,389
Total liabilities	**29,614**	**39,113**
Off balance, nominal amount:		
Loan commitments	0	0

Nordea holds approximately 2,500 different funds which are classified as unconsolidated structured entities, of which approximately 400 are managed by Nordea. These have different investment mandates and risk appetites, ranging from low risk government bond funds to high risk leveraged equity funds. Total assets in funds managed by Nordea are EUR 151bn (EUR 165bn). All funds are financed by deposits from the holders of fund units. The total assets in investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and is thus not disclosed.

Nordea has not sponsored any unconsolidated structured entity in which Nordea do not currently have an interest.

G48. Country by country reporting

The table below presents for each country where Nordea is established, i.e. where Nordea has a physical presence, information about the businesses, the geographical area, average number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have physical presence in a country if Nordea has a subsidiary, associated undertaking or branch in that country. Nordea has not recieved any significant government subsidiarieses.

			2018				2017			
Country	Business[1]	Geographical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, WB, AM, LP	Denmark	8,505	2,652	898	–159	9,136	2,929	1,099	–227
Finland	RB, WB, AM, LP	Finland	6,459	1,818	694	–164	7,032	1,986	976	–211
Sweden	RB, WB, AM, LP	Sweden	7,055	2,921	1,080	–302	7,462	2,647	541	–183
Norway	RB, WB, AM, LP	Norway	2,962	1,668	1,061	–161	3,127	1,698	921	–211
Russia	WB	Russia	396	62	38	–8	606	98	34	–8
Poland	Other	Poland	2,980	124	1	1	2,060	75	1	0
Estonia	RB, WB, LP	Estonia	253	10	1	0	502	82	41	–7
Latvia	RB, WB	Latvia	–	–	–	–	364	57	29	–6
Luxembourg	AM, LP	Luxembourg	434	326	180	–54	451	386	226	–65
Lithuania	RB, WB, LP	Lithuania	–	–	–	–	305	42	24	–3
United States	RB, WB, AM, LP	New York	116	87	–65	–21	123	111	71	–21
United Kingdom	RB, WB, AM, LP	London	58	81	57	–3	68	110	–3	0
Singapore	WB	Singapore	75	33	–1	–1	81	40	31	–4
Germany	WB, AM	Frankfurt	44	18	8	1	43	25	14	–4
Switzerland	AM	Zürich	10	2	0	0	22	7	–6	0
China	WB	Shanghai	29	7	1	–1	31	7	–1	0
Italy	AM	Rome	9	5	0	0	9	5	0	0
Spain	AM	Madrid	5	2	0	0	7	2	0	0
Brazil	WB	Sao Paolo	2	1	0	0	5	2	0	0
France	AM	Paris	3	1	0	0	3	2	0	0
Chile	AM	Santiago	0	0	0	0	–	–	–	–
Eliminations[3]			–	–813	–	–	–	–842	–	–
Total			**29,395**	**9,005**	**3,953**	**–872**	**31,437**	**9,469**	**3,998**	**–950**

1) RB=Retail banking, WB=Wholesale banking, AM=Asset management, LP= Life and pension.
2) Total operating income presented in this table is split on countries based on where Nordea has a physical presence, i.e. where Nordea has a subsidiary, associated undertaking or branch, while total operating profit presented in Note G2 "Segment reporting" is split on countries based on the location of the customers´ operations.
3) Eliminations of transactions consist mainly of intra-group IT-services.

Nordea also discloses the names of the subsidiaries, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in the table below, in the last table "Specification of group undertakings 31 December 2018" in the section "Capital adequacy for the Nordea Group" and in the last table in Note G19 "Investments in associated undertakings and joint ventures".

Denmark
Nordea Danmark Filial af Nordea Bank Abp, Finland
Nordea Investment Management AB, Denmark Branch
Nordea Fund Management, filial af Nordea funds Oy, Finland

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finland Branch

Sweden
Nordea Bank Abp filial i Sverige
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Swedish Branch

Norway
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norway Branch
Nordea Funds Ltd, Norwegian Branch
Nordea Bank Abp, filial i Norge

Italy
Nordea Investment Funds S.A., Italian Branch

France
Nordea Investments Funds S.A., French Branch

Estonia
Nordea Bank AB Estonia Branch

Chile
NAM Chile SpA

Germany
Nordea Bank Abp Niederlassung Frankfurt
Nordea Funds Services GmbH (Germany)

China
Nordea Bank Abp Shanghai Branch

Poland
Nordea Bank Abp Spolka Akcyjna Oddzial w Polsce

Singapore
Nordea Bank Abp Singapore Branch

Switzerland
Nordea Bank S.A., Luxemburg Zwiegniederlassung Zürich
Nordea Asset Management Schweiz GmbH

Spain
Nordea Investment Funds S.A. Sucursal en España

United Kingdom
Nordea Bank AB London Branch
Nordea Investment Funds S.A. UK Branch

United States
Nordea Bank Abp New York Branch

G49. IFRS 16

The change in accounting for leases when IFRS 16 becomes mandatory on 1 January 2019 is described in Note 1, section 3. At transition, the standard will be implemented based on a single discount rate applied on a portfolio of leases with similar characteristics. The future cash flows are discounted using the incremental borrowing rate, and the weighted average incremental borrowing rate applied to the lease liabilities at transition is approximately 1%. The assessment of onerous leases according to IAS 37 is applied as an alternative to performing an impairment review of the right-of-use assets. Initial direct costs are excluded from the right-of use-asset and the right to use hindsight when determining the lease term will be used.

Reconciliation of lease commitments in Annual Report 2018 to lease liabilities at 1 January 2019

EURm	
Future minimum lease payments under non-cancellable leases disclosed in Note G21	1,217
Increase in lease term	157
Discounting effect using the average incremental borrowing rate	–93
Deduction for leases reclassified to short term	–5
Other changes	–111
Lease liability 1 January 2019	**1,165**

Impact on the balance sheet at transition

EURm	31 Dec 2018	Change	1 Jan 2019
Assets			
Properties and equipment	546	1,521	2,067
- of which Owned assets	546	–	546
- of which Right of use assets	–	1,523	1,523
- of which Accumulated impairment on ROU assets	–	–2	–2
Prepaid expenses	1,313	–358	955
Other	549,549	–	549,549
Total assets	**551,408**	**1,163**	**552,571**
Liabilities			
Other liabilities	23,315	1,165	24,480
- of which Lease liabilities	–	1,165	1,165
Provisions	321	–2	319
Other	494,871	–	494,871
Total liabilities	**518,507**	**1,163**	**519,670**

Accounting principles under IFRS 16

Nordea as lessor

Finance leases

Nordea's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee in the balance sheet item "Loans to the public" at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as properties and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as "Net interest income". The depreciation of the leased assets is calculated based on Nordea's depreciation policy for similar assets and reported as "Depreciation, amortization and impairment charges of tangible and intangible assets" in the income statement.

Nordea as lessee

At inception Nordea assesses whether a contract is or contains a lease. A lease is a contract that conveys the user the right to control the use of an asset for a period of time in exchange for consideration.

The right to use an asset in a lease contract is recognised on the commencement date as a right-of-use (ROU) asset and the obligation to pay lease payments is recognised as a lease liability. The ROU asset is initially measured as the present value of the lease payments, plus initial direct costs and the cost of obligations to refurbish the asset less any lease incentives received. Non-lease components are separated in real estate, car and IT contracts. The discount rate used to calculate the lease liability for each contract is the incremental borrowing rate at commencement of the contract. In significant premises contracts the rate implicit in the contract may be used if available.

The ROU assets are presented as similar owned assets and the lease liabilities as" Other liabilities" on the balance sheet. The depreciation policy is consistent with that of similar owned assets, but the depreciation period is normally capped at the end of the lease term. Impairment testing of the right-of-use assets is performed following the same principles as for similar owned assets. Interest expense on lease liabilities is presented as "Interest expense" in the income statement.

The assets are classified as Premises, IT hardware, Vehicles and Other Assets like office equipment. Nordea applies the practical expedient of short term contracts (with a contract term of 12 months or less), primarily for premises, IT-hardware, and for other assets. The practical expedient of low value assets is applied on IT-hardware and other assets. Short term and low value contracts are not recognised on the balance sheet and the payments are recognised as expenses in the income statement as "Other expenses" on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit.

Leases are mainly related to office premises contracts but also to company cars, IT hardware and other assets normal to the business. The premises are divided into banking branches and head-offices. The lease payments generally include fixed payments and especially in premises contracts also variable payments that depend on an index. Residual value guarantees, or purchase options are generally not used.

The lease term is the expected lease term. This comprises the non-cancellable period of lease contracts and any options that Nordea is reasonably certain to exercise. The length of contracts with no end date is estimated by considering all facts and circumstances.

The expected lease term of most of the premises contracts is 1–10 years whereas the expected lease term of the main head office contracts in the Nordic countries is 15–25 years. The central district head office properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of these lease agreements was initially 3–25 years with renewal options.

Signing

The Board of Directors' and the CEO's signing of the Board of Directors' report and the Financial Statements 2018

Nordea Bank Abp is the parent company of the Nordea Group and domiciled in Helsinki, Finland. A copy of the report by the Board of Directors and financial statement is available from Nordea Bank Abp, Aleksis Kiven katu 7, 00500 Helsinki and from Nordea's website www.nordea.com.

Nordea Bank Abp's distributable retained earnings including profit for the year are EUR 18,896,473,415.98 and the unrestricted equity reserve is EUR 4,591,670,261.24. The Board of Directors proposes a dividend of EUR 0.69 per share for 2018. The total dividend payment for 2018 would then be EUR 2,787,859,824.33, excluding dividend for treasury shares and would be paid from retained earnings. After the dividend pay-out, EUR 16,108,613,591.65 is to be carried forward as distributable retained earnings.

21 February 2019

Björn Wahlroos
Chairman

Lars G Nordström
Vice Chairman

Dorrit Groth Brandt
Board member[1]

Pernille Erenbjerg
Board member

Nigel Hinshelwood
Board member

Robin Lawther
Board member

Torbjörn Magnusson
Board member

Gerhard Olsson
Board member[1]

Hans Christian Riise
Board member[1]

Sarah Russell
Board member

Silvija Seres
Board member

Birger Steen
Board member

Maria Varsellona
Board member

Casper von Koskull
President and CEO

Auditor's note

A report on the audit performed has been issued today.

Helsinki 26 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

1) Employee representative.

Auditor's report *(Translation of the Swedish original)*

To the Annual General Meeting of Nordea Bank Abp

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Nordea Bank Abp (business identity code 2858394-9) for the financial year ended 31 December 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in Note G8 Other expenses/Auditors' fees to the consolidated financial statements.

Our Audit Approach

Overview

- Overall group materiality: € 200 million, which represents 5 % of operating profit.

- The group audit scope encompassed all significant group companies, as well a number of smaller group companies in Nordic countries and Luxembourg, covering the vast majority of revenue, assets and liabilities.

- Impairment of loans to customers
- Valuation of financial instruments held at fair value
- Actuarial assumptions related to the Life business
- IT systems supporting processes over financial reporting.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 200 million
How we determined it	5 % of operating profit
Rationale for the materiality benchmark applied	We chose operating profit as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Nordea group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralized systems. Audits were performed in group companies which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the group.

By performing the procedures above at group companies, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Impairment of loans to customer Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty), Note G10 – Net loan losses and Note G13 – Loans and impairment to the consolidated financial statements. IFRS 9, the new accounting standard for financial instruments, came into effect on 1 January 2018 and has significant impact on processes and models for impairment of loans to customers. IFRS 9 categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated. Expected credit losses are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. These calculations are a central part of the assessment of impairment of loans to customers. The calculations include critical judgements and estimates. IFRS 9 also allows for expert credit judgement to be applied to loan loss provisioning. This is also a key audit matters with respect to our audit of the parent company financial statements.	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. The testing of internal controls included procedures relating to the governance structure, segregation of duties and key controls in the lending processes. We had a special focus on loans to customers in the shipping, offshore and oil services, exposures affected by US sanctions and the Agricultural sector in Denmark due to the macro economic environment impacting these industries. In addition, our credit modelling experts have performed recalculations for a sample of loans and model outputs in order for us to obtain comfort over the calculated ECL. We have also audited adjustments related to expert credit judgements. We have assessed that rationale exists to account for the adjustments at year-end and we have reviewed minutes of Risk Committee meetings to ensure that the correct governance procedures have been performed. In addition we have audited the financial effects and disclosures related to the transition to IFRS 9.
Valuation of financial instruments held at fair value *Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty), Note G18 – Derivatives and Hedge accounting, Note G39 – Classification of financial instruments and Note G40 – Assets and liabilities at fair value to the consolidated financial statements.* Given the ongoing volatility and macro economic uncertainty, valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II and III financial instruments utilise observable, and for level III unobservable inputs, for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Disclosures of financial instruments. This is also a key audit matters with respect to our audit of the parent company financial statements.	We assessed and tested the design and operating effectiveness of the controls over: • The identification, measurement and oversight of valuation of financial instruments • Fair value hierarchy, fair value adjustments and independent price verification • Model control and governance. We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Group's governance and reporting processes and controls. For the valuations dependent on unobservable inputs or which involve a higher degree of judgment, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions. In respect of fair value adjustments, specifically Credit, Debt and Funding fair value adjustments (CVA, DVA and FFVA) for derivatives we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence.

Actuarial assumptions related to the Life business

Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty) and Note G27 – Liabilities to policyholders to the consolidated financial statements.

Technical provisions involves subjective judgments over uncertain future outcomes. The value is based on models where significant judgment is applied in setting economic assumptions, actuarial assumptions as well as customer behavior. Changes in these assumptions can materially impact the valuation of technical provisions.

We assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business.

Our audit also included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out involving PwC actuaries.

It systems supporting processes over financial reporting

Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operates effectively.

This is also a key audit matters with respect to our audit of the parent company financial statements.

We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to program and data as well as program development and changes.

For logical access to program and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT-systems.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

As set forth in the Memorandum of Association of Nordea Bank Abp, we have acted as the auditor as of 21 September 2017. Our appointment represents a total period of uninterrupted engagement of one financial year.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support the proposal that the financial statements are adopted. The proposal by the Board of Directors regarding the distribution of profits is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 26 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

REGISTERED AND PRINCIPAL OFFICE OF THE ISSUER

Nordea Bank Abp
Satamaradankatu 5
FI-00020 Nordea
Helsinki

AUDITOR

PRICEWATERHOUSECOOPERS OY
Itämerentori 2
FI-00180
Helsinki

ARRANGER

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

PRINCIPAL DEALERS

Barclays Bank Ireland PLC
One Molesworth Street
Dublin 2
Ireland D02 RF29

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

BNP Paribas
16, boulevard des Italiens
75009 Paris
France

BofA Securities Europe SA
51 rue La Boétie
75008 Paris
France

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt am Main
Germany

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

Deutsche Bank Aktiengesellschaft
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany

Goldman Sachs International
Plumtree Court
25 Shoe Lane
London EC4A 4AU
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Natixis
30 Avenue Pierre Mendès-France
75013 Paris
France

Nordea Bank Abp
c/o Nordea Danmark, Filial af Nordea Bank Abp,
Finland
Grønjordsvej 10
2300 Copenhagen
Denmark

RBC Europe Limited
Riverbank House
2 Swan Lane
London EC4R 3BF
United Kingdom

Société Générale
29 boulevard Haussmann
75009 Paris
France

UBS Europe SE
Bockenheimer Landstraβe 2-4
6036 Frankfurt-am-Main
Germany

UniCredit Bank AG
Arabellastr. 12
81925 Munich
Germany

SWISS DEALER

UBS AG
Bahnhofstrasse 45
CH-8001 Zurich
Switzerland

FISCAL AGENT AND PAYING AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt
Germany

VP ISSUING AGENT

Nordea Bank Abp
Nordea Danmark, Filial af Nordea Bank Abp, Finland
Grønfjordsvej 10
2300 Copenhagen S
Denmark

VPS PAYING AGENT

Nordea Bank Abp
Nordea Bank Abp, filial i Norge
Essendrops gate 7, PO Box 1166 Sentrum, 0107 Oslo
Norway

SWEDISH ISSUING AGENT

Nordea Bank Abp
Nordea Bank Abp, filial i Sverige
Smålandsgatan 15-17
111 46 Stockholm
Sweden

SWEDISH REGISTRAR

Euroclear Sweden AB
Swedish Central Securities Depository
Euroclear Sweden
Box 191,
101 23 Stockholm

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland

LUXEMBOURG LISTING AGENT

Clifford Chance, Luxembourg
10, G.D. Charlotte
B.P. 1147
L-1011 Luxembourg

LEGAL ADVISERS

To the Issuer

as to Finnish law

Hannes Snellman Attorneys Ltd
Eteläesplanadi 20
Helsinki
Finland

as to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

as to Swiss law

Homburger AG
Prime Tower
Hardstrasse 201
CH-8005 Zurich
Switzerland

To the Dealers

as to Finnish law

Roschier Attorneys Ltd.
Kasarmikatu 21 A
FI-00130 Helsinki
Finland

as to English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom