IMPORTANT NOTICE

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

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

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

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

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

BASE PROSPECTUS DATED 8 MAY 2019

Nordea

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 Merrill Lynch
Dealers

Barclays
BofA Merrill Lynch
Credit Suisse
Goldman Sachs International
J.P. Morgan
Natixis
Nordea
Société Générale Corporate & Investment Banking

BNP PARIBAS
Citigroup
Deutsche Bank
HSBC
Morgan Stanley
NatWest Markets
RBC Capital Markets
UBS Investment Bank

UniCredit Bank

The date of this Base Prospectus is 8 May 2019.

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

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU on Markets in Financial Instruments (as amended, "**MiFID II**") in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive. The Central Bank has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

Application will be made (i) to the Irish Stock Exchange 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 trading on its regulated market (the "**Main Market**"), (ii) to the United Kingdom Financial Conduct Authority (the "**FCA**") and London Stock Exchange plc (the "**London Stock Exchange**") for Notes issued under the Programme (other than Exempt Notes) to be admitted to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange, and (iii) to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") and the Luxembourg Stock Exchange for Notes issued under the Programme (other than Exempt Notes) to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange, in each case during the period of 12 months after the date hereof. The Main Market, the regulated market of the London Stock Exchange and the regulated market of the Luxembourg Stock Exchange are regulated markets for the purposes of MiFID 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 Directive. In the case of Exempt Notes, any reference in this Base Prospectus to "Base Prospectus" shall be deemed to be a reference to "Base Listing Particulars" unless the context requires otherwise.

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

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

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

Prospectus to "Final Terms" shall be deemed to be a reference to "Pricing Supplement" unless the context requires otherwise.

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

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

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

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

Nordea Bank Abp accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

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

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

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

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

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

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

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 (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.

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 might not be an 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 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—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 "*—The Issuer may be subject to statutory resolution*".

IMPORTANT – EEA RETAIL INVESTORS - If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA 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"). 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 MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (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 Directive. 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 has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

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

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the "**European Economic Area**" which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering/placement contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, **provided that** any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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 relevant the 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) (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 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.

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

RATINGS

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

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

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

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

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

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

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

DEFINITIONS

In this Base Prospectus, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded) and includes any relevant implementing measure in the Relevant Member State. References to "**U.S.$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**Euro**", "**euro**", "**EUR**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro as amended, references to "**Swiss Francs**", "**Swiss francs**" or "**CHF**" are to Swiss Francs, references to "**sterling**" are to Pounds Sterling, references to "**Yen**" are to Japanese Yen, references to "**SEK**" are to Swedish Krona, references to "**NOK**" are to Norwegian Kroner, references to "**DKK**" are to Danish Krone and references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan) (the "**PRC**"). References to the "**Merger**" mean the merger of Nordea Bank AB (publ), the parent company of the Nordea Group before the Re-domiciliation (as defined below), into Nordea Bank Abp through a cross-border reversed merger by way of absorption on the Completion Date (as defined below). References to "**Nordea**" refer to Nordea Bank Abp except where it is clear from the context that the term refers to Nordea Bank AB (publ), the parent company of the Nordea Group before the 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.

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 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);

(2) 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);

(3) 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);

(4) 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);

(5) 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);

(6) 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);

(7) 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);

(8) 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);

(9) 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);

(10) 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

(11) 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 from the principal office of Citibank, N.A., London Branch.

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

CONTENTS

Page

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 Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, NatWest Markets Plc, 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 unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. If Senior Preferred Notes Waiver of Set-Off is stated to be applicable in the relevant Final Terms, no Holder of Notes shall be entitled to exercise any right of set off or counterclaim against moneys owed by the Issuer in respect of such Notes.

The Senior Non-Preferred Notes constitute and will constitute direct and unsecured obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves. In the event of liquidation 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 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 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 Regulatory Board of 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 Directive a minimum denomination of €100,000 (or, in the case of Notes not denominated in euros, the equivalent thereof in such foreign currency) and integral multiples of €1,000 (or, in the case of Notes not denominated in euros, 1,000 units of such foreign currency) in excess thereof; and (ii) compliance with all applicable legal and/or regulatory and/or central bank requirements.

Interest

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

Interest Payments

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

Redemption

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

Early redemption of the Notes will be permitted for taxation reasons. In relation to Subordinated Notes only, redemption is permitted as a result of a Capital Event, a Tax Event, a Withholding Tax Event or at the option of the Issuer, in each case subject to the Conditions to Redemption set out in Condition 6(j). In relation to Senior Non-Preferred Notes and, if specified in the relevant Final Terms, Senior Preferred Notes, redemption is permitted as a result of an MREL Disqualification Event, a Tax Event, a

	Withholding Tax Event or at the option of the Issuer, in each case subject to the Conditions to Redemption set out in Condition 6(j), 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.
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 Main Market, (ii) to the United Kingdom Financial Conduct Authority and the London Stock Exchange for Notes issued under the Programme (other than Exempt Notes) to be admitted to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange, and (iii) to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") and the Luxembourg Stock Exchange for Notes issued under the Programme (other than Exempt Notes) to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange, in each case during the period of 12 months after the date hereof. The Main Market, the regulated market of the London Stock Exchange and the regulated market of the Luxembourg Stock Exchange are regulated markets for the purposes of MiFID 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.
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.

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 Macroeconomic Conditions

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

The Nordea Group's performance is significantly influenced by the general economic conditions in the Nordic markets (Denmark, Finland, Norway and Sweden). Development of the economic conditions in other markets where the Nordea Group currently operates, including Russia and, through Nordea's ownership in Luminor, a Baltic bank owned by Nordea and DNB ASA ("**DNB**") that comprises Nordea's and DNB's customers across Estonia, Latvia and Lithuania, the Baltic countries, can also affect the Nordea Group's performance. In recent years, the economic conditions in the Nordic region have, in general, developed more favourably relative to the rest of Europe, benefiting from generally sound public finances. However, there have been differences between countries within the region. In 2015, the Swedish economy grew in excess of 3 per cent. In Denmark, the economy experienced firm growth in the beginning of 2015, but the growth slowed somewhat in the second half of 2015. The Norwegian economy grew in the first part of 2015 but was increasingly impacted by the accelerated deterioration in oil prices later in the year. The Finnish economy remained more subdued in 2015, with growth rates fluctuating between positive and negative over the year. In 2016, the development of the Nordic economies was characterised by divergence. In Sweden, the development continued to be strong with growth again exceeding 3 per cent. In Denmark, the economy initially grew steadily but slowed somewhat in the second half of 2016. Still, the full-year development was positive, continuing the gradual improving trend. In 2016, Norway's economy initially maintained growth but was gradually adversely impacted following the deterioration in oil prices. Even though the Finnish economy grew in 2016, the economic development in Finland remained more muted with growth rates fluctuating between positive and negative over the quarters. The global economy experienced accelerated growth in 2017, with a moderate increase in inflation and low volatility in financial markets. Despite some concerning geopolitical developments, global asset prices increased strongly and financial markets volatility was extremely low in 2017. Support from central banks remained strong. The U.S. economy expanded at a robust pace and its central bank continued interest rate policy normalisation. The European economy expanded at its highest rate since 2011, supported by low interest rates, falling unemployment and strong domestic demand. Concerns about emerging market growth continued to dissipate as world trade activity increased up and commodities prices rose. 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, albeit at a lower rate, and unemployment levels continued to decrease in each Nordic country. Growth in Sweden has been slowing down due to lower private consumption growth and lower investments with growth in 2018 of 2.3 per cent, while Denmark and Finland slowed down to growth in 2018 of 1.4 per cent and 2.3 per cent respectively, whilst Norway held up well with growth of 2.2 per cent in 2018. There can, however, be no assurances that the fairly strong economic conditions will continue. In recent years, the Russian economy has been negatively impacted by the crisis in the region of Crimea and eastern Ukraine. Adverse economic developments have affected and may continue to affect the Nordea Group's business in a number of ways, including, among others, the income, wealth, liquidity, business and/or financial condition of the Nordea Group's customers, which, in turn, could further reduce the Nordea Group's credit quality and demand for the Nordea Group's financial products and services. As a result, any or all of the conditions described above could continue to have a material adverse effect on the Nordea Group's business, financial condition and results of operations, and measures implemented by the Nordea Group might not be satisfactory to reduce any credit, market and liquidity risks.

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

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

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

Risks Relating to the Nordea Group's Credit Portfolio

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

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

The Nordea Group is exposed to counterparty credit risk.

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

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

Risks Relating to Market Exposure

The Nordea Group is exposed to market price risk.

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

The Nordea Group is exposed to structural market risk.

Structural Interest Rate Risk

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

Structural Foreign Exchange Risk

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

Risks Relating to Liquidity and Capital Requirements

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

Liquidity risk is the risk that the Nordea Group will be unable to meet its obligations as they fall due or meet its liquidity commitments only at an increased cost. A substantial 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 business performance could be affected if its capital adequacy ratios are reduced or perceived to be inadequate.

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

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 Nordea Group's Operations—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.

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 its funding costs, limit access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Therefore, a reduction in credit ratings could adversely affect the Nordea Group's access to liquidity and its competitive position and, thus, have a material adverse effect on its business, financial condition and results of operations.

Other Risks Relating to the Nordea Group's Business

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

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

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

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

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

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

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

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

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

The Nordea Group 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, 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.

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

The Nordea Group's ambition and vision has been to operate as "One Nordea" across the Nordic region. In order to realise that ambition and vision, the Nordea Group introduced a transformational change agenda in 2015 involving, among other things, significant investments in technology in order to have one system for all core banking products. The Nordea Group's strategic priorities include strengthening the Nordea Group's customer-centric organisation, digitalisation and distribution transformation and simplification. In line with this, the Nordea Group aims to enhance its core competitiveness through initiatives within, among others, the distribution and service models, credit processes, IT and operations as well as key support functions, and shift from physical to digital distribution and the establishment of e-branches as well as the use of artificial intelligence. As part of this transformation, the Nordea Group in October 2017 announced plans to reduce its workforce by more than 6,000 personnel (including approximately 2,000 consultants). There can be no assurances that the Nordea Group will be able to successfully implement its strategy within the expected timeframe or at all, and the expected benefits of the Nordea Group's strategy may not materialise, including if the markets in which the Nordea Group operates do not develop as expected. Furthermore, the Nordea Group's strategy may have negative consequences in respect of attracting and retaining employees. Any of the above could have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

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—Re-domiciliation*", 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.

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

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

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

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

In addition, as of the date of this Base Prospectus, there remains uncertainty with respect to certain elements of the supervision by the DFSA, the FFSA, the NFSA and the SFSA as well as the ECB under the memorandum of understanding entered into by these supervisors in December 2016 (the

"**Memorandum of Understanding**") that sets out certain procedures for cooperation in respect of the prudential supervision of significant branches in Denmark, Finland, Norway and Sweden.

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 for banks to contribute to resolution funds, the purpose of which are to finance the resolution of failing banks without having to resort to taxpayer money. Nordea contributes to the Banking Union common Single Resolution Fund.

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

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

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

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

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

The capital and regulatory framework to which the Nordea Group is, and will be, subject imposes certain requirements for the Nordea Group to hold sufficient levels of capital, including common equity tier 1 (CET1) capital and additional loss absorbing capacity (including MREL and TLAC (as defined below)). A failure to comply with such requirements, as the same may be amended from time to time, may result in restrictions on Nordea's ability to make discretionary distributions in certain circumstances.

CRD IV imposes certain restrictions, among others, on institutions that fail to meet the combined buffer requirement, as described in further detail below. Under the CRR, institutions are required to hold a minimum amount of regulatory capital of 8.0 per cent of the REA and, under the November 2016 Proposals, institutions will also be required to maintain a 3.0 per cent. buffer (consisting of common equity tier 1 (CET1) capital) of total REA. In addition to this minimum requirement, supervisors may add extra capital to cover other risks (thereby increasing the regulatory minimum required under CRD IV) and the Nordea Group may also decide to hold an additional amount of capital. CRD IV also introduces capital buffer requirements that are in addition to the minimum capital requirement and required to be met with common equity tier 1 (CET1) capital.

The Nordea Group was identified by the FSB as a G-SIB from November 2011 to November 2018 but, based on the most recently updated FSB list of G-SIBs published in November 2018, it is no longer identified as a G-SIB. Such FSB list was prepared by the FSB using year-end data for 2017 and an assessment methodology designed by the BCBS. One bank was added to the list of G-SIBs and two banks, including the Nordea Group, were removed from the list. The Nordea Group was, on 29 June 2018 and until 20 December 2018, identified as a G-SII by the FFSA. While the identification of G-SIIs by national competent authorities (such as the FFSA) is based on the disclosure of global denominators and the results of the FSB's annual G-SIB assessment, the determination 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 CRD has recently been implemented into Finnish law through amendments to the Finnish Act on Credit Institutions pursuant to which the FFSA may impose a systemic risk buffer of 1 per cent. to 5 per cent. on Finnish credit institutions which has been applicable since 1 January 2019. A buffer requirement in excess of 3 per cent. requires the approval of the European Commission.

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

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

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

Furthermore, under the CRD, institutions may be subject to restrictions in relation to making "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 implementation of the Commission Proposals (as defined below), a failure to meet the minimum requirement for own funds and eligible liabilities. If the Nordea Group's ability to make discretionary payments becomes subject to such restrictions, this could have an impact on its ability to raise, and the cost of, any form of capital or funding (including but not limited to Subordinated Notes and Senior Non-Preferred Notes).

Nordea will, similar to all other banks supervised by the European Single Supervisory Mechanism (the "**SSM**"), be allocated pillar 2 add-ons that are split between a pillar 2 requirement and pillar 2 guidance. The level of both of these add-ons will be communicated by the ECB and the FFSA as part of the formal Supervisory Review and Evaluation Process ("**SREP**") by the EU Supervisory College process. The results of the next SREP are expected to be communicated late 2019. For SSM-supervised banks, the combined buffer requirement will be applied above the pillar 1 "own funds" and the decided pillar 2 requirement (but not above any pillar 2 guidance). A failure to adhere to pillar 2 guidance would not however trigger restrictions on the "maximum distributable amount" pursuant to the Commission Proposals (as defined below).

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

BRRD

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

Nordea operates under the BRRD. To ensure that banks always have sufficient loss absorbing capacity, the BRRD provides for the relevant resolution authority to set minimum requirements for own funds and eligible liabilities ("**MREL**") for each institution, based on, among other criteria, its size, risk and business model. In July 2015, the European Banking Authority (the "**EBA**") published its final draft technical standard specifying the criteria relating to the methodology for setting the MREL requirement that was adopted by the European Commission in May 2016.

MREL

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 absorbency capacity, which attempts to define an internationally agreed standard. As of the date of this Base Prospectus, the EU is working towards implementing the TLAC standard in EU legislation. In particular, the European Commission has proposed to incorporate TLAC into the capital requirements framework as an extension to the own funds' requirements and as part of the Commission Proposals (as defined below).

The FSB's standard requires all G-SIBs to meet a TLAC requirement of at least 16 per cent of risk-weighted assets as from 1 January 2019 and at least 18 per cent from 1 January 2022. This does not include any applicable Basel III regulatory capital buffers which must be met in addition to the TLAC minimum (see "*—CRD IV introduces capital requirements that are in addition to the minimum capital ratio*" above). The minimum TLAC must be at least 6 per cent of the Basel III leverage ratio denominator as from 1 January 2019 and 6.75 per cent as from 1 January 2022. The standard also requires that G-SIBs pre-position some of such loss absorbing capacity amongst material subsidiaries on an intra-group basis. The Nordea Group was identified as a G-SIB from November 2011 to November 2018 but, based on the most recently updated FSB list of G-SIBs published in November 2018, it is no longer identified as a G-SIB and, therefore, will not be subject to the FSB's TLAC requirement. Within the framework for MREL for banks (the "**MREL Framework**"), the SRB requires G-SIIs to meet the FSB TLAC requirement by TLAC eligible instruments. On 20 December 2018, the FFSA announced that given that the Nordea Group was no longer identified by the FSB as a G-SIB, the FFSA had decided that the Nordea Group will not be identified as a G-SII as of 1 January 2020. This decision, which enters into force as of 1 January 2020, replaces the FFSA's decision of 29 June 2018, in which the FFSA had identified the Nordea Group as a G-SII. The Nordea Group is not therefore subject to the SRB's requirement that G-SIIs meet the TLAC requirement.

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 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 TLAC and certain other eligible liabilities should be subordinated in some way to those operational liabilities and certain other specified categories of obligations (a so-called "subordination requirement", as discussed further below). Any instruments or liabilities that cannot be written down or converted into equity by the relevant resolution authority without giving rise to material risk of NCWOL claims should not be eligible as TLAC and may give rise to a requirement to issue additional eligible liabilities under the MREL Framework.

As a result of the Re-domiciliation, 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 Commission Proposals (as defined below) during the course of 2019. The Commission Proposals currently prescribe 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.

On 23 November 2016, the European Commission published legislative proposals for amendments to the CRR, the CRD, the BRRD and the SRM Regulation (the "**November 2016 Proposals**"), which were adopted by the European Parliament on 16 April 2019. The agreed text remains subject to formal adoption by the European Council of the EU, which is expected to occur during 2019. The November 2016 Proposals also included (i) a draft amending directive to facilitate the creation of a new asset class of "non-preferred" senior debt which was published in final form on 12 December 2017 (the "**Creditor Hierarchy Directive**") and (ii) phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, which have subsequently been updated with final compromise texts published by the European Commission on 13 November 2017 (together with the November 2016 Proposals, the "**Commission Proposals**"). The Commission Proposals cover multiple areas, including the pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities and macro-prudential tools, the framework for MREL and the integration of the TLAC standard into EU legislation. Adoption of the proposals and publication in the Official Journal is anticipated by mid-2019 but until such time, there may be some uncertainty as to when the proposed amendments will be adopted and therefore it is not yet entirely clear what the exact effect of such proposals may be on the Group, the Issuer or the Notes. See "*Changes in laws, regulations or administrative practice or the interpretation thereof may affect the Notes*". The Creditor Hierarchy Directive creates a new category of 'non-preferred' senior debt and has been implemented as a matter of domestic law in Finland primarily through the introduction of updates to the Finnish Act on Credit Institutions that took effect as of 15 November 2018 and that regulate, among others, the ranking of "non-preferred" senior debt in the bankruptcy of a credit institution.

As discussed above, the Commission Proposals include phase-in arrangements for regulatory capital impact of "*IFRS 9 – Financial Instruments*", including allowing banks to add back to their common equity tier 1 (CET1) capital a portion of increases in expected credit loss provisions due to the application of "*IFRS 9 – Financial Instruments*" as extra capital during a five-year transitional period, with the added amount progressively decreasing to zero during the course of the transitional period. The Commission Proposals also include phase-in arrangements for the ongoing interaction of "*IFRS 9 – Financial Instruments*" with the regulatory framework, including potential changes to relevant accounting standards, which may in turn result in changes to the methodologies which the Nordea Group is required to adopt for the valuation of financial instruments. See also "*—Changes in the Nordea Group's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations*" below.

Risks Relating to MREL and TLAC Requirements

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, noting that as at the date of this Base Prospectus, the Nordea Group is not subject to any TLAC requirement, as explained in "*Recent regulatory actions may affect the Nordea Group's funding needs and capital position - MREL* " above) 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.

Risk Exposure Amounts

On 7 December 2017, the BCBS announced that its oversight body, the Group of Central Bank Governors and Heads of Supervision, had endorsed the outstanding Basel III post-crisis regulatory reforms proposed by the BCBS. As part of the reform process, the BCBS conducted a review of the standardised approaches and internal models of the capital requirement frameworks for credit and operational risk with a view to, among other things, reducing mechanistic reliance on external ratings. In addition, the role of internal models was reviewed by the BCBS with the aim of improving comparability and address excessive variability in the capital requirements for credit risk. The BCBS also worked on the design of a capital floor framework based on the revised standardised approaches for all risk types. This framework has replaced the capital floor for credit institutions using internal models, which was based on the Basel I standard. The BCBS also calibrated the floor alongside its other work on revising the risk-based capital framework. In addition, the BCBS also conducted a review of trading book capital standards, resulting in new minimum capital requirements for market risk. The revised standards, which require implementation in the EU prior to being applicable to the Nordea Group, will take effect from 1 January 2022 and will be phased in over five years. The European Commission has also published a proposal on certain aspects of ongoing reform, such as the revised market risk framework, as part of the Commission Proposals. 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. Also, at the end of 2015, the ECB started a targeted review of internal models to assess whether the internal models currently used by EU banks comply with regulatory requirements, and whether they are reliable and comparable. This review, the results of which Nordea and the Nordea Group would need to comply with, is expected to be finalised in 2019 and could result in an increase in risk-weighted assets and a decrease in the common equity tier 1 (CET1) capital ratio of Nordea and the Nordea Group.

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

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

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

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

The exercise of resolution powers by the SRB with respect to the Issuer or any suggestion of such exercise will likely materially adversely affect the price or value of an investment in 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 such companies' regulatory compliance. This regulatory environment makes the Nordea Group susceptible to regulatory and litigation risks in the ordinary course of its business. Specifically, the Nordea Group is subject to regulatory oversight and liability risk. The Nordea Group carries out operations through a number of legal entities in a number of jurisdictions and is subject to regulations, including, but not limited to, regulations on conduct of business, anti-money laundering, economic and financial sanctions, payments, consumer credits, capital requirements, reporting and corporate governance, in such jurisdictions. Regulations and regulatory requirements are also continuously amended and new requirements are imposed on the Nordea Group. There can be no assurances that breaches of regulations by the Nordea Group have not occurred in the past or will not occur in the future or that such breaches would not result in significant liability, penalties or other negative financial consequences.

The Nordea Group is involved in a variety of claims, disputes, legal proceedings and investigations in jurisdictions where it is active. For example, the Nordea Group is subject to an ongoing investigation in Denmark concerning the compliance of Nordea Bank Danmark A/S with applicable anti-money laundering regulations, and the Nordea Group expects to be fined in Denmark for past weaknesses in anti-money laundering processes. Consequently, in the first quarter of 2019 the Nordea Group recorded a provision of EUR 95 million for ongoing anti-money laundering related matters in its financial statements for the three-month period ended 31 March 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.

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

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

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

On 23 June 2016, the United Kingdom ("**U.K.**") held a referendum on the 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 U.K. 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. Absent a negotiated agreement, the United Kingdom may leave the EU without a deal and thus relevant EU law and agreements may cease to apply in the United Kingdom. Until the Brexit negotiation process is completed, it is difficult to anticipate the potential impact on the Nordea Group's business, financial condition and results of operations. As of the date of this Base Prospectus, although the United Kingdom and the EU have provisionally agreed the terms of a withdrawal agreement, this has not received political support in the United Kingdom Parliament, and therefore the terms of the United Kingdom's withdrawal, and the terms of any continuing political and economic relationship between the United Kingdom and the EU, if any, following the United Kingdom's expected withdrawal remain uncertain.

The uncertainty during and after the period of negotiation 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-zone. 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 U.K.-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 LCH and certain EU bodies such as ESMA and the European Council, it is not yet certain that Nordea Group entities will be permitted to continue to clear transactions through LCH once the 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 U.K. CCPs, including the Nordea Group. For example, any consequent migration of legacy transactions to an alternative CCP could be costly and operationally challenging and, even if legacy transactions could be maintained at LCH, clearing derivatives on multiple CCPs could increase costs for the Nordea Group.

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

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

Risks Relating to the Notes

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

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.

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 might not be an active trading market for the Notes.

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

Although an application has been made for (A) the Notes issued under the Programme to be admitted (i) to listing on the Official List of Euronext Dublin and to trading on its Main Market; (ii) to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange; and (iii) to the CSSF and the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange and (B) in the case of Exempt Notes only, to be admitted to listing on the Official List of Euronext Dublin and to trading on the GEM, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

Noteholders are subject to market volatility.

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

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

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

Rating agencies also regularly reassess the methodologies they employ to measure the creditworthiness of companies and securities. Any updates to these methodologies could affect the credit ratings assigned by the agencies. For example, in September 2014, Standard & Poor's published its revised criteria for determining issue credit ratings on bank and prudentially regulated finance company hybrid capital instruments in order to reflect the changes in the regulatory framework for such instruments. The application of this revised criteria resulted in Standard & Poor's lowering the credit ratings assigned to certain of the Issuer's capital and subordinated debt instruments.

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

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 installment could result in an investor losing all of its investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

Noteholders are subject to credit risk on the Issuer.

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

The Notes may be redeemed early.

Unless in the case of any particular Series of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer 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), and (in the case of Subordinated Notes, Senior Non-Preferred Notes and, if applicable, 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, 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)) or if a Capital Event (as defined in Condition 1(a)) occurs in respect of Subordinated Notes or an MREL Disqualification Event (as defined in Condition 1(a)) occurs in respect of 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 IV that if the Subordinated Notes are to be redeemed during the first five years after their issuance, the Issuer must demonstrate to the satisfaction of the 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 IV only apply to a redemption of Subordinated Notes occurring in the first five years after the issue date and, therefore, an issuer of regulatory capital securities, such as the Subordinated Notes, could opt to redeem such Notes for tax or regulatory reasons after the fifth anniversary of issue, including based upon an event that occurred within the first five years of issue. There can therefore be no assurances that Subordinated Notes will not be called for tax or regulatory reasons prior to any specified optional call date.

In addition, if in the case of any particular Series of Notes the relevant Final Terms specifies that the Notes are redeemable at the Issuer's option in certain other circumstances (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 (if applicable) Senior Preferred Notes are severely limited.

The Subordinated Notes, Senior Non-Preferred Notes and, if applicable, 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 of the Terms and Conditions 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 of the Terms and Conditions, 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 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 Power*), 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 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.

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.

The Issuer 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.

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

Changes in laws, regulations or administrative practice, or the interpretation thereof, after the date of this Base Prospectus may affect the Notes in general, the rights of Holders as well as the market value of the Notes. The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by English law, except for the subordination provisions relating to 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; (i) the registration of VP Notes in the VP which will be governed by, and construed in accordance with, Danish law; (ii) the registration of VPS Notes in the VPS which will be governed by, and construed in accordance with, Norwegian law; and (iii) the registration of Swedish Notes in the Euroclear Sweden

Register which will be governed by, and construed in accordance with, Swedish law. There can be no assurances as to the impact of any possible judicial decision or change to the laws of England and Wales or the law of the Relevant Jurisdiction, 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, which could in turn affect the levels of CET1 Capital and Risk Weighted Assets and, therefore, the resulting "fully loaded" (*i.e.*, calculated without applying the transitional provisions set out in Part Ten of CRR) CET1 Ratio and the levels of capital, leverage and additional loss absorbing capacity resources more generally. As of the date of this Base Prospectus, it is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Nordea Group or the Holders, which could be material to the rights of Holders of the Notes and/or the ability of the Issuer to satisfy its obligations under such Notes.

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

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

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

Specified Denomination, would need to purchase a principal amount of the Notes such that its holding amounts to a Specified Denomination.

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

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

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

The BRRD entered into force in July 2014. The stated aim of the BRRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The BRRD was implemented in Finland on 1 January 2015. The European Commission has published the Commission Proposals to, among other things, amend the BRRD. The Commission Proposals are in draft form and are still subject to the EU legislative process and national implementation. Therefore, it is unclear what the effect of such proposals may be on the Nordea Group, the Issuer or the Notes. See "*Changes in laws, regulations or administrative practice or the interpretation thereof may affect the Notes*" above.

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

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

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

In addition to the bail-in power and the statutory write-down and conversion power, the BRRD provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks, which may include (without limitation): (i) directing the sale of the bank or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transferring all or part of the business of the bank to a "bridge institution" (a publicly controlled entity), (iii) transferring 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.

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.

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. Furthermore, insured deposits are excluded from the scope of the bail-in powers.

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

Holders of Subordinated Notes, Senior Non-Preferred Notes and (to the extent applicable as set out in the relevant Final Terms) 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.

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.

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.

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

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary, or as the case may be a common safekeeper for Euroclear 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).

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

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

Investors in 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.

There are risks that certain benchmark rates 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.

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

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

The Benchmarks Regulation could have a material impact on any 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.

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

If the Issuer (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*) 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. In certain circumstances, including but not limited to where amendments to the terms of the Notes in accordance with Condition 5(h) (*Benchmark Replacement*) may prejudice the qualification of the Notes as eligible liabilities and/or loss absorbing capacity or Tier 2 Capital (as applicable) of the Issuer and/or the Nordea Group, the ultimate fallback for the purposes of calculation of interest for a particular Interest Period or Reset Period (as the case may be) may result in the rate of interest of the last preceding Interest Period or Reset Period (as the case may be) being used. This may result in effective application of a fixed rate of interest for Notes initially designated to be Floating Rate Notes or Reset Notes, as applicable. In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

The use of a Successor Rate or an Alternative Benchmark Rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Notes if the relevant benchmark remained available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or if the Issuer fails to agree a Successor Rate or an Alternative Benchmark Rate or adjustment spread, if applicable with the Independent Adviser, the Issuer may have to exercise its discretion to determine (or to elect not to determine) an Alternative Benchmark Rate or adjustment spread, if applicable in a situation in which it is presented with a conflict of interest. In addition, while any Adjustment Spread may be expected to be designed to eliminate or minimise any potential transfer of value between counterparties, the application of the Adjustment Spread to the Notes may not do so and may result in the Notes performing differently (which may include payment of a lower interest rate) than they would do if the Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) were to continue to apply 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*) 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, United Kingdom, 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, investigations and licensing issues in making any investment decision with respect to the Notes linked to a benchmark.

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

Fixed Rate Notes are subject to Interest Rate Risks.

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

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.

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

On 29 November 2017, the Bank of England and the FCA announced that the Bank of England's Working Group on Sterling Risk-Free Rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the following four years across sterling bond, loan and derivatives markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Floating Rate Notes that reference a SONIA rate issued under this Programme.

The Secured Overnight Financing Rate ("**SOFR**") is published by the Federal Reserve Bank of New York (the "**Federal Reserve**") and is intended to be a broad measure of the cost of borrowing cash overnight collateralised by Treasury securities. The Federal Reserve notes on its publication page for SOFR that the Federal Reserve may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. Because SOFR is published by the Federal Reserve based on data received from other sources, the Nordea Group has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Notes linked to SOFR. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on such Notes and the trading prices of such Notes. The Federal Reserve began to publish SOFR in April 2018. The Federal Reserve has also begun publishing historical indicative SOFR rates going back to 2014. Investors should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR. Also, since SOFR is a relatively new market index, Notes linked to SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SOFR, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of the Notes linked to SOFR may be lower than those of later-issued indexed debt securities as a result.

The Issuer may in future also issue Notes referencing SONIA or SOFR that differ materially in terms of interest determination when compared with any previous SONIA or SOFR referenced Notes issued by it under the Programme. The development of Compounded Daily SONIA and SOFR as interest reference rates for the Eurobond markets, as well as continued development of SONIA and SOFR-based rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA or SOFR-referenced Notes issued under the Programme from time to time.

Furthermore, interest on Notes which reference Compounded Daily SONIA or Weighted Average SOFR is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference Compounded Daily SONIA or Weighted Average 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 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.

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 or SOFR 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.

Further, if SONIA or SOFR do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to SONIA or SOFR may be lower than those of notes linked to indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

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

The rules under CRD IV and the Commission Proposals prescribe 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 (if applicable) Senior Preferred Notes. In this respect, the CRR and the Commission Proposals provide that the Competent Authority or Resolution Authority (as applicable) shall grant permission to a redemption or repurchase of the Notes provided that either of the following conditions is met, as applicable to the Notes:

(i) on or before such redemption or repurchase of the Notes, the Issuer replaces the Notes with capital instruments or eligible liabilities (as applicable) 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 applicable) that its capital ratios or own funds and eligible liabilities (as applicable) would exceed the relevant regulatory minima by a margin that the Competent Authority or Resolution Authority (as applicable) may consider necessary.

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

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

(b) in the case of redemption due to the occurrence of a Capital Event, (i) the 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.

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

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 Senior Preferred Notes bearing Restricted Events of Default 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 Senior Preferred Notes bearing Restricted Events of Default 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.

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 suffice 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. 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. Notes in bearer form will not be exchangeable for Notes in registered form and Notes in registered form will not be exchangeable for Notes in bearer form.

Form of Bearer Notes

Notes of each Tranche of each Series to be issued in bearer form ("**Bearer Notes**" comprising a "**Bearer Series**") (except Swiss Franc Notes) will initially be represented by a temporary global note in bearer form (each a "**Temporary Global Note**"), without interest coupons ("**Coupons**") or talons for further Coupons ("**Talons**"). Notes may be issued in Classic Global Note ("**Classic Global Note**" or "**CGN**") or New Global Note ("**New Global Note**" or "**NGN**") form, as specified in the relevant Final Terms. Each Temporary Global Note which is not intended to be issued in a new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited with a common depositary on behalf of Clearstream, 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 of the "*Terms and Conditions of the Notes*" in respect of any Note of the relevant Series, in all cases at the expense of the Issuer. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 of the "*Terms and Conditions of the Notes*" if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent. Definitive Bearer Notes will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons and will, if the principal thereof is repayable by instalments, have Receipts attached.

Payments in respect of Bearer Notes

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

Notices

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

Meetings

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

Cancellation

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

Issuer's Option

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

Holder's Option

For so long as the Notes of any Series are represented by either a Temporary Global Note, a Permanent Global Note or Global Registered Note, as the case may be, the owner of a beneficial interest therein may exercise its option to redeem under Condition 6(h) (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, 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 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"). 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 2002/92/EC (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. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**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) and ["Excluded Investment Products"]/["Specified Investment Products"] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

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 8 May 2019 [and the base prospectus supplement[s] dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. The Base Prospectus [and the base prospectus supplement[s]] [is] [are] available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at 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 Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 8 May 2019 [and the base prospectus supplement[s] dated [•]], which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [base prospectus] dated [original date] [and the base prospectus supplement[s] dated [•]].

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, 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.]The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded) provided, however, that all references in this document to the "**Prospectus Directive**" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (as amended or superseded) to the extent implemented in the relevant Member State and include any relevant implementing measures in the relevant Member State.

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

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

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

[1] Select 'Applicable' for Senior Preferred Notes intended to be eligible as MREL

of Set-Off:

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) / [•]
	(vi)	Linear Interpolation:	Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
	(vii)	Determination Agent:	[•] / Not Applicable
	(viii)	Margin(s):	[±][•] per cent. per annum
	(ix)	Minimum Rate of Interest:	[•] per cent. per annum / Not Applicable
	(x)	Maximum Rate of Interest:	[•] per cent. per annum / Not Applicable
	(xi)	Day Count Fraction:	Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)
	(xii)	Observation Look-back Period	[•] / Not Applicable
15.	**Zero Coupon Note Provisions**		Applicable / Not Applicable (If not applicable, delete the remaining sub paragraphs of this paragraph)
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum

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

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**	Applicable / Not Applicable (*If not applicable, delete the remaining sub paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[•]
(ii)	Optional Redemption Amount(s):	[•] per Calculation Amount
(iii)	Early redemption as a result of a Withholding Tax Event:	Not Applicable / The provisions in Condition 6(b) apply
(iv)	Early redemption as a result of a Tax Event:	Not Applicable / The provisions in Condition 6(c) apply
(v)	Early Redemption as a result of an MREL Disqualification Event	Not Applicable / The provisions in Condition 6(d) apply.
(vi)	Early redemption as a result of a Capital Event:	Not Applicable / The provisions in Condition 6(e) apply
(vii)	If redeemable in part:	
	(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):	[•]
	(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:[2]	[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 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes*) [Registered Notes: Individual Note Certificates / Global Registered Note [exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Note]] [The Notes are VP Notes in uncertificated and dematerialised book entry form] [The Notes are VPS Notes in uncertificated and dematerialised book entry form]

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

		[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 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] / [Not Applicable]
29.	Senior Preferred Notes Events of Default:	[Restricted Events of Default in accordance with Condition 7(b)[3] / Unrestricted Events of Default in accordance with Condition 7(a) / Not Applicable]

SIGNATURE

Signed on behalf of Nordea Bank Abp:

By:

Duly authorised

Date:

[3] 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] 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:	[•]]

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

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

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

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

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

5. [***Fixed Rate / 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 inaccurate or misleading.]

8. **DISTRIBUTION**

(i)	If syndicated names of Managers:	Not Applicable / [•]
(ii)	Stabilising Manager(s) (if any):	Not Applicable / *Give name*
(iii)	If non-syndicated, name and address of Dealer:	Not Applicable / Give name and address
(iv)	U.S. Selling Restrictions:	Regulation S Category 2 *(In the case of Bearer Notes)* - TEFRA D/TEFRA C/TEFRA not applicable (In the case of Registered Notes/VP Notes/VPS Notes/Swedish Notes) -TEFRA Not Applicable
(v)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified.* If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)

9. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
[Swiss Security Number:	[•]]
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]
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" 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 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"). 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 2002/92/EC (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) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

[**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) and ["Excluded Investment Products"]/["Specified Investment Products"] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

IMPORTANT NOTICE

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

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

Neither the Pricing Supplement nor the Base Prospectus constitutes an offer to sell or the solicitation of an offer to buy securities in the United States or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities law of any such jurisdiction.

The securities described in the Pricing Supplement and the Base Prospectus have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons or to persons within the United States of America (as such terms are defined in Regulation S under the Securities Act ("**Regulation S**")). The securities described in the Pricing Supplement will only be offered in offshore transactions to non-U.S. persons in reliance upon Regulation S.

Pricing Supplement dated [•]

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

NORDEA BANK 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 8 May 2019 [and the base prospectus supplement[s] dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus [as so supplemented]. The Base Prospectus [and the base prospectus supplement[s]] [is] [are] available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Satamaradankatu 5, FI-00020 Nordea, Helsinki.]

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 8 May 2019 [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 [•]]. 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 [•] 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.	(i)	Status of the Notes:	Senior Preferred / Senior Non-Preferred / Subordinated
	(ii)	Senior Preferred Notes Waiver of Set-Off	Applicable / Not Applicable[4]
12.	Authorisation:		Not Applicable / The issuance of the Notes was authorised by a decision of [•] dated [•]

[4] Select 'Applicable' for Senior Preferred Notes intended to be eligible as MREL.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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

	(ii)	Business Day Convention:	Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / No Adjustment / *Other* (*N.B. Only the Following Business Day Convention (unadjusted)/Modified Following Business Day Convention (adjusted) can be applicable for Swedish Notes*)
	(iii)	Manner in which the Rate(s) of Interest is/are to be determined:	Screen Rate Determination
	(iv)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	Agent / [•]
	(v)	Screen Rate Determination:	
		• Reference Rate:	LIBOR / EURIBOR / BBSW / BKBM / CDOR / CIBOR / HIBOR / JIBAR / MOSPRIME / NIBOR / SHIBOR / 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
15.	**Zero Coupon Note Provisions**		Applicable / Not Applicable (*If not applicable, delete the remaining sub paragraphs of this paragraph*)
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•] per cent. per annum

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

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**		Applicable / Not Applicable (*If not applicable, delete the remaining sub paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s):	[•] per Calculation Amount
	(iii)	Early redemption as a result of a Withholding Tax Event:	Not Applicable / The provisions in Condition 6(b) apply
	(iv)	Early redemption as a result of a Tax Event:	Not Applicable / The provisions in Condition 6(c) apply
	(v)	Early redemption as a result of an MREL Disqualification Event	Not Applicable / The provisions in Condition 6(d) apply
	(vi)	Early redemption as a result of a Capital Event:	Not Applicable / The provisions in Condition 6(e) apply
	(vii)	If redeemable in part:	
		(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):	[•]
	(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:[5]		[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 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes*) [The Notes are Swiss Franc Notes in bearer form and will be represented on issue by a Permanent Global Note] [Registered Notes : Individual Note Certificates / Global Registered Note [exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Note]]

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

		[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 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] / [Not Applicable]
29.	Senior Preferred Notes Events of Default:	[Restricted Events of Default in accordance with Condition 7(b)[6] / Unrestricted Events of Default in accordance with Condition 7(a) / Not Applicable]
30.	Other terms and conditions:	Not Applicable / *Give details*

[6] 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**

None / 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:	[•]]

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

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

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

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

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

5. **[*Fixed Rate / 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 inaccurate or misleading.]

8. **DISTRIBUTION**

If syndicated:

(i)	If syndicated names of managers:	Not Applicable / [•]
(ii)	Stabilising Manager(s) (if any):	Not Applicable / *Give name*
(iii)	If non-syndicated, name and address of Dealer:	Not Applicable / Give name and address
(iv)	U.S. Selling Restrictions:	Regulation S Category 2 *(In the case of Bearer Notes)* - TEFRA D/TEFRA C/TEFRA not applicable (In the case of Registered Notes/VP Notes/VPS Notes/Swedish Notes) -TEFRA Not Applicable *(In the case of Swiss Franc Notes)* - TEFRA D in accordance with usual Swiss practice
(v)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified.* *If the Notes may constitute "packaged" products and no 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]
[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"*

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

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

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

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

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

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

Except as disclosed in the Base Prospectus, there has been no material adverse change in the financial condition or operations of the Issuer since [31 December 2017], which would materially affect its ability to carry out its obligations under the Notes.]

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

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

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, as completed by the relevant Final Terms or (in the case of Exempt Notes only) as completed, amended and/or replaced by the relevant Pricing Supplement, will be applicable to each Series of Notes. The 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 8 May 2019 and made between Nordea Bank Abp (the "**Issuer**"), Citibank, N.A., London Branch in its capacity as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such), 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 8 May 2019 (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 the Prospectus Directive.

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 IV, 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 the same may be amended or replaced from time to time, including without limitation, by the Creditor Hierarchy Directive;

"**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, which is a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in 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;

"**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 set out in Condition 6 or as otherwise specified in the relevant Final Terms;

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

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

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

"**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 regards the ranking of unsecured debt instruments in insolvency hierarchy, or any equivalent legislation;

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

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

(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:

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

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

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

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

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

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

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

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

where:

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

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

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

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

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (x) that day is the last day of February or (y) 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 (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)(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;

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

"**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 Pricing Supplement (as the case may be) 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 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;

"**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);

"**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)(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 (if specified in the relevant Final Terms) 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;

"**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) (*Transfer of Registered Notes, VP Notes, VPS Notes and Swedish Notes*) in relation to VPS Notes only, "**business day**" means a day, other than a Saturday or Sunday on which VPS is open for business.

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

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

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

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

All transfers of Swedish Notes are subject to any cut-off dates applicable to such Swedish Notes and are subject to any other rules and procedures for the time being of Euroclear Sweden. The Euroclear Sweden Rules may be downloaded from its website: 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 unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

If Senior Preferred Notes Waiver of Set-Off is stated to be applicable in the relevant Final Terms, no Holder of 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 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 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 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 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 Condition 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:

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

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

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

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

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

"**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;

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

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

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

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

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

If, subject to Condition 5(h), in respect of any London Banking Day in the relevant Observation Period, the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA rate shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA rate to the Bank Rate over the previous five days on which a SONIA rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads).

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, subject to Condition 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 in the relevant Final Terms, 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, be Weighted Average SOFR plus or minus (as specified in the relevant Final Terms) the Relevant Margin, all as determined by the Calculation Agent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(v) The Calculation Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the 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.

(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 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***

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, Interest Determination Date or last SOFR 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));

(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 eurobonds 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 eurobonds 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) shall be equal to the Mid-Swap Floating Leg Benchmark Rate or Reference Rate (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 that (A) an Adjustment Spread is required to be applied to the Successor Rate or Alternative Benchmark Rate and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or Alternative Benchmark Rate for each subsequent determination of a relevant 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 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.

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 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 thirty nor more than sixty days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 14 (which notice shall be irrevocable) redeem all (but not some only, unless and to the extent that the relevant Final Terms specifies otherwise, in relation to 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 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 thirty days' nor more than sixty 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 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 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 thirty days' nor more than sixty days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) 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 thirty days' nor more than sixty days' notice (ending, in the case of Subordinated Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 14 (which notice shall be irrevocable) redeem all (but not some only) of the Subordinated Notes at any time at a redemption amount equal to their Outstanding Principal Amount (or such other redemption amount as may be specified in the relevant Final Terms or at the redemption amount referred to in Condition 6(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 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, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

(i) the Series of Notes subject to redemption;

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

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

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

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

(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, 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***

Other than in the case of a redemption at maturity in accordance with Condition 6(a), the Issuer may redeem the Notes (and give notice thereof to the Holders) only if such redemption 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 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 in the case of Subordinated Notes only:

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

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

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

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

(B) in the case of redemption due to the occurrence of a Capital Event, (i) the 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,

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

(k) ***Purchase of the Notes***

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

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

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

(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—Senior Preferred Notes***

(i) This Condition 7(a) is applicable in relation to Senior Preferred Notes specified in the relevant Final Terms as bearing Unrestricted Events of Default.

(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 Senior Preferred Notes***

(i) This Condition 7(b) is applicable in relation to Senior Non-Preferred Notes, Subordinated Notes or Senior Preferred Notes specified in the relevant Final Terms as bearing Restricted Events of Default.

(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 (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 (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 Senior Preferred Notes bearing Unrestricted Events of Default 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, 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 thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or

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

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

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

(d) Notwithstanding anything in Conditions 8 or 9 to the contrary, none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any treaty, law, regulation, intergovernmental agreement implementing legislation or other official guidance enacted by 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 ten years (or, in the case of Coupons and save as provided in Condition 9(a)(v), five years) after the due date for payment.

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

11. The Paying Agents and the Registrar

The initial Paying Agents and Registrar and their respective initial specified offices are specified below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar and to appoint additional or other Paying Agents or another Registrar **provided that** it will at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Paying Agent with a specified office in continental Europe but outside 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-swiss-exchange.com/funds/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), 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.

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 largest financial services group in the Nordic market (Denmark, Finland, Norway and Sweden) measured by total income with a global reach and operating in 18 countries worldwide. Nordea serves approximately 10 million customers, with approximately 9.3 million household customers and approximately 0.6 million corporate and institutional customers, in each case as of 31 December 2018.

The Nordea Group offers a comprehensive range of banking and financial products and services to household and corporate customers, including financial institutions. The Nordea Group's products and services comprise a broad range of household banking services, including mortgages and consumer loans, credit and debit cards, and a wide selection of savings, life insurance and pension products. In addition, the Nordea Group offers a wide range of corporate banking services, including business loans, cash management, payment and account services, risk management products and advisory services, debt and equity-related products for liquidity and capital raising purposes, as well as corporate finance, institutional asset management services and corporate life and pension products. The Nordea Group also distributes general insurance products.

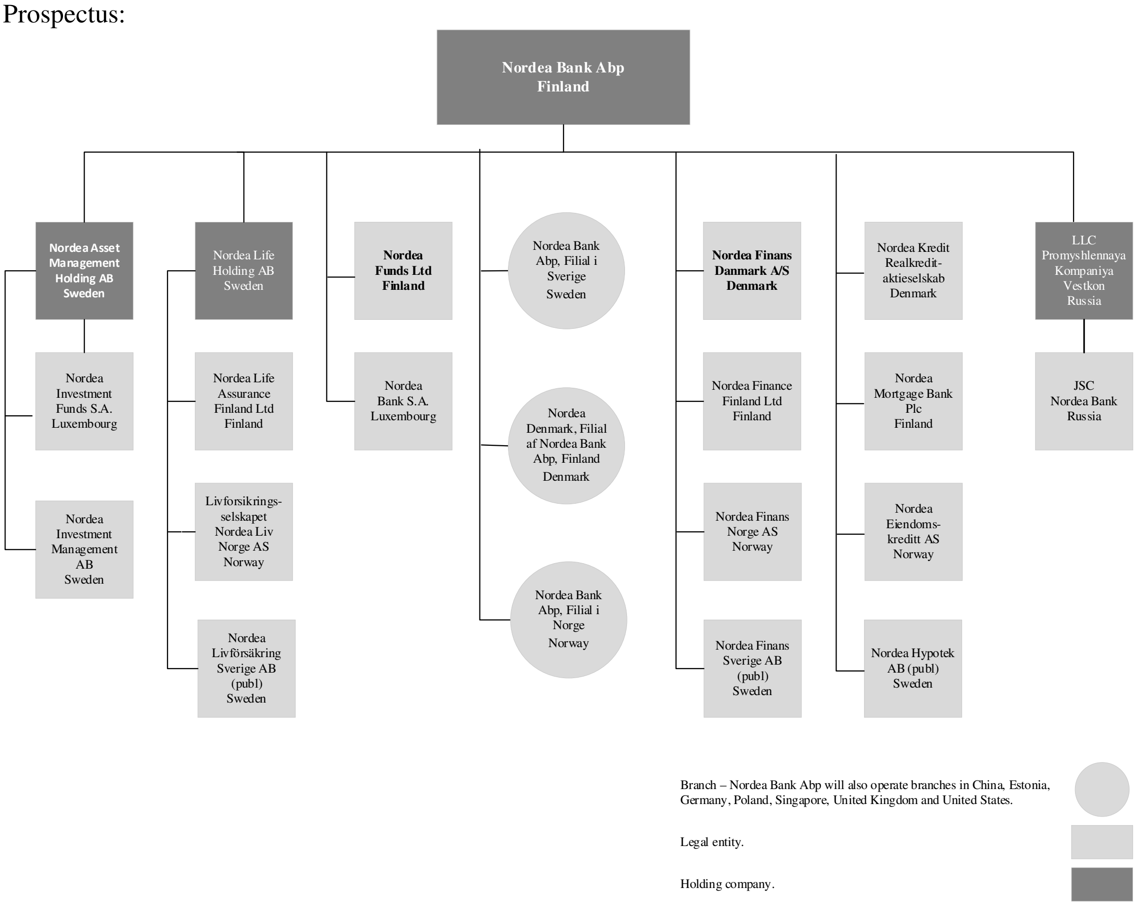
Nordea Bank Abp, the parent company of the Nordea Group, is organised under the laws of Finland and is headquartered in Helsinki. Its ordinary shares are listed on Nasdaq Nordic, the stock exchanges in Helsinki (in euro), Stockholm (in Swedish krona) and Copenhagen (in Danish krone).

The parent company of the Nordea Group was re-domiciled from Sweden to Finland, which is participating in the EU's banking union, through the Merger that was completed on 1 October 2018. Nordea Bank Abp became the new parent company of the Nordea Group upon the completion of the Merger.

Legal Structure

Nordea Group

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



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

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

Overview of the Merger

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

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

Nordea Group's Organisation

Strategy

The Nordea Group has embarked on a number of strategic initiatives to meet the customer vision and to drive cost efficiency, compliance and prudent capital management.

A customer-centric organisation

To facilitate a sharp customer focus, and to reflect the unique needs of the different customer segments, Nordea is organised into four business areas: Personal Banking, Commercial & Business Banking, Wholesale Banking and Asset & Wealth Management. Through this organisation, the Nordea Group seeks to ensure optimal delivery, while increasing the time spent with customers and reducing the time required to bring new products and services to market.

Digitalisation and distribution transformation

Digitalisation is one of the main drivers for change in banking. The Nordea Group's ambition is to transform into a scalable, resilient, efficient and digital relationship bank by 2021.

Building a resilient business for the future

The Nordea Group needs to take and is taking responsibility when mitigating risks, managing its customers' money and in terms of environmental impact. Sustainability is an important factor and therefore the Nordea Group's Sustainability Policy sets out principles on investments, financing and advice. The Nordea Group integrate environmental, social and governance (ESG) issues into Nordea's investment analysis methodology, to ensure that investment and portfolio construction decisions are based on a full set of information. The Nordea Group also integrate ESG risk evaluation into its credit decision-making, and the customers' ESG risk category is included in credit memorandums.

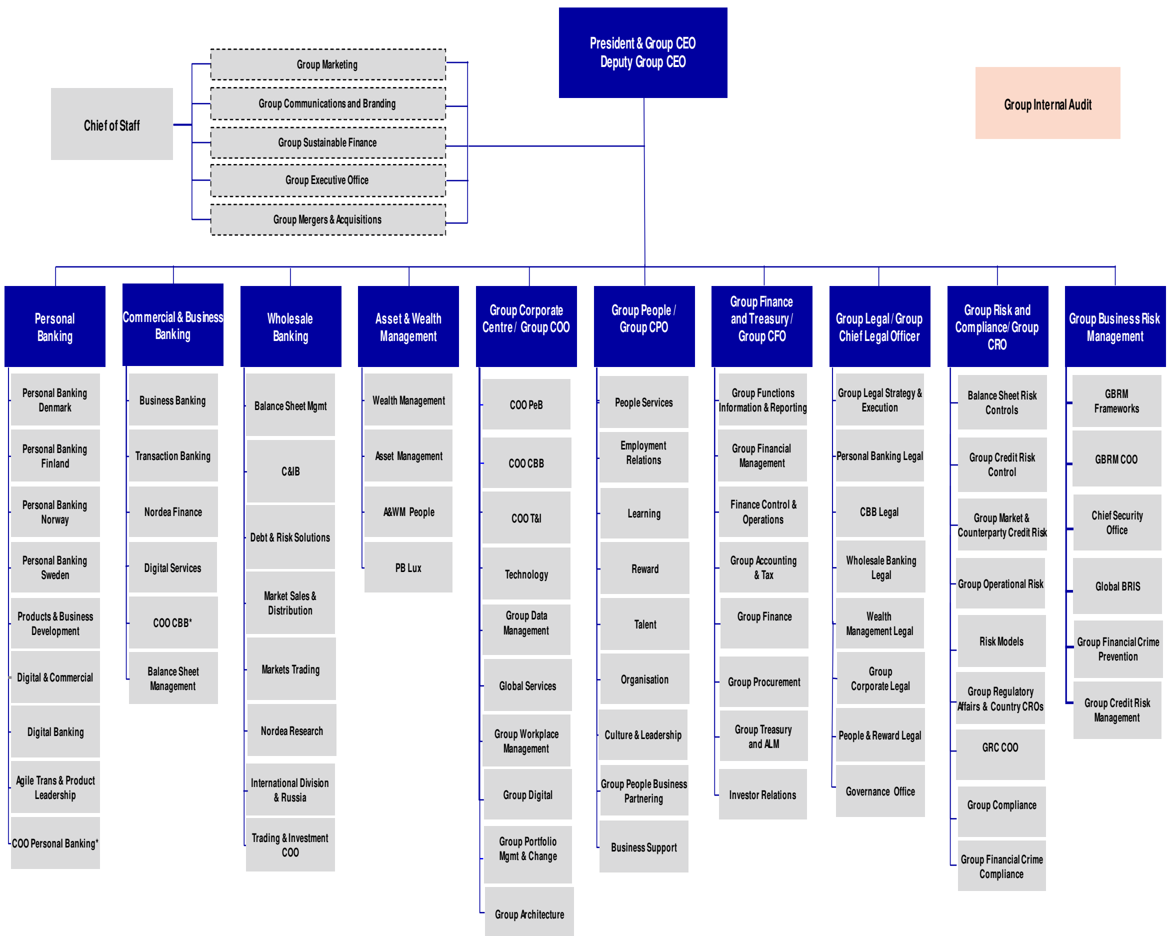
Trust and Responsibility

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

Overview

The Nordea Group's organisational structure is built around four main business areas: Personal Banking, Commercial & Business Banking, Wholesale Banking and Asset & Wealth Management. In addition to the business areas, the Nordea Group's organisation includes Group Functions and Other.

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



Business areas and Group Functions & Other

Personal Banking

In Personal Banking around 10,000 persons serve approximately 9.3 million household customers. This is done through a combination of physical and digital channels offering a full range of financial services and solutions. The Personal Banking business area includes advisory and service staff, various banking channels (such as mobile banking, internet banking etc.), product units, back office, digital development and IT under a common strategy, operating model and governance across markets. Through strong engagement and valuable advice, the aim is that Personal Banking customers entrust Nordea with all their banking business. Reflecting the rapid changes in customer preferences, Personal Banking's relationship banking concept also encapsulates and integrates digital channels through constantly expanding its offering relating to mobile banking. The Nordea Group's vision is to be known as safe and trusted, both by its customers and by its partners and the wider society.

Commercial & Business Banking

Commercial & Business Banking consists of Business Banking, Transaction Banking and Nordea Finance. It employs around 4,800 persons and serves approximately 550,000 corporate customers through a mix of physical branches and digital channels. In Business Banking, large and medium-sized corporates are served in a relationship- driven model securing high availability and ability to solve complex customer needs. Small corporates are served in a remote set-up in Business Banking Direct with increased flexibility in the organisation to ensure fast response to changes in customer demand and market development. Transaction Banking is constituted by Cards, Trade Finance, Cash Management and Mobile- & E-Commerce & co-Innovation and serve all Nordea's customer segments, providing payment and transaction services as well as driving Open Banking, and Blockchain/DLT initiatives across all platforms in the Nordea Group. Nordea Finance services all customer segments across Nordea, spanning the simplest unsecured financing needs for household customers to complex supply chain financing solutions for large corporates. Nordea Finance is responsible for Sales Finance business and Asset based lending in Nordea covering three different product groups, being Investment Credits, Working Capital and Consumer Credits. The ambition is to be the leading bank in customer satisfaction, with the most engaged employees and the highest profitability in the segments where the Nordea Group chooses to compete.

Wholesale Banking

Wholesale Banking employs around 3,600 persons and serves approximately 3,000 of Nordea's large corporate and institutional customers. The Wholesale Banking service offering includes a range of financing, cash management and payment services, investment banking, capital markets products and securities services. Through the Wholesale Banking division, a broad range of Nordea customers in Commercial & Business Banking, Asset & Wealth Management and Personal Banking, are also serviced. Customer satisfaction is the top priority. Value adding solutions provide the Nordea Group's customers with access to financing in the capital markets and with tailored financial tools to optimise their business and manage their risks.

Asset & Wealth Management

Asset & Wealth Management employs around 2,700 persons, with approximately 380 people employed outside the Nordic region, primarily in other European countries. Asset & Wealth Management provides high quality investment, savings and risk management solutions to affluent and high net worth individuals and institutional investors. Asset & Wealth Management is comprised of:

- Private Banking – serving customers from 67 branches in the Nordic countries with private banking services;
- Asset Management – responsible for actively managed investment funds and discretionary mandates for institutional clients; and
- Life & Pensions – serving customers with a full range of pension, endowment and risk products.

Group Functions & Other

Group Functions & Other provides the Nordea Group with asset and liability management, treasury operations, group-wide services, strategic frameworks and risk management, compliance and common infrastructure. Group Functions & Other leads the implementation of one operating model across the Nordea Group and continues the Nordea Group's focus on enhancing its performance in relation to capital, financial crime prevention and data and technology.

Group Functions & Other consists of Group Corporate Centre ("**GCC**") and Group Finance & Treasury ("**GF&T**"):

- GF&T is responsible for group-wide asset and liability management, treasury operations, financial reporting and controlling and procurement services as well as resource allocation and performance management. GF&T spans over the following four main areas: Finance, Group Treasury & ALM, Investor Relations and Group Procurement.

    - Finance is responsible for financial performance management and for providing high-quality and efficient financial reporting and planning across the Nordea Group, including financial control and analysis, to meet business needs and regulatory requirements.

    - Group Treasury & ALM is responsible for prudent management and optimisation of the Nordea Group's capital, liquidity, funding and market risks in the banking book within defined risk appetite and limits, while ensuring compliance with regulation to enable the various business areas to serve Nordea Group's customers.

    - Investor Relations ensures a fair reflection of the bank's fundamental business drivers and financial performance by providing transparent and relevant communication to the investor community, as well as channeling feedback from investors back to the Nordea Group.

    - Group Procurement is responsible for optimising costs by providing procurement advice and services with a focus on all non-IT related expenses and contracts.

- GCC consists of the Group Chief Operating Officer ("COO") organisation including Group Technology, Group Data Management, Global Services, Group Digital, Group Security Office, Group Financial Crime Prevention and Global Business Risk Implementation & Support. The COO organisation is responsible for ensuring one operating model is implemented in the Nordea Group by harmonising processes and services in accordance with its priorities to leverage commonalities and realise synergies.

Legal and Administrative Proceedings

During the ordinary course of business, the Nordea Group is subject to threatened or actual legal- and administrative proceedings and regulatory reviews and investigations, including proceedings in which the Nordea Group is acting as plaintiff seeking to recover unpaid debts owed by defaulting borrowers and other customers, or as respondent in other cases. The Nordea Group is involved in a variety of claims, disputes, legal proceedings and governmental investigations in jurisdictions where it is active. For example, the Nordea Group is subject to an ongoing investigation in Denmark concerning the compliance of Nordea Bank Danmark A/S with applicable anti-money laundering regulations, and the Nordea Group expects to be fined in Denmark for past weaknesses in anti-money laundering processes. Consequently, in the first quarter of 2019 the Nordea Group recorded a provision of EUR 95 million for ongoing anti-money laundering related matters in its financial statements for the three-month period ended 31 March 2019. The Nordea Group is also subject to administrative claims and tax proceedings from time to time. These types of claims, disputes, legal proceedings and investigations expose the Nordea Group to monetary damages, direct or indirect costs (including legal costs) direct or indirect financial loss, civil and criminal penalties, loss of licences or authorisations, or loss of reputation, criticism or penalties by supervisory authorities, as well as the potential for regulatory restrictions on its businesses. See also "*Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—Legal and regulatory claims arise in the conduct of the Nordea Group's business*". As of the date of this Base Prospectus, none of the governmental, administrative, legal or arbitration proceedings which the Nordea Group is party (including any such proceedings which are pending or threatened of which the board of directors of Nordea is aware) have had in the previous 12 months or are considered likely to have any significant adverse effect on the Nordea Group or its financial position.

Capital Adequacy

The Nordea Group needs to keep sufficient capital to cover all risks taken (required capital) over a foreseeable future. In order to do this, the Nordea Group strives to attain efficient use of capital through active management of the balance sheet with respect to different asset, liability and risk categories.

The Nordea Group uses a variety of capital measurements and capital ratios to manage its capital. The Nordea Group calculates its regulatory capital requirements under the CRD IV/CRR framework. The Nordea Group is approved by the financial supervisory authorities to use the internal ratings-based ("**IRB**") approach when calculating the capital requirements for the main part of its credit portfolio. The Nordea Group uses the Advanced IRB approach for corporate lending in the Nordic countries and in the International Units. The Retail IRB approach is used for the Nordic retail exposure classes and mortgage companies as well as for the Finnish finance company. The Foundation IRB approach is used for exposures in the Nordic finance companies, OJSC Nordea Bank ("**Nordea Bank Russia**") and the Baltic branches, as well as derivative and securities lending exposures. Nordea uses the standardised approach to calculate REA for sovereign exposures and for exposures to equities in the banking book. Acquisitions of new portfolios are treated under the standardised approach until they are approved for the IRB approach by the relevant financial supervisory authority. As of 31 March 2019, 87 per cent. of the Nordea Group's credit risk exposure amount was covered by IRB approaches. The Nordea Group is also approved to use its own internal Value-at-Risk ("**VaR**") models to calculate capital requirements for the major parts of the market risk in the trading books. In August 2018, Nordea received permission for continued use of existing internal models from the ECB following the Re-domiciliation. The permission implies a migration of pillar 2 capital add-ons into pillar 1 risk exposure amount (REA).

The Nordea Group's capital policy is to maintain a management buffer of 40–120 basis points above the regulatory common equity tier 1 (CET1) capital ratio requirement. The capital targets reflect the latest communication from the ECB and there are still uncertainties with respect to ongoing regulatory developments.

The capital policy is related to the internal capital adequacy assessment process ("**ICAAP**"), which according to the CRD, should, for each bank, review the management, mitigation and measurement of material risks to assess the adequacy of internal capital and determine an internal capital requirement reflecting the risk appetite of the institution.

As of 31 December 2018, the Nordea Group's common equity tier 1 (CET1) capital and own funds exceeded the regulatory minimum requirements outlined in the CRD. Considering results of capital adequacy stress testing, capital forecasting and growth expectations, the Nordea Group assesses that the buffers held for current regulatory capital purposes are sufficient. See also *"Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—CRD IV introduces capital requirements that are in addition to the minimum capital ratio"*. On 11 April 2019, the Nordea Group announced that it has entered into an agreement to sell the 39 per cent. shareholding it owned in the mortgage institution LR Realkredit A/S, which is expected to generate an estimated capital gain of EUR 129 million (net of tax) and have a positive impact on its CET1 ratio.

In addition to the Nordea Group's internal capital requirements, ongoing dialogues with third parties affect the Nordea Group's capital requirements, in particular, views of the external rating agencies.

As part of ICAAP, Nordea defines the internal capital requirement for all material risks from an internal economic perspective, taking into account the regulatory, normative through-the-cycle perspective, adequate to withstand periods of stress. This ensures that Nordea's internal capital requirement is aligned to, but not restricted by, the normative perspective and it also ensures that the data and process are validated and governed in an appropriate way.

Based on the normative Pillar 1 risks as prescribed by the regulator, Nordea calculates an internal Pillar 1 equivalent. For all other risks identified as material and that are determined to be covered by capital, internally assessed and approved add-ons are then quantified to arrive at a total capital requirement.

In addition to calculating risk capital for its various risk types, Nordea conducts a comprehensive capital adequacy stress test to analyse the effects of a series of both global and local shock scenarios. The results of the stress tests are considered in Nordea's internal capital requirement as buffers for economic stress. By considering the stress test results in the assessment of internal capital requirements, the pro-cyclical effects inherent in the risk-adjusted capital calculations of the ECB and IRB approaches are addressed.

The Nordea Group uses its economic capital framework as its primary tool for internal capital allocation considering all risk types. Stress testing is also an important component of assessing capital adequacy and the Nordea Group considers the results of stress tests when determining the Nordea Group's internal capital requirements.

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 2 of Nordea Bank Abp's articles of association, as a commercial bank Nordea Bank Abp engages in business activities that are permitted to a deposit bank pursuant to the Finnish Act on Credit Institutions. Nordea Bank Abp provides investment services and performs investment activities pursuant to the Finnish Act on Investment Services. Further, in its capacity as parent company, Nordea Bank Abp attends to and is responsible for overall functions in the Nordea Group, such as management, supervision, risk management and staff functions. Nordea Bank Abp is subject to substantial regulation in all markets in which it operates. The articles of association were last amended on 1 October 2018. Nordea Bank Abp is registered in the Finnish Trade Register under business identity code 2858394-9. The head office of Nordea is located in Helsinki at the following address: Satamaradankatu (Sw: *Hamnbanegatan*) 5, FI-00020 Nordea, Helsinki, Finland. Nordea Bank Abp has several directly and indirectly owned subsidiaries. Nordea Bank Abp's shares are listed on the stock exchanges in Helsinki, Stockholm and Copenhagen.

Share Capital and Shareholders

Share Capital

As of the date of this Base Prospectus, Nordea's share capital is EUR 4,049,951,919, consisting of 4,049,951,919 ordinary shares. The shares in Nordea have no nominal value.

Nordea Bank Abp's articles of association do not contain any provisions on share classes or voting rights and consequently shares may only be issued as ordinary shares and each share confers one vote at general meetings. If Nordea Bank Abp were to issue new shares, all shareholders would typically have preferential rights to the new shares in relation to the number of shares held by them.

Shareholders

The following table sets forth information relating to Nordea's five largest shareholders as of 31 March 2019:

	Number of shares (million)	Per cent of shares and votes(1)
Sampo Plc	860.4	21.3
Nordea Fonden	158.2	3.9
BlackRock	95.5	2.4
Alecta	95.5	2.4
Vanguard Funds	94.2	2.3

1) Excluding shares issued for Nordea's long-term incentive programmes.

In 2011, Sampo plc's share in Nordea exceeded 20 per cent, meaning that the Nordea Group has since been included in the Sampo financial conglomerate in accordance with the Finnish Act on the Supervision of Financial and Insurance Conglomerates (Fi: *laki rahoitus- ja vakuutusryhmittymien valvonnasta (2004/699)*).

Board of Directors

According to the articles of association, the board of directors of Nordea must consist of at least six and no more than 15 members elected by the shareholders at the general meeting.

As of the date of this Base Prospectus, the board of directors of Nordea consists of 10 members elected by the general meeting for the period until and including the AGM of Nordea in 2020 and three members and one deputy member nominated by the employees. The CEO of Nordea is not a member of the board of directors.

The following table sets forth, for each member of the board of directors of Nordea, his or her year of birth and the year of his or her initial appointment to the board of directors:

	Year of birth	Board member since	Position
Torbjörn Magnusson	1963	2018	Chairman
Kari Jordan	1956	2019	Vice Chairman
Pernille Erenbjerg	1967	2017	Member
Nigel Hinshelwood	1966	2018	Member
Petra van Hoeken	1961	2019	Member
Robin Lawther	1961	2014	Member
John Maltby	1962	2019	Member
Sarah Russell	1962	2010	Member
Birger Steen	1966	2015	Member
Maria Varsellona	1970	2017	Member

The board of directors includes the following three employee representatives and one deputy employee representative:

	Year of birth	Board member since	Position
Dorrit Groth Brandt	1967	2018	Employee Representative
Gerhard Olsson	1978	2016	Employee Representative
Hans Christian Riise	1961	2013	Employee Representative
Kari Ahola	1960	2006	Deputy Employee Representative

The members of the board of directors of Nordea and Group Executive Management have the following office address: c/o Nordea Bank Abp, Satamaradankatu (Sw: *Hamnbanegatan*) 5, FI-00020 Nordea, Helsinki, Finland.

With the exception of the employee representatives, no members of the board of directors of Nordea are employed by the Nordea Group.

No potential conflicts of interest exist between any duties to Nordea Bank Abp of a member of the Board of Directors and the private interests or other duties of each persons.

Torbjörn Magnusson has been a member of the board of directors since 2018 and has served as its Chairman since 2019. As of the date of this Base Prospectus, Mr. Magnusson is a member of the Sampo Group Executive Committee and Chairman of the board of directors of If P&C Insurance Holding Ltd (publ).

Kari Jordan has been a member of the board of directors since 2019 and has served as its Vice Chairman since 2019. As of the date of this Base Prospectus, Mr. Jordan is the Chairman of the board of directors of Outokumpu Oyj and Jordan Group Oy/M Jordan Oy and a member of the board of directors of Nokian Tyres plc. He is also a board member of several charities, including the Finnish Business and Policy Forum EVA/ETLA.

Petra van Hoeken has been a member of the board of directors since 2019. As of the date of this Base Prospectus, Ms. Hoeken is a board member of Nederlandse WaterschapsBank NV, De Lage Landen (DLL), Utrecht-America-Holdings Inc. and Oranje Fonds.

Pernille Erenbjerg has been a member of the board of directors since 2017. As of the date of this Base Prospectus, Ms. Erenbjerg is a member of the board of directors of Millicom International Cellular SA and Genmab A/S.

Nigel Hinshelwood has been a member of the board of directors since 2018. As of the date of this Base Prospectus, Mr. Hinshelwood is a member of the Franchise Board of Lloyd's of London and a member of the board of directors of Lloyds Bank Plc and Bank of Scotland Plc.

Robin Lawther has been a member of the board of directors since 2014. As of the date of this Base Prospectus, Ms. Lawther is a member of the board of directors of Oras Invest Ltd, Ashurst LLP and UK Government Investments Limited.

John Maltby has been a member of the board of directors since 2019. As of the date of this Base Prospectus, Mr. Maltby is Chairman of Good Energy Group Plc and Pepper Money. He is also a member of the board of directors of Simplyhealth Group, Bank of Ireland (UK) plc 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 the Global CEO of Aegon Asset Management and a member of the board of directors of several Aegon AM group companies including Chairman of the board of Aegon Asset Management Holdings BV and member of the Management Board of Aegon NV. Ms. Russell is also Vice Chairman of the supervisory board of La Banque Postale Asset Management SA and a member of the supervisory board of Nederlandse Investeringsinstelling NV. In addition, Ms. Russell is a member of the board of directors of the American Chamber of Commerce in the Netherlands.

Birger Steen has been a member of the board of directors since 2015. As of the date of this Base Prospectus, Mr. Steen is the Chairman of the board of directors of Nordic Semiconductior ASA and a board member of Schibsted ASA and Skooler AS. He is also a member of the board of Trustees of the Nordic Heritage Museum in Seattle, United States of America.

Maria Varsellona has been a member of the board of directors since 2017. As of the date of this Base Prospectus, Ms. Varsellona is the President of Nokia Technologies and Chief Legal Officer of Nokia Corporation.

Group Executive Management

Group Executive Management of the Nordea Group currently consists of 10 members, including the CEO. The President and CEO is appointed by the board of directors and is charged with the day-to-day management of the Nordea Group and the Nordea Group's Group-wide affairs in accordance with applicable laws and regulations, including the Finnish Corporate Governance Code (Fi: *Suomen listayhtiöiden hallinnointikoodi*) (the "**Finnish Corporate Governance Code**"), as well as the instructions provided by the board of directors. The instructions regulate the division of responsibilities and the interaction between the Group CEO and the board of directors. The Group CEO works closely with the Chairman of the board of directors, for example, in planning the meetings of the board of directors.

The following table sets forth each member of Group Executive Management, his or her year of birth, the year of his or her initial employment as a member of Group Executive Management and his or her current position:

	Year of birth	**Group Executive Management member since**	**Position**
Casper von Koskull	1960	2010	President and Group Chief Executive Officer (CEO)
Torsten Hagen Jørgensen	1965	2011	Deputy Group Chief Executive Officer and Group Chief Operating Officer (COO), Executive Vice President and Head of Group Corporate Centre
Erik Ekman	1969	2015	Head of Commercial & Business Banking and interim Head of Group Risk Management and Control
Matthew Elderfield	1966	2016	Group Compliance Officer, Head of Group Compliance and Group Chief Risk Officer (CRO)
Jussi Koskinen	1973	2018	Chief Legal Officer and Head of Group Legal
Christopher Rees	1972	2018	Group Chief Financial Officer (CFO) and Head of Group Finance & Treasury
Martin A Persson	1975	2016	Head of Wholesale Banking
Snorre Storset	1972	2015	Head of Wealth Management
Karen Tobiasen	1965	2016	Chief People Officer, Head of Group People
Frank Vang-Jensen	1967	2018	Head of Personal Banking

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.

Casper von Koskull has been the President and Group CEO of Nordea since 2015 and a member of Group Executive Management since 2010. Mr. von Koskull has held several executive positions since he joined the Nordea Group in 2010, most recently as Head of Wholesale Banking from 2011 to 2015. As of the date of this Base Prospectus, Mr. von Koskull is a board member of the European Business Leaders' Convention and a member of the board of trustees of SNS (Centre for Business and Policy Studies).

Torsten Hagen Jørgensen has been the Deputy Group CEO and Group COO of Nordea since 2015, Head of Group Corporate Centre since 2013 and Executive Vice President and a member of Group Executive Management since 2011. Mr. Jørgensen has held several executive positions since he joined the Nordea Group in 2005, most recently as Group CFO and Head of Group Corporate Centre from 2013 to 2015.

Erik Ekman has been a member of Group Executive Management since 2015 and Head of Commercial & Business Banking since 2016. Mr. Ekman has assumed the position of interim Head of Group Risk Management and Control on 8 May 2019 until a permanent appointment is made. Mr. Ekman has held several executive positions since he joined the Nordea Group in 2008, most recently as Head of Wholesale Banking from 2015 to 2016.

Matthew Elderfield has been Group Compliance Officer, Head of Group Compliance and a member of Group Executive Management since 2016. On 8 May 2019, Mr. Elderfield assumed the role of CRO. Prior to joining the Nordea Group in 2016, Mr. Elderfield served as Global Head of Compliance at Lloyds Banking Group.

Jussi Koskinen has been Chief Legal Officer and Head of Group Legal and a member of Group Executive Management since 2018. Prior to joining the Nordea Group in 2018, Mr. Koskinen served as Vice President, Head of Global Corporate Legal and Secretary to the board of directors at Nokia Corporation.

Martin A Persson has been Head of Wholesale Banking and a member of Group Executive Management since 2016. Mr. Persson joined the Nordea Group in 2012 and served as the Co-Head of Markets Equities, Nordea Markets from 2012 to 2016. Mr. Persson is a member of Swedish Bankers' Association and Swedish House of Finance.

Christopher Rees has been Group CFO and Head of Group Finance & Treasury and a member of Group Executive Management since 2018. Mr. Rees has held several executive positions since he joined the Nordea Group in 2015, most recently as Deputy Head of Wholesale Banking and Head of Nordea Markets.

Snorre Storset has been Head of Wealth Management since 2016 and a member of Group Executive Management since 2015. Mr. Storset has held several executive positions since he joined the Nordea Group in 2011, most recently as Deputy Head of Wealth Management and Head of Private Banking from 2015 to 2016. As of the date of this Base Prospectus, Mr. Storset is a member of the board of directors of Finans Norge and Finance Norway Servicekontor.

Karen Tobiasen has been Chief People Officer, Head of Group People and a member of Group Executive Management since 2016. Prior to joining the Nordea Group in 2016, Ms. Tobiasen held several senior positions with the Royal Philips Group, most recently as Chief Human Resources Officer at Philips Lighting. As of the date of this Base Prospectus, Ms. Tobiasen is a member of the board of directors of Oriflame Holding AG.

Frank Vang-Jensen has been Head of Personal Banking and a member of Group Executive Management since 2018. Before joining Nordea in 2017, Mr. Vang-Jensen spent 18 years at Svenska Handelsbanken including as President and CEO. Mr. Vang-Jensen is the Vice Chairman of the board of directors of Finance Denmark and a member of the board of Nordea Asset Management Holding. Before joining Nordea in 2017, Mr. Vang-Jensen spent 18 years at Handelsbanken, most recently as President and CEO.

Independence

Nordea complies with applicable requirements regarding the independence of the board of directors according to Finnish laws and regulations as well as according to the Finnish Corporate Governance Code. All members of Nordea's board of directors elected by the shareholders, apart from Torbjörn Magnusson, are independent in relation to the Company's major shareholders. As of the date of this Base Prospectus, Torbjörn Magnusson is employed by Sampo Group and Sampo plc owns more than 10 per cent of all shares and votes in Nordea.

All of the members of the board of directors elected by the shareholders are independent of Nordea.

No member of Nordea's board of directors elected by the shareholders at the general meeting is employed by or working in an operative capacity in the Nordea Group. The members and the deputy members of Nordea's board of directors appointed by the employees are employed by the Nordea Group and therefore are not independent of the Nordea Group under the Finnish Corporate Governance Code.

The number of members of Nordea's board of directors who are independent in relation to Nordea as well as independent in relation to Nordea's major shareholders exceeds the minimum requirement set forth in the Finnish Corporate Governance Code, which states that the majority of the members of the board of directors shall be independent of Nordea and at least two of the board members who are independent of the company shall also be independent of the company's major shareholders.

External Auditors

According to Nordea's articles of association, Nordea must have one audit firm as auditor, whose chief auditor is to be an authorised public accountant approved by the Finland Chamber of Commerce. The assignment as auditor will continue until the end of the 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 2019 AGM. Juha Wahlroos, Authorised Public Accountant, has been assigned as the auditor in charge. PricewaterhouseCoopers Oy has the following office address: Itämerentori 2, FI-00100 Helsinki, Finland.

Prior to the Re-domiciliation, which was completed on 1 October 2018, the parent company of the Nordea Group was Nordea Bank AB (publ). Öhrlings PricewaterhouseCoopers AB acted as the auditor of Nordea Bank AB (publ) until 1 October 2018. Peter Clemedtson was assigned as the auditor in charge. Öhrlings PricewaterhouseCoopers AB and Peter Clemedtson are members of FAR SRS (the Swedish Institute of Authorised Public Accountants). Öhrlings PricewaterhouseCoopers AB has the following office address: Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, SE-113 21 Stockholm, Sweden.

Dividends

Nordea Bank AB (publ)'s annual shareholder general meeting approved, and Nordea Bank AB (publ) paid, the following dividends from 2014 to 2017; and Nordea Bank Abp's annual shareholder general meeting approved, and Nordea Bank Abp paid, the following dividends in 2018:

- 2018: EUR 0.69 per share, total dividend payment of EUR 2,788 million;
- 2017: EUR 0.68 per share, total dividend payment of EUR 2,747 million;
- 2016: EUR 0.65 per share, total dividend payment of EUR 2,625 million;
- 2015: EUR 0.64 per share, total dividend payment of EUR 2,584 million; and
- 2014: EUR 0.62 per share, total dividend payment of EUR 2,501 million.

Material Agreements

Nordea Bank Abp is not a party to any material agreement outside of its normal course of business which may result in another Nordea Group company obtaining a right or incurring an obligation which may materially affect Nordea Bank Abp's ability to perform its obligations.

Corporate Governance

Corporate governance in Nordea Bank Abp follows generally adopted principles of corporate governance. The external framework which regulates the corporate governance work includes the Finnish Corporate Governance Code, the Finnish Act on Credit Institutions, the guidelines and regulations of the FFSA and the new EBA guidelines on internal governance under the Capital Requirements Directive.

SELECTED FINANCIAL INFORMATION

The tables below show certain selected summarised financial information which, without material changes, is derived from the Nordea Group's audited consolidated financial statements for the years ended 31 December 2018 and 31 December 2017 and unaudited consolidated interim financial statements for the three months ended 31 March 2019 (the "**Interim Statements**"), which are set out in the Annexes to this Base Prospectus.

The Nordea Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("**IFRS**") and interpretations of such standards by the International Financial Reporting Interpretations Committee, as endorsed by the European Commission. In addition for the consolidated financial statements as at and for the year ended 31 December 2018, certain complementary rules in the Accounting Act (*kirjanpitolaki*) (1336/1996), the Act on Credit Institutions (*Laki luottolaitostoiminnasta*) (610/2014), the Financial Supervision Authority's Regulations and Guidelines (*Finanssivalvonnan määräys- ja ohjekokoelma*) and the Decision of the Ministry of Finance on the financial statements and consolidated statements of credit institutions (*Valtiovarainministeriön asetus luottolaitoksen ja sijoituspalveluyrityksen tilinpäätöksestä, konsernitilinpäätöksestä ja toimintakertomuksesta*) (76/2018), have also been applied. For the consolidated financial statements as at and for the year ended 31 December 2017 certain complementary rules in the Swedish Act on Annual Reports in Credit Institutions and Securities Companies (1995:1559) and the recommendation RFR 1 "Supplementary Accounting Rules for Groups", issued by the Swedish Financial Reporting Board as well as the accounting regulations of the SFSA's (FFFS 2008:25, with amendments), have also been applied. The Interim Statements, together with the unaudited comparative financial information for the three months ended and as of 31 March 2018, have been prepared in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the European Commission.

Certain of the historical financial information as at and for the years ended 31 December 2018 and 2017 presented in this Base Prospectus differs from the historical financial information in Nordea Group’s audited consolidated financial statements adopted by the annual general meeting of shareholders due to restatements made in 2019. Nordea Group’s consolidated financial information as at and for the years ended 31 December 2018 and 2017 have been restated according to “IAS 8—Accounting Policies, Changes in Accounting Estimates and Errors” due to a change in accounting policy relating to the resolution fees to enhance comparability. 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. The audited consolidated financial statements for the years ended 31 December 2018 and 2017 included in this Base Prospectus have not been retrospectively restated. For more information on the restatement, see Note 1 to the Interim Statements included in this Base Prospectus.

The selected consolidated financial data set forth below should be read in conjunction with the consolidated financial statements and other financial information of the Nordea Group incorporated by reference into this Base Prospectus.

Selected Consolidated Income Statement Data

	For the three months ended 31 March		For the year ended 31 December	
	2018	2019	2017	2018
	(unaudited)		(unaudited)	
	(EUR in millions, unless otherwise indicated)			
Net interest income	1,116*	1,056	4,888*	4,491*
Net fee and commission income	770	737	3,369	2,993
Net result from items at fair value	441	264	1,328	1,088
Profit from associated undertakings and joint ventures accounted for under the equity method	28	14	23	124
Other operating income	23	44	83	476
Total operating income	**2,378***	**2,115**	**9,691***	**9,172***
General administrative expenses:				
Staff costs	(798)	(718)	(3,212)	(2,998)
Other expenses	(503)*	(594)	(1,844)*	(1,566)*
Depreciation, amortisation and impairment charges of tangible and intangible assets	(71)	(140)	(268)	(482)
Total operating expenses	**(1,372)***	**(1,452)**	**(5,324)***	**(5,046)***
Profit before loan losses	**1,006**	**663**	**4,367**	**4,126**
Net loan losses	(40)	(42)	(369)	(173)
Operating profit	966	621	3,998	3,953

	For the three months ended 31 March		For the year ended 31 December	
	2018	**2019**	**2017**	**2018**
	(unaudited)		**(unaudited)**	
	(EUR in millions, unless otherwise indicated)			
Income tax expense	(229)*	(178)	(950)	(872)
Net profit for the period	**737***	**443**	**3,048**	**3,081**
Attributable to:				
Shareholders of Nordea Bank Abp (Nordea Bank AB (publ) for 2017)	726	417	3,031	3,070
Additional Tier 1 capital holders	7	26	–	7
Non-controlling interests	4	–	17	4
Total	**737**	**443**	**3,048**	**3,081**

* The figures marked with an asterisk (*) have been restated as part of the Interim Statements. This is due to the fact that starting from 1 January 2019, the Nordea Group 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 reflected in previous financial statements was to amortise these fees over the year and present the expense as part of "Interest expenses". The change mainly reflects the change in the structure of the resolution fees following the re-domiciliation to Finland. Therefore the comparative figures (marked with an asterisk (*)) have been restated accordingly and the impact is as follows:

(i) in the case of "interest expense", this changed (in EUR million): from -2,929 to -2,762 as at 31 December 2018, from -673 to -610 as at 31 March 2018 and from -2,909 to -2,687 as at 31 December 2017; and

(ii) in the case of "other expenses", this changed (in EUR million) from -1,399 to -1,566 as at 31 December 2018, from -336 to -503 as at 31 March 2018 and from -1,622 to -1,844 as at 31 December 2017; and

(iii) in the case of "income tax expense", this changed (in EUR million): from -250 to -229 as at 31 March 2018.

Selected Consolidated Balance Sheet Data

	As of 31 March	As of 31 December	
	2019	**2017**	**2018**
	(unaudited)	**(audited)**	
		(EUR in millions)	
Cash and balances with central banks	45,764	43,081	41,578
Loans to central banks	8,473	4,796	7,642
Loans to credit institutions	14,389	8,592	11,320
Loans to the public	325,577	310,158	308,304
Interest-bearing securities	70,559	75,294	76,222
Financial instruments pledged as collateral	11,582	6,489	7,568
Shares	16,137	17,180	12,452
Assets in pooled schemes and unit-linked investment contracts	27,003	25,879	24,583
Derivatives	39,491	46,111	37,025
Other(1)	31,198	21,846	24,714
Assets held for sale(2)	–	22,186	–
Total assets	**590,173**	**581,612**	**551,408**
Deposits by credit institutions	51,634	39,983	42,419
Deposits and borrowings from the public	176,285	172,434	164,958
Deposits in pooled schemes and unit-linked investment contracts	28,120	26,333	25,653
Liabilities to policyholders	19,067	19,412	18,230
Debt securities in issue	193,263	179,114	190,422
Derivatives	41,448	42,713	39,547
Other(3)	49,861	42,276	37,278
Liabilities held for sale(2)	–	26,031	–
Total liabilities	**559,678**	**548,296**	**518,507**
Total equity	**30,495**	**33,316**	**32,901**
of which additional tier 1 capital holders	750	750	750
of which non-controlling interests	52	168	6
Total liabilities and equity	590,173	581,612	551,408

(1) Comprised of fair value changes of the hedged items in portfolio hedge of interest rate risk, investments in associated undertakings and joint ventures, intangible assets, property and equipment, investment properties, deferred tax assets, current tax assets, retirement benefit assets, prepaid expenses and accrued income, and other assets, which includes claims on securities settlement proceeds, cash/margin receivables and other.

(2) Assets and liabilities held for sale as of 31 December 2017 relate to Nordea's decision to sell additional 45 per cent of the shares in Danish Nordea Liv & Pension Livsforsikringsselskab A/S. Assets and liabilities related to the 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.

(3) Comprised of fair value changes of the hedged items in portfolio hedge of interest rate risk, current tax liabilities, accrued expenses and prepaid income, deferred tax liabilities, provisions, retirement benefit liabilities, subordinated liabilities, and other liabilities, which includes liabilities on securities settlement proceeds, sold, not held, securities, accounts payable, cash/margin payables and other.

Cash Flow Statement

	Group		
	Year ended 31 December		Three months ended 31 March
	2018	2017	2019
		(EUR millions)	
Operating activities			
Operating profit	3,953	3,998	621
Adjustment for items not included in cash flow	1,238	3,514	1,749
Income taxes paid	-1,024	-950	-297
Cash flow from operating activities before changes in operating assets and liabilities	4,167	6,562	2,073
Cash flow from operating activities	2,631	12,274	7,331
Cash flow from investing activities	29	-1,499	-737
Cash flow from financing activities	-2,788	-2,637	-1,741
Cash flow for the period	-128	8,138	4,853
Cash and cash equivalents at the beginning of period	46,213	41,860	46,009
Translation differences	-76	-3,785	294
Cash and cash equivalents at the end of the period	46,009	46,213	51,156
Change	**-128**	**8,138**	**4,853**

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

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 Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, NatWest Markets Plc, 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 8 May 2019 (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 Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area.

(a) For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

  (ii) a customer within the meaning of Directive 2002/92/EC, 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 Directive; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Public Offer Selling Restriction Under the Prospectus Directive

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) *Approved prospectus*: if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus which has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in the Relevant Member State.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act) 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)(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, and the Danish executive orders issued thereunder. 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

Any offer of the Notes has not been registered under the Estonian Securities Market Act of 2001, as amended (the "**SMA**") as a public offer. 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 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 SMA and any other applicable laws or regulations of Estonia.

Finland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not 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 Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”), as applicable, or (ii) an exemption from the requirement to prepare a prospectus is available under the applicable laws of Finland, especially the Finnish Securities Markets Act and/or the Prospectus Regulation, as applicable. Notwithstanding the above, each 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 Directive and the applicable laws, regulations and procedures in France. This Base Prospectus prepared in connection with the Notes has not been submitted to the clearance procedures of the French *Autorité des marchés financiers* (the "**AMF**").

Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European 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 2015 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended); and

(c) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules 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 the 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 all applicable provisions of the laws of the Republic of Latvia and in particular in compliance with the Financial Instruments Market Law (*Finanšu instrumentu tirgus likums*) and any regulation or rule made thereunder, as supplemented and amended from time to time.

Lithuania

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been offered and will not be offered in Lithuania by way of a public offering, unless in compliance with all applicable provisions of the laws of Lithuania and in particular in compliance with the Law on Securities of the Republic of Lithuania of 18 January 2007 No X-1023 and any regulation or rule made thereunder, as supplemented and amended from time to time.

Luxembourg

The Notes may not be offered or sold to the public within the territory of the Grand Duchy of Luxembourg unless:

(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 Directive or (ii) any Luxembourg law applying (EU) 2017/1129 (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 Directive or 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 Directive" below and in addition:

(a) *Specific Dutch selling restriction for exempt offers*: Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands and in reliance on Article 3(2) of the Prospectus Directive, unless:

  (i) such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "**FSA**") and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or

  (ii) standard exemption logo and wording are incorporated in the Final Terms as required by Article 5:20(5) of the FSA; or

  (iii) such offer is otherwise made in circumstances in which Article 5:20(5) of the FSA is not applicable,

  provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

  For the purposes of this provision, the expressions (i) an "**offer of Notes to the public**" in relation to any Notes in The Netherlands and (ii) "**Prospectus Directive**" have the meaning given to them below in the paragraph headed "Public Offer Selling Restriction Under the Prospectus Directive".

(b) *Compliance with Dutch Savings Certificates Act*: Zero Coupon Notes (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V. admitted on one or more systems held or operated by Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first Holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever."

New Zealand

No action has been taken to permit the Notes to be 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 hold a valid RWT exemption certificate for New Zealand resident withholding tax purposes or otherwise have exempt status in respect of resident withholding tax; 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**"), 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 professional investors (*investidores profissionais*) within the meaning of Article 30 of the Portuguese Securities Code.

In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, other than in compliance with all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation implementing the Prospectus Directive (Commission Regulation (EC) 809/2004, as amended) and any applicable CMVM regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Notes by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including compliance with the rules and regulations that require the publication of a prospectus, when applicable, (i) no action has been or will be taken as to directly or indirectly offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, (ii) no action has been or will be taken as to distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Notes to the public in Portugal, and (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 Relevant Member State and such competent authority has notified the competent authority in Sweden, all in accordance with the Prospectus Directive and the Swedish Financial Instruments Trading Act; or (B) an exemption from the requirement to prepare a prospectus is available under the Swedish Financial Instruments Trading Act.

United Kingdom

Each Dealer has represented and agreed that:

(a) **Financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not, or, in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer; and

(b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it has not offered, sold or delivered, and will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Canada

The Notes have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold, distributed, or delivered, and that it will not offer, sell, distribute, or deliver, any Notes, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. Each Dealer has also agreed, and each further Dealer appointed under the Programme may be required to agree, not to distribute or deliver this Base Prospectus, or any other offering materials relating to the Notes, in Canada in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. If the 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 (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

The People's Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold directly or indirectly within the People's Republic of China (for such purposes and under this section, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the "**PRC**")). This Base Prospectus or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Base Prospectus, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with 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 and will not be registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and 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 any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures

Act, Chapter 289 of Singapore, as modified or amended from time to time (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.

General

With the exception of the approval by the Central Bank of this Base Prospectus as a base prospectus issued in compliance with the Prospectus Directive and other than with respect to the admission of the Notes to listing, trading and/or quotation by the relevant listing authorities, stock exchanges and/or quotation systems, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession, publish or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in a supplement to this document or in the Subscription Agreement or Dealer Accession Letter, as relevant.

GENERAL INFORMATION

1. The update of the Programme was authorised by a duly convened meeting of the Board of Directors of the Issuer on 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 the recent past significant effects on the financial position or profitability of the Issuer or the Nordea Group.

3. Since 31 March 2019, there has been no significant change in the financial or trading position of the Issuer or the Nordea Group.

4. Since 31 December 2018, there has been no material adverse change in the prospects of the Issuer or the Nordea Group.

5. The consolidated financial statements of the Nordea Group have been audited without qualification for the year ended 31 December 2018 by authorised public accountants PricewaterhouseCoopers Oy, and the consolidated financial statements of Nordea Bank AB (publ) have been audited without qualification for the year ended 31 December 2017 by the public accountants Öhrlings PricewaterhouseCoopers AB. The auditors of the Issuer are PricewaterhouseCoopers Oy. The auditors of the Issuer have no material interest in the Issuer.

6. For the 12 months following the date of this Base Prospectus, physical copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent in London and the registered office of the Issuer:

   (a) the certificate of Registration and Articles of Association of the Issuer;

   (b) the Fiscal Agency Agreement (as amended from time to time) (which contains the forms of the Notes);

   (c) the Deed of Covenant (as supplemented from time to time);

   (d) the audited consolidated financial statements of the Nordea Group for the year ended 31 December 2018, the audited consolidated financial statements of Nordea Bank AB (publ) for the year ended 31 December 2017 and the Interim Statements, 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 as long as the Programme remains valid with the Central Bank, copies of the following documents will be available on the website of the Central Bank at https://www.centralbank.ie/regulation/industry-market-sectors/securities-markets/prospectus-regulation/prospectuses.

   (a) a copy of this Base Prospectus and any Final Terms relating to Notes which are admitted to trading on the Main 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 Directive (including Exempt Notes), copies of the Final Terms will only be available for inspection during normal business hours at the specified office of the Fiscal Agent in London and the registered office of the Issuer by the Holders of such Notes.

7. It is expected that each Series of Notes which is to be admitted to the Official List of 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 8 May 2019.

   It is further expected that the admission of Notes issued under the Programme to listing on the official list of the FCA and to trading on the regulated market of the London Stock Exchange will be granted after the Central Bank has provided the FCA with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

8. 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, which will be contained in the Final Terms relating thereto. Notes issued in Series comprising more than one Tranche may be assigned a temporary ISIN and Common Code or other securities identifier on issue.

9. The Legal Entity Identifier ("**LEI**") code of the Issuer is 529900ODI3047E2LIV03.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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 Directive.

ANNEX 1 – 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

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

	Attributable to shareholders of Nordea Bank Abp											
			Other reserves:									
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
Balance at 31 Dec 2017	**4,050**	**1,080**	**–1,720**	**–46**	**103**	**120**	**–**	**28,811**	**32,398**	**750**	**168**	**33,316**
Effects from changed accounting policy, net of tax	–	–	–	–	1	–	–8	–237	–244	–	–	–244
Restated opening balance at 1 Jan 2018	**4,050**	**1,080**	**–1,720**	**–46**	**104**	**120**	**–8**	**28,574**	**32,154**	**750**	**168**	**33,072**
Net profit for the year	–	–	–	–	–	–	–	3,070	3,070	7	4	3,081
Items that may be reclassified subsequently to the income statement												
Currency translation differences during the year	–	–	–240	–	–	–	–	–	–240	–	–	–240
Tax on currency translation differences during the year	–	–	–2	–	–	–	–	–	–2	–	–	–2
Hedging of net investments in foreign operations:												
Valuation gains/losses during the year	–	–	67	–	–	–	–	–	67	–	–	67
Tax on valuation gains/losses during the year	–	–	–19	–	–	–	–	–	–19	–	–	–19
Fair value through other comprehensive income:												
Valuation gains/losses during the year	–	–	–	–	–48	–	–	–	–48	–	–	–48
Tax on valuation gains/losses during the year	–	–	–	–	11	–	–	–	11	–	–	11
Transferred to the income statement during the year	–	–	–	–	–10	–	–	–	–10	–	–	–10
Tax on transfers to the income statement during the year	–	–	–	–	2	–	–	–	2	–	–	2
Cash flow hedges:												
Valuation gains/losses during the year	–	–	–	720	–	–	–	–	720	–	–	720
Tax on valuation gains/losses during the year	–	–	–	–159	–	–	–	–	–159	–	–	–159
Transferred to the income statement during the year[4]	–	–	–	–676	–	–	–	–	–676	–	–	–676
Tax on transfers to the income statement during the year[4]	–	–	–	149	–	–	–	–	149	–	–	149

Statement of changes in equity, Nordea Group, cont.

2018

EURm	Share capital[1]	Share premium reserve/ Invested unrestricted equity	Translation of foreign operations[6]	Cash flow hedges[7]	Fair value through other com-prehensive income[5]	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank Abp											
			Other reserves:									
Items that may not be reclassified subsequently to the income statement												
Changes in own credit risk related to liabilities classified as fair value option:												
Valuation gains/losses during the year	–	–	–	–	–	–	20	–	20	–	–	20
Tax on valuation gains/losses during the year	–	–	–	–	–	–	–4	–	–4	–	–	–4
Transfer due to derecognition during the year	–	–	–	–	–	–	–	–	–	–	–	–
Defined benefit plans:												
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–173	–	–	–173	–	–	–173
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	36	–	–	36	–	–	36
Other comprehensive income, net of tax	**–**	**–**	**–194**	**34**	**–45**	**–137**	**16**	**0**	**–326**	**–**	**–**	**–326**
Total comprehensive income	**–**	**–**	**–194**	**34**	**–45**	**–137**	**16**	**3,070**	**2,744**	**7**	**4**	**2,755**
Paid interest on additional Tier 1 capital	–	–	–	–	–	–	–	–	–	–7	–	–7
Dividend for 2017	–	–	–	–	–	–	–	–2,747	–2,747	–	–	–2,747
Purchase of own shares[2]	–	–	–	–	–	–	–	–6	–6	–	–	–6
Change in non-controlling interests[3]	–	–	–	–	–	–	–	–	–	–	–166	–166
Balance at 31 Dec 2018	**4,050**	**1,080**	**–1,914**	**–12**	**59**	**–17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**

1) Total shares registered were 4,050 million.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme (LTIP), trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 15.2 million. The total holding of own shares related to LTIP were 9.6 million.
3) Of which EUR -172m refers to the sale of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.
4) The transfer is due to that the hedged item is affecting the income statement.
5) Due to the implementation of IFRS 9 the Available for sale (AFS) category does no longer exist and the assets are instead classified as Fair value through other comprehensive income (FVOCI). Hence, the opening balance 2018 for the FVOCI-reserve is the closing balance 2017 for the AFS-reserve.
6) Relates to foreign exchange risk. Of the balance per 31 December 2018, EUR 568m relates to hedging relationship for which hedge accounting is applied and EUR -m relates to hedging relationships for which hedge accounting is no longer applied.
7) For more detailed information see Note G18.

Statement of changes in equity, Nordea Group, cont.

2017

	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	Attributable to shareholders of Nordea Bank AB (publ) Share capital[1]	Share premium reserve	Other reserves: 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
Items that may not be reclassified subsequently to the income statement											
Defined benefit plans:											
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–115	–	–115	–	–	–115
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	25	–	25	–	–	25
Other comprehensive income, net of tax	**–**	**–**	**–370**	**–83**	**23**	**–90**	**–**	**–520**	**–**	**–**	**–520**
Total comprehensive income	**–**	**–**	**–370**	**–83**	**23**	**–90**	**3,031**	**2,511**	**–**	**17**	**2,528**
Issuance of additional Tier 1 capital	–	–	–	–	–	–	–6	–6	750	–	744
Dividend for 2016	–	–	–	–	–	–	–2,625	–2,625	–	–	–2,625
Purchase of own shares[2]	–	–	–	–	–	–	–12	–12	–	–	–12
Change in non-controlling interests[3]	–	–	–	–	–	–	121	121	–	150	271
Balance at 31 Dec 2017	**4,050**	**1,080**	**–1,720**	**–46**	**103**	**120**	**28,811**	**32,398**	**750**	**168**	**33,316**

1) Total shares registered were 4,050 million.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.7 million. The total holdings of own shares related to LTIP were 10.2 million.
3) Refers to the sale of 25% of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.
4) The transfer is due to that the hedged item is affecting the income statement.
5) Relates to foreign exchange risk. Of the balance per 31 December 2017, EUR 521m relates to hedging relationship for which hedge accounting is applied and EUR -m relates to hedging relationships for which hedge accounting is no longer applied.
6) For more detailed information see Note G18.

Cash flow statement

EURm	2018	2017
Operating activities		
Operating profit	3,953	3,998
Adjustment for items not included in cash flow	1,238	3,514
Income taxes paid	–1,024	–950
Cash flow from operating activities before changes in operating assets and liabilities	**4,167**	**6,562**
Changes in operating assets		
Change in loans to central banks	–2,052	–190
Change in loans to credit institutions	–1,463	136
Change in loans to the public	–2,884	7,541
Change in interest-bearing securities	–90	4,305
Change in financial assets pledged as collateral	237	–2,915
Change in shares	4,984	–5,801
Change in derivatives, net	4,687	–4,816
Change in investment properties	–218	–171
Change in other assets	–1,672	2,890
Changes in operating liabilities		
Change in deposits by credit institutions	–622	9,432
Change in deposits and borrowings from the public	–5,461	–1,681
Change in liabilities to policyholders	–1,531	2,163
Change in debt securities in issue	12,856	–8,373
Change in other liabilities	–8,307	3,201
Cash flow from operating activities	**2,631**	**12,274**
Investing activities		
Sale of business operations	646	228
Investment in associated undertakings and joint ventures	–81	–957
Sale of associated undertakings	90	20
Acquisition of property and equipment	–32	–129
Sale of property and equipment	14	11
Acquisition of intangible assets	–608	–685
Sale of intangible assets	–	42
Net divestment in debt securities, held to maturity	–	–8
Purchase/sale of other financial fixed assets	–	–21
Cash flow from investing activities	**29**	**–1,499**
Financing activities		
Issued subordinated liabilities	641	–
Issued Additional Tier 1 capital	–	750
Paid interest on additional Tier 1 capital	–7	–
Amortised subordinated liabilities	–669	–750
Divestment/repurchase of own shares incl change in trading portfolio	–6	–12
Dividend paid	–2,747	–2,625
Cash flow from financing activities	**–2,788**	**–2,637**
Cash flow for the year	**–128**	**8,138**
Cash and cash equivalents at beginning of the year	46,213	41,860
Translation difference	–76	–3,785
Cash and cash equivalents at the end of year	46,009	46,213
Change	**–128**	**8,138**

Cash flow statement, Nordea Group, cont.

Comments on the cash flow statement
The cash flow statement shows inflows and outflows of cash and cash equivalents during the year for total operations. Nordea's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities
Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for items not included in cash flow includes:

EURm	2018	2017
Depreciation		
Impairment charges	307	236
Loan losses	175	5
Unrealised gains/losses	217	422
Capital gains/losses (net)	–401	–47
Change in accruals and provisions	994	–182
Translation differences	–94	–625
Change in bonus potential to policyholders, Life	–447	58
Change in technical reserves, Life	–20	2,056
Change in fair value on the hedge items, assets/liabilities (net)	–144	–957
Other	412	134
Total	**1,238**	**3,514**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans, deposits and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

EURm	2018	2017
Interest payments received	7,412	7,748
Interest expenses paid	–3,138	–3,475

Investing activities
Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets.

Financing activities
Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

Cash and cash equivalents
The following items are included in Cash and cash equivalents:

EURm	31 Dec 2018	31 Dec 2017
Cash and balances with central banks	41,578	43,081
Loans to central banks, payable on demand	2,759	2,004
Loans to credit institutions, payable on demand	1,672	779
Assets held for sale	–	349
Total	**46,009**	**46,213**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;

- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities. Loans to central banks, payable on demand includes instruments where Nordea has the right to resell immediately.

Reconciliation of liabilities arising from financing activities
The opening balance of subordinated liabilities was EUR 10,459m. During the period cash flows related to bonds were EUR –750m and the effects of FX changes and other was EUR –722m ending up in a closing balance of EUR 8,987m.

Glossary

Allowances in relation to credit impaired loans (stage 3)
Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

Allowances in relation to loans in stage 1 and 2
Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

Basic earnings per share
Net profit for the year divided by the weighted average number of outstanding shares, non-controlling interests excluded.

Cost/income ratio
Total operating expenses divided by total operating income.

Diluted earnings per share
Net profit for the year divided by the weighted average number of outstanding shares after full dilution, non-controlling interests excluded.

Economic capital (EC)
Economic Capital is Nordea's interal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business risk and Life Insurance Risk arising from activities in Nordea's various business areas.

The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

Equity per share
Equity as shown on the balance sheet after full dilution and non-controlling interests excluded divided by the number of shares after full dilution.

Impairment rate (Stage 3), gross
Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.

Impairment rate (Stage 3), net
Impaired loans (Stage 3) after allowances divided by total loans measured at amortised cost before allowances.

Loan loss ratio
Net loan losses (annualised) divided by closing balance of loans to the public (lending) measured at amortised cost.

Non-servicing, not impaired
Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Own funds
Own funds include the sum of the Tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the carrying amount of the shares in wholly owned insurance companies and the potential deduction for expected shortfall.

Price to Book
Nordea's stock market value relative to its book value of total equity.

Return on equity
Net profit for the year as a percentage of average equity for the year. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for ther period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity including net profit for the year and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on assets
Net profit for the year as a percentage of total assets at end of the year.

Risk exposure amount
Total assets and off-balance-sheet items valued on the basis of the credit and market risks, as well as operational risks of the Group's undertakings, in accordance with regulations governing capital adequacy, excluding assets in insurance companies, carrying amount of shares which have been deducted from the capital base and intangible assets.

ROCAR, % (Return on capital at risk)
Net profit excluding items affecting comparability, in percentage of Economic Capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic capital.

Tier 1 capital
The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution. Common Equity Tier 1 capital includes consolidated shareholders´ equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations, the full expected shortfall deduction (the negative difference between expected losses and provisions) and finally other deductions such as cash flow hedges.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk exposure amount. The Common Equity Tier 1 capital ratio is calculated as Common Equity Tier 1 capital as a percentage of risk exposure amount.

Total allowance rate (Stage 1, 2 and 3)
Total allowances divided by total loans measured at amortised cost before allowances.

Total allowances in relation to impaired loans (provisioning ratio)
Total allowances divided by impaired loans before allowances.

Total capital ratio
Own funds as a percentage of risk exposure amount.

Total shareholders return (TSR)
Total shareholders return measured as growth in the value of a shareholding during the year, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

G1. Accounting policies

Content for Note G1

1. Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decision of the Ministry of Finance on the financial statements and consolidated statements of credit institutions have also been applied.

The disclosures, required in the standards, recommendations and legislation above, have been included in the notes, the Risk, Liquidity and Capital management section or in other parts of the "Financial statements".

On 21 February 2019 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 28 March 2019.

The accounting policies, basis for calculations and presentations are unchanged in comparison with the Annual Report 2017, except from changed accounting policies and presentation described below in the section "Changed accounting policies and presentation". The comparable figures for 2017 are presented in accordance with IAS 39, for more information see Note G1 in the Annual Report 2017, mainly within section 13.

2. Changed accounting policies and presentation

The new accounting requirements implemented during 2018 and their impact on Nordea's financial statements are described below.

IFRS 9 "Financial instruments"

The new standard IFRS 9 "Financial instruments" covers classification and measurement, impairment and general hedge accounting and replaces the earlier requirements covering these areas in IAS 39. The classification, measurement and impairment requirements in IFRS 9 were implemented by Nordea as from 1 January 2018. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 10).

The total negative impact on equity from IFRS 9 amounts to EUR 183m after tax and was recognised as an opening balance adjustment 1 January 2018. For more information about the IFRS 9 transition impact on 1 January 2018, see below. Nordea has not restated the comparative figures for 2017.

Classification and measurement

The classification and measurement requirements in IFRS 9 state that financial assets should be classified as, and measured at, amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea has analysed whether the cash flows from the financial assets held per 31 December 2017 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group. For contacts signed after 1 January 2018 only restructured contracts are allowed to have SPPI non-compliant features and for restructured contracts the SPPI analysis is performed for each contact separately.

Impairment

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than in IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Under IAS 39 Nordea did not calculate collective provisions for off balance sheet exposures or the financial instruments classified into the measurement category Financial assets at fair value through other comprehensive income.

G1. Accounting policies, cont.

The new classification and measurement requirements in IFRS 9 have resulted in the following classification of assets and liabilities at transition per 1 January 2018:

Classification of assets and liabilities under IFRS 9

Assets

		Fair value through profit or loss (FVPL)						
1 Jan 2018, EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/joint ventures	Assets held for sale	Total
Cash and balances with central banks	43,081	–	–	–	–	–	–	43,081
Loans	246,966	76,427	–	–	–	–	–	323,393
Interest-bearing securities	3,093	28,027	7,832	–	36,342	–	–	75,294
Financial instruments pledged as collateral	–	6,489	–	–	–	–	–	6,489
Shares	–	17,180	–	–	–	–	–	17,180
Assets under pooled schemes and unit-linked investment contracts	–	25,229	499	–	–	151	–	25,879
Derivatives	–	44,415	–	1,696	–	–	–	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	163	–	–	–	–	–	–	163
Investments in associated undertakings and joint ventures	–	–	–	–	–	1,207	–	1,207
Intangible assets	–	–	–	–	–	3,983	–	3,983
Properties and equipment	–	–	–	–	–	624	–	624
Investment properties	–	–	–	–	–	1,448	–	1,448
Deferred tax assets	–	–	–	–	–	159	–	159
Current tax assets	–	–	–	–	–	121	–	121
Retirement benefit assets	–	–	–	–	–	250	–	250
Other assets	1,523	10,272	–	–	–	646	–	12,441
Prepaid expenses and accrued income	999	–	–	–	–	464	–	1,463
Assets held for sale	–	–	–	–	–	–	22,186	22,186
Total assets	**295,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,053**	**22,186**	**581,472**

Liabilities

		Fair value through profit or loss (FVPL)					
1 Jan 2018, EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Non-financial liabilities	Liablities held for sale	Total
Deposit by credit institutions	34,078	5,905	–	–	–	–	39,983
Deposits and borrowings from the public	163,330	9,075	29	–	–	–	172,434
Deposits in pooled schemes and unit-linked investment contracts	–	–	26,333	–	–	–	26,333
Liabilities to policyholders	–	–	3,486	–	15,926	–	19,412
Debt securities in issue	122,511	–	56,603	–	–	–	179,114
Derivatives	–	41,607	–	1,106	–	–	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,450	–	–	–	–	–	1,450
Current tax liabilities	–	–	–	–	389	–	389
Other liabilities	2,883	24,421	–	–	1,261	–	28,515
Accrued expenses and prepaid income	246	–	–	–	1,357	–	1,603
Deferred tax liabilities	–	–	–	–	717	–	717
Provisions	–	–	–	–	377	–	377
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	8,987	–	–	–	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total liabilities	**333,435**	**81,008**	**86,451**	**1,106**	**20,308**	**26,031**	**548,339**

G1. Accounting policies, cont.

The new classification and measurement requirements in IFRS 9 have resulted in the following reclassification and remeasurement of assets and liabilities at transition per 1 January 2018:

Reclassification of assets and liabilities at transition

		Fair value through profit or loss (FVPL)						
Assets, EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/ joint ventures	Assets held for sale	Total
Balance at 31 Dec 2017 under IAS 39	**295,639**	**118,240**	**98,469**	**1,696**	**36,342**	**9,040**	**22,186**	**581,612**
Required reclassification from Fair value option to AC[1]	234	–	–234	–	–	–	–	–
Required reclassification from Fair value option to FVPL mandatorily[2]	–	89,904	–89,904	–	–	–	–	–
Required reclassification from AC to FVPL mandatorily[1]	–23	23	–	–	–	–	–	–
Reclassification of provisions on loans held at fair value	128	–128	–	–	–	–	–	–
Impact from companies accounted for under the equity method	–	–	–	–	–	–28	–	–28
Remeasurement[3]	–153	–	–	–	–	41	–	–112
Balance at 1 Jan 2018 under IFRS 9	**259,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,053**	**22,186**	**581,472**

		Fair value through profit or loss (FVPL)					
Liabilities, EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Non-financial liabilities	Liabilities held for sale	Total
Balance at 31 Dec 2017 under IAS 39	**333,435**	**81,008**	**86,451**	**1,106**	**20,265**	**26,031**	**548,296**
Remeasurement under IFRS 9[4]	–	–	–	–	43	–	43
Balance at 1 Jan 2018 under IFRS 9	**333,435**	**81,008**	**86,451**	**1,106**	**20,308**	**26,031**	**548,339**

1) The reclassification relates to Loans and is required by the classification criteria in IFRS 9. These loans were reclassified to amortised cost as the business model for these loans under IFRS 9 is to hold them and collect contractual cash flows. Under IAS 39 these loans were designated at fair value through profit or loss as they were considered to be part of Markets' portfolio of assets and liabilities which were managed on a fair value basis. The fair value of these loans 31 December 2018 does not significantly differ from the carrying amount at the same date which was EUR 91m. The changes in fair value of these loans during 2018 was EUR 143m and the effective interest rate 1 January 2018 was in the range 0.36%–3.56%. The interest income from these loans during 2018 amounts to EUR 2m and was presented in the income statement on the row Net results from items at fair value in the income statement.

2) Interest-bearing securities of EUR 202m, shares of EUR 11,926m, loans of EUR 52,547m and assets in pooled schemes of EUR 25,229m have been reclassified from Fair value option to Fair value through profit and loss, mandatorily. The reason for this reclassification of interest-bearing securities, shares and loans is that these assets have cash flows that were not solely payments of principle and interest and therefore based on classification criteria mandatorily should be measured at fair value through profit or loss. The reason for the reclassification of the pooled schemes was that these assets are managed on a fair value basis and therefore based on the classification criteria mandatorily should be measured at fair value through profit or loss.

3) Amortised cost (AC) consists of remeasurement of collective and individual provisions of EUR 153m and FVOCI consist of new provisions of EUR 2m and an equal but opposite fair value measurement. Non financial assets consist of an increase of deferred tax assets of EUR 41m.

4) Increase in provision for off-balance sheet items of EUR 48m and decrease of deferred tax liability of EUR 5m.

G1. Accounting policies, cont.

The assets to test for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 will have individually calculated provisions, while for insignificant assets the assessment is based on a statistical model. In stage 1, the provisions equal the 12 months expected loss. In stage 2 and 3, the provisions equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. For assets held at transition, Nordea has decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets recognised after transition, changes to the lifetime Probability of Default (PD) are used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2.

Nordea's model for calculating collective provisions under IAS 39 defined a loss event as one notch deterioration in rating/scoring, while the triggering event for moving items from stage 1 to stage 2 under IFRS 9 requires several notches deterioration. The provisions under IFRS 9 are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 is based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea earlier, under IAS 39, held provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 requires provisions equal to the lifetime expected loss.

When calculating expected losses under IFRS 9, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea has decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as a provision.

The quantitative impact from the new impairment requirements on total allowances and provisions for on- and off-balance exposures, including debt instruments accounted for at fair value through other comprehensive income (FVOCI), was an increase of EUR 203m. Equity was reduced by EUR 183m including the expected impact from companies accounted for under the equity method. The impact on the Common Equity Tier 1 capital ratio, after adjustment of the shortfall deduction and before transition rules, was insignificant. Nordea has not applied the transitional rules issued by the EU allowing a phase in of the impact on common equity tier-1 capital. There was no material impact to large exposures. The impact on provisions is disclosed in the table below.

Impairment calculations under IFRS 9 requires more experienced credit judgement by the reporting entities than was required by IAS 39 and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward-looking scenarios.

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 10). If Nordea instead had elected to apply the new hedge accounting requirement in IFRS 9 that would not have resulted in any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures. The reason is that Nordea generally uses macro (portfolio) hedge accounting.

IFRS 15 "Revenue from Contracts with Customers"

The new standard IFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes earlier revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The standard does not apply to financial instruments, insurance contracts or lease contracts.

The standard was implemented by Nordea as from 1 January 2018 using the modified retrospective approach, meaning that the cumulative effect of the change was recognised as an adjustment to equity in the opening balance 2018. Comparable figures for 2017 are not restated.

The new standard had an impact on Nordea's accounting policies for loan origination fees, as such fees are amortised as part of the effective interest of the loans to a larger extent than before. The total negative impact on equity from IFRS 15

Reclassification of provisions at transition

EURm	Held to maturity	Loans and receivables	Amortised cost (AC)	Available for sale	Fair value through other comprehensive income (FVOCI)	Off-balance	Total
Balance at 31 Dec 2017 under IAS 39	**–**	**2,333**	**–**	**–**	**–**	**91**	**2,424**
Reclassification to AC	–	–2,156	2,156	–	–	–	0
Reclassification to FVPL	–	–177	–	–	–	–	–177
Remeasurement under IFRS 9, collective provisions	–	–	143	–	2	48	193
Remeasurement under IFRS 9, individual provisions	–	–	10	–	–	–	10
Balance at 1 Jan 2018 under IFRS 9	**–**	**–**	**2,309**	**–**	**2**	**139**	**2,450**

G1. Accounting policies, cont.

amounts to EUR 61m after tax and was recognised as an opening balance adjustment 1 January 2018.

IAS 1 "Presentation of Financial Statements"

As a result of IFRS 9, IASB have amended IAS 1 "Presentation of Financial Statements". These amendments were implemented by Nordea as from 1 January 2018.

As a result of the amendments in IAS 1, Nordea presents interest income on two rows in the income statement, Interest income calculated using the effective interest rate method and Other interest income. On the row Interest income calculated using the effective interest method, Nordea presents interest income from financial assets measured at amortised cost and at fair value through other comprehensive income. This line item also includes the net paid or received interest on hedging instruments relating to these assets. All other interest income is presented on the income statement row Other interest income. The comparative figures for 2017 have been restated.

Other amended requirements

The following new and amended standards and interpretations were implemented by Nordea 1 January 2018 but have not had any significant impact on the financial statements of Nordea:

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with
- IFRS 4 Insurance contracts
- Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions
- Amendments to IAS 40: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle

As from 1 October 2018 Nordea is applying certain rules in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decision of the Ministry of Finance on the financial statements and consolidated statements of credit institutions. Earlier Nordea applied certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board. These changes have not had any significant impact on Nordea's financial statements.

3. Changes in IFRSs not yet applied

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contributions of assets between an investor and its associated undertaking or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

IFRS 16 "Leases"

The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The standard was endorsed by the EU-commission in 2017.

The main impact on Nordea's financial statements will come from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than today. The right of use asset, presented as "Properties and equipment" on the balance sheet, will amount to EUR 1.5bn. The increase of total assets will be EUR 1.2bn considering also a reclassification of already existing prepaid lease expenses. There is no significant impact on the income statement or equity, although the presentation will change in the income statement. The impact on the CET1 ratio is negative by 12 basis points following an increase in REA. See note G49 "IFRS 16" for more information on the impact from IFRS 16.

IFRS 17 "Insurance contracts"

The IASB has published the new standard IFRS 17 "Insurance contracts". The new standard will change the accounting requirements for recognition, measurement, presentation and disclosure of insurance contracts.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on the three measurement models Building Block Approach (BBA), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with variable fee or short term). The three measurement models include consistent definitions of the contractual cash-flows, risk adjustment margin and discounting. These definitions are based on the similar principles as the measurement principles for technical provisions in the Solvency II capital requirement directives. Unearned future premiums will be recognised as a provision on the balance sheet and released to revenue when the insurance service is provided. Any unprofitable contracts will be recognized in the income statement at the time when the contract is signed and approved.

IFRS 17 is effective for annual report period beginning on or after 1 January 2021 with earlier application permitted. However, due to comments from the global insurance industry the IASB board has proposed to amend IFRS 17 including a one-year deferral of IFRS 17 effective date to 1 January 2022. The standard is not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

Other changes in IFRS

The IASB has published the following new or amended standards that are assessed to have no significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application:

G1. Accounting policies, cont.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of business
- Amendments to IAS 1 and IAS 8: Definitions of Material

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:

- the sources of estimation uncertainty at the end of the reporting
- period, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant impact on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  - goodwill and
  - loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the actuarial calculations of insurance contracts
- the valuation of investment properties
- the classification of leases
- the classification of additional tier 1 instruments
- assessing control for consolidation purposes
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G40 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was EUR 178,960m (EUR 189,157m) and EUR 136,412m (EUR 141,819m) respectively at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note G40 "Assets and liabilities at fair value".

Estimation uncertainty also arises at initial recognition of financial instruments that are part of larger structural transactions. Although subsequently not necessarily held at fair value such instruments are initially recognised at fair value and as there is normally no separate transaction price or active market for such individual instruments the fair value has to be estimated.

Impairment testing of goodwill

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G20 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 1,816m (EUR 1,994m) at the end of the year.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (generally 3-5 years) and to the estimated sector growth rate for the period beyond 3-5 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

The rates used to discount future expected cash flows are based on the long-term risk-free interest rate plus a risk premium (post tax). The risk premium is based on external information of overall risk premiums in relevant countries.

For information on the sensitivity to changes in relevant parameters, see Note G20 "Intangible assets".

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 14 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. Nordea's total lending before impairment allowances was EUR 329,306m (EUR 325,879m) at the end of the year. For more information, see Note G13 "Loans and impairment".

When calculating allowances for individually significant impaired loans, judgement is exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, including the valuation of any collateral received. Judgement is also applied when assigning the likelihood of the different scenarios occurring.

Judgement is exercised to assess when an exposure has experienced a significant increase in credit risk. If this is the case, the provision should reflect the lifetime expected losses, as opposed to a 12-month expected loss for exposures not having increased significantly in credit risk. Judgement is also exercised in the choice of modelling approaches covering other parameters used when calculating the expected losses, such as the expected lifetime used in stage 2, as well as in the

G1. Accounting policies, cont.

assessment of whether the parameters based on historical experience are relevant for estimating future losses.

The statistical models used to calculate provisions are based on macro-economic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of to what extent the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses.

Effectiveness testing of cash flow hedges

Nordea's accounting policies for cash flow hedges are described in section 10 "Hedge accounting".

One important judgement in connection to cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 23 "Employee benefits".

The defined benefit obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G32 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,494m (EUR 3,454m) at the end of the year.

Actuarial calculations of insurance contracts

Nordea's accounting policy for insurance contracts is described in section 19 "Liabilities to policyholders".

A valuation of insurance liabilities includes estimations and assumptions, both financial and actuarial. One of the important financial assumptions is the interest rate used for discounting future cash flows. Important actuarial assumptions are those on mortality and disability, which affect the size and timing of the future cash flows. The financial and actuarial assumptions are, to a large extent, stipulated in local legislation and therefore not under Nordea's discretion. Also, assumptions about future administrative and tax expenses have an impact on the calculation of policyholder liabilities.

The insurance liability was EUR 15,001m (EUR 15,931m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G27 "Liabilities to policyholders".

Valuation of investment properties

Nordea's accounting policies for investment properties are described in section 18 "Investment properties".

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amounts of investment properties were EUR 1,607m (EUR 1,448m) at the end of the year. See Note G22 "Investment properties" for more information on amounts and parameters used in these models.

Classification of leases

Nordea's accounting policies for leases are described in section 15 "Leasing".

Critical judgement has to be exercised when classifying lease contracts. A lease is classified as a finance lease if it transfers substantially all the risks and rewards related to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards related to ownership.

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the assets by the end of the lease term, nor any economic benefit from appreciation in value of the leased properties. In addition, the lease term is not for the major part of the assets' economic life. As a result, Nordea has classified these leases as operating leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement. The carrying amount of these properties at the time of disposal was EUR 1.5bn.

More information on lease contracts can be found in Note G21 "Leasing".

Classification of additional tier 1 instruments

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of these instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

Assessing control for consolidation purposes

One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns.

G1. Accounting policies, cont.

Nordea's critical judgement is that Nordea is normally exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea also is the investment manager and thus have influence over the return produced by the structured entity.

Another judgement relating to control is whether Nordea acts as an agent or as a principal. For unit linked and other contracts where the policyholder/depositor decides both the amount and which assets to invest in, Nordea is considered to act as an agent and thus does not have control.

Judgement also has to be exercised when assessing if a holding of a significant, but less than majority, share of voting rights constitute a so called de facto control and to what extent potential voting rights need to be considered in the control assessment. Nordea's assessment is that Nordea does currently not control any entities where the share of voting rights is below 50%.

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 21 "Taxes" and Note G11 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

The carrying amount of deferred tax assets was EUR 164m (EUR 118m) at the end of the year.

Claims in civil lawsuits

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note G31 "Provisions" and Note G36 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company Nordea Bank Abp, and those entities that the parent company controls. Control exists when Nordea is exposed to variability in returns from its investments in another entity and has the ability to affect those returns through its power over the other entity. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent of the voting rights. For entities where voting rights does not decide control, see section "Structured entities" below.

All group undertakings are consolidated using the acquisition method, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was consolidated using the pooling method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

As at the acquisition date Nordea recognises the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

For each business combination Nordea measures the non-controlling interest in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income.

Intra-group transactions and balances between the consolidated group undertakings are eliminated.

The group undertakings are included in the consolidated accounts as from the date on which control is transferred to Nordea and are no longer consolidated as from the date on which control ceases.

In the consolidation process the reporting from the group undertakings is adjusted to ensure consistency with the IFRS principles applied by Nordea.

Note P21 "Investments in group undertakings" lists the major group undertakings in the Nordea Group.

Investments in associated undertakings and joint ventures

The equity method of accounting is used for associated undertakings where the share of voting rights is between 20 and 50 per cent and/or where Nordea has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The equity method of accounting is also used for joint ventures where Nordea has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments within Nordea's investment activities, which are classified as a venture capital organisation within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IAS 39. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

Profits from companies accounted for under the equity method are reported post-taxes in the income statement. Consequently, the tax expense related to these profits is not included in the income tax expense for Nordea.

Nordea does generally not have any sales or contribution of assets to or from associated undertakings or joint ventures. Other transactions between Nordea and its associated undertaking or joint ventures are not eliminated.

Note G19 "Investments in associated undertakings and joint ventures" lists the major associated undertakings in the Nordea Group.

Structured entities

A structured entity is an entity created to accomplish a narrow and well-defined objective where voting rights are not the dominant factor in determining control. Often legal arrangements impose strict limits on the decision-making powers of the management over the on-going activities of a structured entity. The same consolidation requirements apply to these entities, but as voting rights do not decide whether control exists, other factors are used to determine control.

Power can exist due to agreements or other types of influence over a structured entity. Nordea normally has power

G1. Accounting policies, cont.

over entities sponsored or established by Nordea. Nordea has created a number of structured entities to allow clients to invest in assets invested in by the structured entity. Some structured entities invest in tradable financial instruments, such as shares and bonds (mutual funds). Structured entities can also invest in structured credit products or acquire assets from customers of Nordea, although only one such structured entity currently exists. Nordea is generally the investment manager and has sole discretion about investments and other administrative decisions and thus has power over these entities.

Typically, Nordea will receive service and commission fees in connection with the creation of the structured entity, or because it acts as investment manager, custodian or in some other function. Such income is normally not significant enough to expose Nordea to variability in returns and will thus not trigger consolidation. In some structured entities Nordea has also supplied substantial parts of the funding in the form of fund units, loans or credit commitments. In these structured entities Nordea is exposed to variability in returns and as the power over these entities affects the return, these structured entities are consolidated. Nordea normally considers a share of more than 30% of the return produced by a structured entity to give rise to variability and thus give control. Variability is measured as the sum of fees received and revaluation of assets held. For unit linked and other contracts where the policyholder/depositor decide both the amount and which assets to invest in, Nordea is considered to act as an agent and does thus not have control.

Further information about consolidated and unconsolidated structured entities is disclosed in note G47 "Interests in structured entities".

Currency translation of foreign entities/branches

The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank Abp. The current method is used when translating the financial statements of foreign entities and branches into EUR from their functional currency. The assets and liabilities of foreign entities and branches have been translated at the closing rates, while items in the income statement and statement of comprehensive income are translated at the average exchange rate for the year. The average exchange rates are calculated based on daily exchange rates divided by the number of banking days in the period. Translation differences are accounted for in other comprehensive income and are accumulated in the translation reserve in equity.

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as items in the same functional currency as the cash generating unit to which they belong and are also translated at the closing rate.

Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

Information on the most important exchange rates is disclosed in the separate section 29 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the estimated future cash flows to the net carrying amount of the financial asset or financial liability.

Interest income and expenses from financial instruments are, with the exceptions described below, classified as "Net interest income".

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value" in the income statement. Also, the interest on the net funding of the operations in Markets is recognised on this line.

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, is classified as "Net result from items at fair value", apart for derivatives used for hedging, including economical hedges of Nordea's funding, where such components are classified as "Net interest income".

Interest income is presented on two rows in the income statement, Interest income calculated using the effective interest rate method and Other interest income. On the row Interest income calculated using the effective interest method, Nordea present interest income from financial assets measured at amortised cost or at fair value through other comprehensive income. This line items also includes the effect from hedge accounting relating to these assets. All other interest income is presented on the income statement row Other interest income, and consists mainly of interest income on lending held at fair value in Denmark.

Net fee and commission income

Nordea earns commission income from different services provided to customers. The recognition of commission income depends on the purpose for which the fees are received.

The major part of the revenues classified as "Commission income" constitutes revenue from contracts with customers according to IFRS 15. Fee income is recognised either when or as performance obligations are satisfied.

Asset management commissions are generally recognised over time as services are performed and are normally based on assets under management. These fees are recognised based on the passage of time as the amount, and the right to the fee, corresponds to the value received by the customer. Variable fees that are based on relative performance compared with a benchmark are in asset management rare and they are normally fixed and recognised at least each reporting date. Variable fees that are not fixed at the reporting date cannot generally be recognised as the outcome is uncertain and subject to market development.

Life & Pension commission income includes fee income, referred to as expense loading, from insurance contracts and investment contracts with policyholders. Investments contracts are contracts that do not include enough insurance risk to be classified as insurance contracts. The expense loading is the part of the premium income considered to be compensation for the contract administration. The fee income is recognised over time when the services are performed. These contracts do generally not include any up-front fees.

Fees categorised as Deposit Products, Brokerage, securities issues and corporate finance, Custody and issuer service and Payment commissions are recognised both over time and at a point of time dependent on when the performance obligations are satisfied. Card fees are categorised as interchange fees that are recognised at a point of time, when the customer uses the services, and cardholder fees that are recognised over time or at a point of time if the fee is transaction based.

Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time. The amount of loan syndication fees, as well as other transaction-based fees, received are recognised at a point when the per-

G1. Accounting policies, cont.

formance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received on bilateral transactions are generally amortised as part of the effective interest of the financial instruments recognised.

Income from issued financial guarantees, and expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as “Fee and commission income” and “Fee and commission expense” respectively. Other fee income is generally transaction based.

Commission expenses are normally transaction based and recognised in the period when the services are received.

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments and investment properties measured at fair value through profit or loss are recognised in the item “Net result from items at fair value”.

Realised and unrealised gains and losses derive from:

- Shares/participations and other share-related instruments
- Interest-bearing securities and other interest-related instruments Other financial instruments, including credit derivatives as well as commodity instruments/derivatives
- Foreign exchange gains/losses
- Investment properties, which include realised and unrealised income, for instance revaluation gains and losses. This line also includes realised results from disposals as well as the running property yield stemming from the holding of investment properties.

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Nordea Life & Pensions are classified as “Net result from items at fair value” in the income statement. Also, the interest on the net funding of the operations in Markets is recognised on this line.

Also, the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Financial assets at fair value through other comprehensive income are recognised in “Net result from items at fair value”.

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt.

“Net result from items at fair value” includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss. Impairment losses from instruments within other categories are recognised in the items ”Net loan losses” or “Impairment of securities held as financial non-current assets” (see also the sub-sections ”Net loan losses” and “Impairment of securities held as financial non-current assets” below).

Dividends received are recognised in the income statement as “Net result from items at fair value” and classified as “Shares/participations and other share-related instruments” in the note. Income is recognised in the period in which the right to receive payment is established.

The income recognition and descriptions of the lines relating to life insurance are described in section 7 “Income recognition life insurance” below.

Profit from companies accounted for under the equity method

The profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea’s share of net assets in the associated undertakings and the joint ventures. Nordea’s share of items accounted for in other comprehensive income in the associated undertakings and the joint ventures is accounted for in other comprehensive income in Nordea. Profits from companies accounted for under the equity method are, as stated in section 5 “Principles of consolidation”, reported in the income statement post-taxes. Consequently, the tax expense related to these profits is excluded from the income tax expense for Nordea.

Fair values are, at acquisition, allocated to the associated undertaking’s and the joint venture’s identifiable assets, liabilities and contingent liabilities. Any difference between Nordea’s share of the fair values of the acquired identifiable net assets and the purchase price is goodwill or negative goodwill. Goodwill is included in the carrying amount of the associated undertaking and the joint venture. Subsequently the investment in the associated undertaking and the joint venture increases/decreases with Nordea’s share of the post-acquisition change in net assets in the associated undertaking and the joint venture and decreases through received dividends and impairment. An impairment charge can be reversed in a subsequent period.

The change in Nordea’s share of the net assets is generally based on monthly reporting from the associated undertakings and joint ventures. For some associated undertakings and joint ventures not individually significant the change in Nordea’s share of the net assets is based on the external reporting of the associated undertakings and the joint ventures and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings and the joint ventures is, if applicable, adjusted to comply with Nordea’s accounting policies.

Other operating income

Net gains from divestments of shares in group undertakings, associated undertakings and joint ventures and net gains on sale of tangible assets as well as other operating income, not related to any other income line, are generally recognised when it is probable that the benefits associated with the transaction will flow to Nordea and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

Net loan losses

Impairment losses from financial assets classified into the categories Amortised cost and Fair value through other comprehensive income (see section 13 “Financial instruments”), in the items “Loans to central banks”, “Loans to credit institutions”, “Loans to the public” and "Interest-bearing securities" on the balance sheet, are reported as ”Net loan losses” together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea’s accounting policies for the calculation of impairment losses on loans can be found in section 14 “Loans to the public/credit institutions”.

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but excluding loans held at fair value as described above is reported under "Net result from items at fair value".

Impairment of securities held as financial non-current assets

Impairment on investments in associated undertakings and joint ventures are classified as “Impairment of securities held as financial non-current assets” in the income statement. The policies covering impairment of financial assets classified into the category Amortised cost are disclosed in section 13

G1. Accounting policies, cont.

"Financial instruments" and section 14 "Loans to the public/ credit institutions".

If observable indicators (loss events) indicate that an associated undertaking or the joint ventures is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associated undertaking or the joint venture is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

7. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the saving part of the life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 "Liabilities to policyholders".

The total income from life insurance mainly consists of the following components:

- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

The result from these components is, except for the cost result and the risk and performance margin relating to Unit Linked and Investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income", together with the risk and performance margin relating to Unit Linked and Investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholder's part of a positive or negative cost result (profit sharing) is included in the note line "Change in technical provisions, Life insurance" within Note G5 "Net result from items at fair value".

The insurance risk result consists of income from individual risk products and from unbundled life insurance contracts as well as Health and personal accident insurance. The risk premiums are amortised over the coverage period as the provisions are reduced when insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive a part of a net income or a net deficit. The risk income and the risk expenses are presented gross on the lines "Insurance risk income, Life insurance" and "Insurance risk expense, Life insurance" in Note G5 "Net result from items at fair value". The policyholder's part of the result is included in the line "Change in technical provisions, Life insurance" in the note.

Gains and losses derived from investments in Nordea Life & Pensions are split on the relevant lines in Note G5 "Net result from items at fair value" as for any other investment in Nordea. The lines include investment return on assets held to cover liabilities to policyholders and return on the additional capital allocated to Nordea Life & Pensions (Shareholders capital in the Nordea Life & Pensions group).

The note line "Change in technical provisions, Life insurance" in Note G5 "Net result from items at fair value" includes:

- Investment returns on assets held to cover liabilities to policyholders (including liabilities from traditional life insurance, unit linked insurance and investment contracts), individually transferred to policyholders' accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to the policyholders.
- Risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit linked contracts.

The note line "Change in collective bonus potential, Life insurance" in Note G5 "Net result from items at fair value" relates only to traditional life insurance contracts. The line includes policyholders' share of investment returns not yet individualised. The line includes also additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

8. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (and an asset or a liability is recognised as "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to Nordea, i.e. on settlement date.

Loans where cash flows are modified, or part of a restructuring are derecognised, and a new loan recognised, if the terms and conditions of the new loan is substantially different from the old loan. This is normally the case if the present value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities.

In some cases, Nordea enters into transactions where it transfers assets that are recognised on the balance sheet but retains either all or a portion of risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea's counterpart can sell or repledge the transferred assets, the assets are reclassified to the item "Financial instruments pledged as collateral" on the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. securities lending agreements and repurchase agreements.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a

G1. Accounting policies, cont.

deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognized as "Other liabilities" on the balance sheet on trade date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 13 "Financial instruments", as well as Note G43 "Transferred assets and obtained collaterals".

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

10. Hedge accounting

As a part of Nordea's risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note G18.

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea applies one of three types of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39.

The EU carve out version enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

At inception, Nordea formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item, as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

Transactions that are entered into in accordance with Nordea's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management"in the Board of Directors' report and Note G18. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

Fair value hedge accounting in Nordea is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

Hedged items

A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in Nordea consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in Nordea are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value. Cash instruments are only used as hedging instruments when hedging currency risk.

Hedge effectiveness

When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

If the hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The effect of changes in Nordea's or a counterparty's credit risk on the fair value of the hedging instrument or hedged items

G1. Accounting policies, cont.

- Disparity between expected and actual prepayments of the loan portfolio

Cash flow hedge accounting
In accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note G18, cash flow hedge accounting is applied when hedging the exposure to variability in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income or interest expense is recognised.

Hedged items
A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or liabilities or from future assets or liabilities. Nordea uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency and when hedging interest rate risk in lending with floating interest rates.

Hedging instruments
The hedging instruments used in Nordea are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. When hedging the interest rate risk in lending with floating interest rates Nordea uses interest rate swaps as hedging instruments, which are always held at fair value.

Hedge effectiveness
The hypothetical derivative method is used when measuring the effectiveness retrospectively of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is terminated. Changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction no longer is expected to occur.

If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

Hedges of net investments
In accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note G18, Nordea hedges its translation risk. Translation risk is defined as the risk of loss from equity capital investment in foreign operations that are denominated in a foreign currency other than the Group reporting currency (EUR). The hedging instruments used by Nordea are FX swaps.

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Hedge ineffectiveness can arise to the extent the hedging instruments exceed in nominal terms the risk exposure from the foreign operations. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

See also section 9 "Translation of assets and liabilities denominated in foreign currencies".

11. Determination of fair value of financial instruments
Financial assets and liabilities classified into the categories Financial assets/liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net result from items at fair value".

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:
- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)

G1. Accounting policies, cont.

- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchanges, the counterparty´s valuations, price data from consensus services etc.

Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note G40 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

The valuation models applied by Nordea are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by the Model Risk Committee and all models are reviewed on a regular basis.

For further information, see Note G40 "Assets and liabilities at fair value".

12. Cash and balances with central banks

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:

- The central bank or the postal giro system is domiciled in the country where the institutions is established
- The balance is readily available at any time

13. Financial instruments

Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:

- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial asset at fair value through other comprehensive income

Financial liabilities:

- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)

The classification of a financial assets is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is to both keep the instruments to collect the contractual cash flows and sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the table "Classification of assets and liabilities under IFRS 9" above the classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, includ-

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 Management	Group Finance & Treasury	Other Operating segments	Total operating segments	Reconciliation	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 Management	Group Finance & Treasury	Other Operating segments	Total operating segments	Reconciliation	Total Group
Net interest income	2,210	1,232	826	80	75	131	4,554	112	4,666
Net fee and commission income	1,295	649	552	1,577	–9	28	4,092	–723	3,369
Net result from items at fair value	49	255	628	291	97	9	1,329	–1	1,328
Profit from associated undertakings accounted for under the equity method	1	13	–	0	0	1	15	8	23
Other income	6	31	4	18	1	6	66	17	83
Total operating income	**3,561**	**2,180**	**2,010**	**1,966**	**164**	**175**	**10,056**	**–587**	**9,469**
- of which internal transactions[1]	–479	–253	–311	–7	1,058	–8	0	–	–
Staff costs	–792	–500	–597	–487	–127	–48	–2,551	–661	–3,212
Other expenses	–989	–727	–308	–334	140	–99	–2,317	695	–1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	–110	–14	–28	–12	0	0	–164	–104	–268
Total operating expenses	**–1,891**	**–1,241**	**–933**	**–833**	**13**	**–147**	**–5,032**	**–70**	**–5,102**
Profit before loan losses	**1,670**	**939**	**1,077**	**1,133**	**177**	**28**	**5,024**	**–657**	**4,367**
Net loan losses	–43	–84	–224	1	0	–11	–361	–8	–369
Operating profit	**1,627**	**855**	**853**	**1,134**	**177**	**17**	**4,663**	**–665**	**3,998**
Income tax expense	–391	–205	–205	–261	–42	–4	–1,108	158	–950
Net profit for the year	**1,236**	**650**	**648**	**873**	**135**	**13**	**3,555**	**–507**	**3,048**
Balance sheet 31 Dec 2017, EURbn									
Loans to the public[2]	141	80	48	8	–	4	281	29	310
Deposits and borrowings from the public[2]	68	41	40	10	–	4	163	9	172

1) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined inter-segment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.

2) The volumes are only disclosed separate for operating segments if separately reported to the Chief Operating Decision Maker.

G2. Segment reporting, cont.

Break-down of Personal Banking

Income statement, EURm	Personal Banking Denmark 2018	Personal Banking Denmark 2017	Personal Banking Finland 2018	Personal Banking Finland 2017	Personal Banking Norway 2018	Personal Banking Norway 2017	Personal Banking Sweden 2018	Personal Banking Sweden 2017	Personal Banking Other[1] 2018	Personal Banking Other[1] 2017	Total Personal Banking 2018	Total Personal Banking 2017
Net interest income	576	637	424	441	375	366	709	770	–17	–4	2,067	2,210
Net fee and commission income	312	363	366	390	122	120	432	423	–13	–1	1,219	1,295
Net result from items at fair value	112	–6	18	21	14	11	25	20	1	3	170	49
Profit from associated undertakings accounted for under the equity method	–	–	–	–	–	–	–	–	0	1	0	1
Other income	–3	–2	1	4	2	1	5	1	3	2	8	6
Total operating income	**997**	**992**	**809**	**856**	**513**	**498**	**1,171**	**1,214**	**–26**	**1**	**3,464**	**3,561**
- of which internal transactions	–172	–113	–92	–73	–163	–179	–110	–116	–1	2	–538	–479
Staff costs	–201	–203	–129	–153	–84	–79	–153	–163	–201	–194	–768	–792
Other expenses	–384	–371	–333	–319	–166	–162	–387	–371	265	234	–1,005	–989
Depreciation, amortisation and impairment charges of tangible and intangible assets	–10	–14	–7	–7	–2	–3	–4	–5	–118	–81	–141	–110
Total operating expenses	**–595**	**–588**	**–469**	**–479**	**–252**	**–244**	**–544**	**–539**	**–54**	**–41**	**–1,914**	**–1,891**
Profit before loan losses	**402**	**404**	**340**	**377**	**261**	**254**	**627**	**675**	**–80**	**–40**	**1,550**	**1,670**
Net loan losses	–24	–4	–33	–12	–2	–4	–19	–17	–1	–6	–79	–43
Operating profit	**378**	**400**	**307**	**365**	**259**	**250**	**608**	**658**	**–81**	**–46**	**1,471**	**1,627**
Income tax expense	–91	–96	–74	–88	–62	–60	–146	–158	20	11	–353	–391
Net profit for the year	**287**	**304**	**233**	**277**	**197**	**190**	**462**	**500**	**–61**	**–35**	**1,118**	**1,236**
Balance sheet 31 Dec, EURbn												
Loans to the public	36	36	32	32	29	27	46	46	–	–	143	141
Deposits and borrowings from the public	17	17	21	21	8	8	23	22	–	–	69	68

1) Personal Banking Other includes the areas COO, Products and HR.

Break-down of Commercial & Business Banking

Income statement, EURm	Business Banking 2018	Business Banking 2017	Business Banking Direct 2018	Business Banking Direct 2017	Commercial & Business Banking Other[1] 2018	Commercial & Business Banking Other[1] 2017	Total Commercial & Business Banking 2018	Total Commercial & Business Banking 2017
Net interest income	1,045	1,008	206	214	25	10	1,276	1,232
Net fee and commission income	462	522	166	176	–62	–49	566	649
Net result from items at fair value	290	250	17	19	–9	–14	298	255
Profit from associated undertakings accounted for under the equity method	5	9	–	–	4	4	9	13
Other income	1	1	0	0	20	30	21	31
Total operating income	**1,803**	**1,790**	**389**	**409**	**–22**	**–19**	**2,170**	**2,180**
- of which internal transactions	–241	–258	–5	–3	–1	8	–247	–253
Staff costs	–170	–186	–51	–56	–218	–258	–439	–500
Other expenses	–664	–709	–195	–197	159	179	–700	–727
Depreciation, amortisation and impairment charges of tangible and intangible assets	–5	–5	–2	–2	–8	–7	–15	–14
Total operating expenses	**–839**	**–900**	**–248**	**–255**	**–67**	**–86**	**–1,154**	**–1,241**
Profit before loan losses	**964**	**890**	**141**	**154**	**–89**	**–105**	**1,016**	**939**
Net loan losses	–14	–88	–3	10	–7	–6	–24	–84
Operating profit	**950**	**802**	**138**	**164**	**–96**	**–111**	**992**	**855**
Income tax expense	–228	–195	–33	–39	23	29	–238	–205
Net profit for the year	**722**	**607**	**105**	**125**	**–73**	**–82**	**754**	**650**
Balance sheet 31 Dec, EURbn								
Loans to the public	70	68	12	12	–	–	82	80
Deposits and borrowings from the public	30	30	11	11	–	–	41	41

1) Commercial & Business Banking Other includes the areas COO, Transaction Banking, Digital Banking and HR.

G2. Segment reporting, cont.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Investment Banking 2018	Corporate & Investment Banking 2017	Financial Institutions Group & International Banks 2018	Financial Institutions Group & International Banks 2017	Banking Russia 2018	Banking Russia 2017	Capital Markets unallocated 2018	Capital Markets unallocated 2017	Wholesale Banking Other[1] 2018	Wholesale Banking Other[1] 2017	Total Wholesale Banking 2018	Total Wholesale Banking 2017
Net interest income	814	769	24	1	59	93	−4	−28	−35	−9	858	826
Net fee and commission income	399	455	133	150	11	16	−65	−69	−3	0	475	552
Net result from items at fair value	146	92	139	183	9	14	117	352	−4	−13	407	628
Profit from associated undertakings accounted for under the equity method	–	–	–	–	–	–	–	–	–	–	–	–
Other income	0	0	0	0	0	0	1	1	0	3	1	4
Total operating income	**1,359**	**1,316**	**296**	**334**	**79**	**123**	**49**	**256**	**−42**	**−19**	**1,741**	**2,010**
- of which internal transactions	−314	−256	−42	−41	−54	−66	−58	55	−5	−3	−473	−311
Staff costs	−99	−101	−10	−8	−23	−31	−218	−272	−151	−185	−501	−597
Other expenses	−377	−384	−201	−218	−18	−17	92	146	152	165	−352	−308
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	−2	−3	0	0	−53	−25	−55	−28
Total operating expenses	**−476**	**−485**	**−211**	**−226**	**−43**	**−51**	**−126**	**−126**	**−52**	**−45**	**−908**	**−933**
Profit before loan losses	**883**	**831**	**85**	**108**	**36**	**72**	**−77**	**130**	**−94**	**−64**	**833**	**1,077**
Net loan losses	−43	−203	0	0	−49	−20	0	0	0	−1	−92	−224
Operating profit	**840**	**628**	**85**	**108**	**−13**	**52**	**−77**	**130**	**−94**	**−65**	**741**	**853**
Income tax expense	−201	−151	−20	−26	3	−13	19	−31	21	16	−178	−205
Net profit for the year	**639**	**477**	**65**	**82**	**−10**	**39**	**−58**	**99**	**−73**	**−49**	**563**	**648**
Balance sheet 31 Dec, EURbn												
Loans to the public	45	44	2	2	2	2	–	–	–	–	49	48
Deposits and borrowings from the public	25	27	10	12	1	1	–	–	–	–	36	40

1) Wholesale Banking Other includes the areas International Divisions, COO and HR.

Break-down of Asset & Wealth Management

Income statement, EURm	Private Banking 2018	Private Banking 2017	Asset Management 2018	Asset Management 2017	Life & Pensions unallocated 2018	Life & Pensions unallocated 2017	Wealth Management Other[1] 2018	Wealth Management Other[1] 2017	Total Asset & Wealth Management 2018	Total Asset & Wealth Management 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,

G20. Intangible assets, cont.

including goodwill and computer software under development with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows for the coming three years are based on financial forecasts. The forecasts are based on the Nordea macro economic outlook, including information on GDP growth, inflation and benchmark rates for relevant countries. Based on these macro forecasts, business areas project how margins, volumes, sales and costs will develop the coming years. Credit losses are estimated using the long term average for the different business areas. This results in an income statement for each year. The projected cash flow for each year is the forecasted net result in these income statements, reduced by the capital needed to grow the business in accordance with the long term growth assumptions. The projections take into consideration the major projects initiated in Nordea, e.g. the transformation program. There is also an allocation of central costs to business areas to make sure the cash flows for the CGUs include indirect costs. Tax costs are estimated based on the standard tax rate. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. Growth rates are based on historical data, updated to reflect the current situation.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The following growth rates and discount rates have been used:

	Discount rate[1]		Growth rate	
EURm	2018	2017	2018	2017
Sweden	6.6	7.1	2.0	1.8
Denmark	5.9	6.6	1.3	1.3
Finland	5.9	6.6	1.3	1.3
Norway	6.4	7.1	1.8	1.8
Russia	9.2	9.5	0.0	0.0

1) Post-tax

The impairment tests conducted in 2018 did not indicate any need for goodwill impairment, except for Russia as explained below. See also Note G1 "Accounting policies" section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such a change would not result in any impairment.

Impairment

Due to the reduced business volumes in Nordea Russia combined with a continued cautious strategy going forward, the value of the Russian business does no longer sustain the recognised goodwill stemming from a significantly higher business volume and earnings level. Following this, Nordea has recognised an impairment loss of EUR 141m. With this impairment, there is no longer any goodwill recognised in relation to the Russian operations. The impairment test is based on the value in use of the Russian operations and the estimated future cash flows have been discounted with a post-tax discount rate of 9.2% (9.5%).

The goodwill has been recognised in the segment Banking Russia, which is a separate segment within Wholesale Banking. The impairment expense is recognised as a reconciliation difference in Note G2 "Segment reporting".

G21. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G13) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

Reconciliation of gross investments and present value of future minimum lease payments:

EURm	31 Dec 2018	31 Dec 2017
Gross investments	6,436	6,547
Less unearned finance income	–786	–815
Net investments in finance leases	**5,650**	**5,732**
Less unguaranteed residual values accruing to the benefit of the lessor	–34	–14
Present value of future minimum lease payments receivable	**5,614**	**5,718**
Accumulated allowance for uncollectible minimum lease payments receivable	8	3

As of 31 December 2018 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2018	
EURm	Gross investment	Net investment
2019	1,791	1,507
2020	1,615	1,369
2021	1,348	1,196
2022	594	546
2023	503	479
Later years	585	553
Total	**6,436**	**5,650**

G21. Leasing, cont.

Operating leases

Assets subject to operating leases mainly comprise real estate, vehicles, aeroplanes and other equipment. On the balance sheet they are reported as tangible assets.

Under non-cancellable operating leases, the future minimum lease payments receivable are distributed as follows:

EURm	31 Dec 2018
2019	1
2020	1
2021	1
2022	0
2023	–
Later years	–
Total	**3**

Nordea as a lessee

Finance leases

Nordea has only to a minor extent entered into finance lease agreements.

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment.

Leasing expenses during the year

EURm	2018	2017
Leasing expenses during the year	–218	–204
- of which minimum lease payments	–218	–197
- of which contingent rents	0	–7
Leasing income during the year regarding sublease payments	4	4

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	31 Dec 2018
2019	144
2020	121
2021	101
2022	88
2023	77
Later years	686
Total	**1,217**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 12m.

G22. Investment properties

EURm	31 Dec 2018	31 Dec 2017
Carrying amount at beginning of year	1,448	3,119
Acquisitions during the year	131	425
Sales/disposals during the year	–15	–179
Fair value adjustments	57	39
Transfers/reclassifications during the year	0	–2,043
Translation differences	–14	87
Carrying amount at end of year	**1,607**	**1,448**

Amounts recognised in the income statement[1]

EURm	2018	2017
Fair value adjustments	62	72
Rental income	85	159
Direct operating expenses that generate rental income	–21	–29
Direct operating expenses that did not generate rental income	–1	–10
Total	**125**	**192**

1) Included in Net result from items at fair value.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see Note G40 "Assets and liablilities at fair value.

G23. Other assets

EURm	31 Dec 2018	31 Dec 2017
Claims on securities settlement proceeds	594	924
Cash/margin receivables	10,161	9,007
Other	3,994	2,510
Total	**14,749**	**12,441**

G24. Prepaid expenses and accrued income

EURm	31 Dec 2018	31 Dec 2017
Accrued interest income	272	297
Other accrued income	324	464
Prepaid expenses	717	702
Total	**1,313**	**1,463**

G25. Deposits by credit institutions

EURm	31 Dec 2018	31 Dec 2017
Central banks	16,456	13,751
Banks	21,579	18,401
Other credit institutions	4,384	7,831
Total	**42,419**	**39,983**

G26. Deposits and borrowings from the public

EURm	31 Dec 2018	31 Dec 2017
Deposits[1]	160,228	165,418
Repurchase agreements	4,730	7,016
Total	**164,958**	**172,434**

1) Deposits related to individual pension savings (IPS) are also included.

G27. Liabilities to policyholders

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

EURm	31 Dec 2018	31 Dec 2017
Traditional life insurance provisions	6,187	6,264
- of which guaranteed provisions	6,110	6,178
- of which non-guaranteed provisions	77	86
Collective bonus potential	1,937	2,249
Unit-linked insurance provisions	6,375	6,922
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	6,375	6,922
Insurance claims provision	433	422
Provisions, Health & personal accident	69	74
Total Insurance contracts	**15,001**	**15,931**
Investment contracts	3,229	3,481
- of which guaranteed provisions	3,229	3,481
- of which non-guaranteed provisions	–	–
Total	**18,230**	**19,412**

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies.

G27. Liabilities to policyholders, cont.

31 Dec 2018, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Gross premiums written	94	–	340	–	–	132	566
Transfers	34	–	–34	–	–	–	0
Addition of interest/investment return	261	–	336	–	–	–97	500
Claims and benefits	–292	–	–606	12	–3	–262	–1,151
Expense loading inclusive addition of expense bonus	–25	–	–44	–	–	–28	–97
Change in provisions/bonus potential	144	–265	122	–	–1	–	0
Other	–242	–	–656	–	–	109	–789
Translation differences	–51	–47	–5	–1	–1	–106	–211
Provisions/bonus potentials, end of year	**6,187**	**1,937**	**6,375**	**433**	**69**	**3,229**	**18,230**
Provision relating to bonus schemes/ discretionary participation feature:	99%					71%	

31 Dec 2017, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,124**	**3,606**	**14,240**	**460**	**252**	**3,528**	**41,210**
Gross premiums written	612	–	2,591	–	–	137	3,340
Transfers/reclassification[1]	–12,299	–1,179	–9,637	–44	–173	5	–23,327
Addition of interest/investment return	517	–	1,072	–	–	284	1,873
Claims and benefits	–1,262	–	–1,241	–16	–7	–271	–2,797
Expense loading including addition of expense bonus	–91	–	–95	–	–	–31	–217
Change in provisions/bonus potential	42	–121	79	26	6	–	32
Other	20	–	–47	–	–	–25	–52
Translation differences	–399	–57	–40	–4	–4	–146	–650
Provisions/bonus potentials, end of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Provision relating to bonus schemes/ discretionary participation feature:	99%					72%	

1) EUR 23,316m is related to a reclassification to "Assets held for sale". See Note G42 for further information.

Insurance risks

Insurance risk is described in the "Risk, Liquidity and Capital management" section of the Board of Directors' Report. Additional quantitative information is found below

Life insurance risk and market risks in the Life insurance operations, Sensitivites

EURm	31 Dec 2018 Effect on policyholders liabilities[1]	31 Dec 2018 Effect on Nordeas Equity[2]	31 Dec 2017 Effect on policyholders liabilities[1]	31 Dec 2017 Effect on Nordeas Equity[2]
Mortality – increased living with 1 year	23.2	–17.9	23.4	–18.7
Mortality – decreased living with 1 year	–0.4	0.3	–0.5	0.4
Disability – 10% increase	8.9	–6.9	9.4	–7.5
Disability – 10% decrease	–6.3	4.9	–6.4	5.1
50 bp increase in interest rates	–287.3	–5.6	–266.1	–2.9
50 bp decrease in interest rates	288.7	5.6	266.9	2.9
12% decrease in all share prices	–680.8	–0.8	–724.1	–1.3
8% decrease in property value	–115.9	–0.8	–106.3	–0.6
8% loss on counterparts	–1.5	0.0	–4.7	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decrease.

G27. Liabilities to policyholders, cont.

Liabilities to policyholders divided in guarantee levels (technical interest rate)

31 Dec 2018, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	6,447	1,367	2,772	2,181	2,175	849	15,791

31 Dec 2017, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,006	1,502	2,924	2,185	2,225	825	16,667

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guarantees	Yes
Unit–Link	Mortality	Yes
	Disability	Yes
	Return guarantees	No
Health and personal accident	Mortality	No
	Disability	Yes
	Return guarantees	No
Financial contract	Mortality	No
	Disability	No
	Return guarantees	Yes

G28. Debt securities in issue

EURm	31 Dec 2018	31 Dec 2017
Certificates of deposit	29,693	10,743
Commercial papers	17,078	24,441
Covered bonds	107,936	111,701
Senior Non Preferred bonds	2,440	–
Other bonds	33,227	32,186
Other	48	43
Total	**190,422**	**179,114**

G29. Other liabilities

EURm	31 Dec 2018	31 Dec 2017
Liabilities on securities settlement proceeds	1,617	3,055
Sold, not held, securities	12,495	13,400
Accounts payable	152	161
Cash/margin payables	4,289	8,857
Other	4,762	3,042
Total	**23,315**	**28,515**

G30. Accrued expenses and prepaid income

EURm	31 Dec 2018	31 Dec 2017
Accrued interest	5	8
Other accrued expenses	1,423	1,357
Prepaid income	268	238
Total	**1,696**	**1,603**

G31. Provisions

EURm	31 Dec 2018	31 Dec 2017
Restructuring	193	225
Guarantees/commitments	121	91
Other	7	13
Total	**321**	**329**

Provisions for restructuring costs have been utilised by EUR 132m during 2018, and an increase of EUR 103m has been accounted for. The restructuring provision is related to the ongoing transformation of Nordea, including activities to close down Nordea's Luxembourg-based private banking business. Provisions are mainly expected to be utilised during 2019 and as for any other provision there is an uncertainty around timing and amount. The uncertainty is expected to decrease as the plans are being executed.

Loan loss provisions off-balance sheet items amount to EUR 121m. More information on these provisions can be found below.

EURm	Restructuring	Other
At beginning of year	225	13
New provisions made	103	5
Provisions utilised	–123	–8
Reversals	–9	–3
Reclassifications	0	0
Translation differences	–3	0
At end of year	**193**	**7**

G31. Provisions, cont.

Movements in provisions for off balance sheet items

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018[1]	**17**	**48**	**74**	**139**
Origination and acquisition	6	5	0	11
Transfers from stage 1 to stage 2	–1	12	–	11
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	2	–8	–	–6
Transfers from stage 2 to stage 3	–	–1	8	7
Transfers from stage 3 to stage 1	0	–	–2	–2
Transfers from stage 3 to stage 2	–	0	–2	–2
Changes in credit risk without stage transfer	–2	–10	–5	–17
Repayments and disposals	–4	–5	0	–9
Write-off through decrease in allowance account	–	–	–13	–13
Translation differences	0	0	0	0
Closing balance at 31 Dec 2018	**18**	**41**	**62**	**121**

1) The opening balance includes an adjustment of EUR 48m, due to implementation of IFRS9. More information is available in note G1 section 2.

Rating/scoring information on off balance sheet items

	Nominal amount 31 Dec 2018			
	Stage 1	Stage 2	Stage 3	Total
7	4,503	–	–	4,503
6+ / A+	12,559	5	0	12,564
6 / A	5,729	2	0	5,731
6– / A–	4,693	15	0	4,708
5+ / B+	7,563	54	0	7,617
5 / B	12,028	54	0	12,082
5– / B–	9,774	52	0	9,826
4+ / C+	9,042	136	0	9,178
4 / C	7,495	233	0	7,728
4– / C–	5,061	397	1	5,459
3+ / D+	1,652	705	0	2,357
3 / D	1,034	576	5	1,615
3– / D–	795	580	2	1,377
2+ / E+	214	290	3	507
2 / E	128	193	2	323
2– / E–	34	86	0	120
1+ / F+	35	65	1	101
1 / F	11	65	0	76
1– / F–	26	104	1	131
Standardised/Unrated	2,343	452	3	2,798
0+ / 0 / 0–	–	0	694	694
Total	**84,719**	**4,064**	**712**	**89,495**

G32. Retirement benefit obligations

EURm	31 Dec 2018	31 Dec 2017
Retirement benefit assets	246	250
Retirement benefit obligations	398	281
Net liability (–)/asset (+)	**–152**	**–31**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full, with a predefined surplus or alternatively safeguarded by a credit insurance contract (Sweden only). Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to monitor the likely level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), inflation, salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on different actuarial assumptions.

Assumptions[1]

	Swe	Nor	Fin	Den	UK
2018					
Discount rate[2]	2.17%	2.82%	1.58%	1.80%	2.56%
Salary increase	3.00%	2.75%	1.75%	2.25%[3]	–
Inflation	2.00%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
2017					
Discount rate[2]	2.49%	2.60%	1.41%	1.70%	2.31%
Salary increase	2.75%	2.75%	1.75%	2.25%[3]	–
Inflation	1.75%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 2018 have an impact on the liability calculation by year-end 2018, while the assumptions disclosed for 2017 are used for calculating the pension expense in 2018.
2) More information on the discount rate can be found in Note G1 "Accounting policies", section 23. The sensitivities to changes in the discount rate can be found below.
3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.
4) With CMI_2017 projections for 2018 calculations and CMI_2016 projections for 2017 calculations.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den	UK
Discount rate - Increase 50bps	–10.5%	–7.7%	–5.9%	–4.9%	–10.5%
Discount rate - Decrease 50bps	12.1%	8.7%	6.6%	5.4%	12.1%
Salary increase - Increase 50bps	3.8%	0.4%	0.4%	4.8%	–
Salary increase - Decrease 50bps	–2.8%	–0.4%	–0.4%	–4.5%	–
Inflation - Increase 50bps	10.3%	7.7%	4.9%	–	2.0%
Inflation - Decrease 50bps	–9.2%	–6.5%	–4.5%	–	–1.8%
Mortality - Increase 1 year	4.7%	3.5%	4.3%	5.5%	4.6%
Mortality - Decrease 1 year	–4.6%	–4.5%	–4.2%	–5.4%	–4.5%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it gives the possibility to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2017 Annual Report there have been changes in the methods used when preparing the sensitivity analysis in Sweden and Norway. The 2018 sensitivity analysis now include the impact on the liabilities held for future SWT (special wage tax) or SSC (social security contributions) in Sweden and Norway respectively. The method for calculation of sensitivities in the other countries is unchanged since 2017.

As all pensions in Denmark are salary indexed the inflation has no impact on the DBO in Denmark.

G32. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2018	Nor 2018	Fin 2018	Den 2018	UK 2018	Total 2018	Total 2017
Obligations	1,840	744	722	96	92	3,494	3,454
Plan assets	1,604	681	824	122	111	3,342	3,423
Net liability(–)/asset(+)	**–236**	**–63**	**102**	**26**	**19**	**–152**	**–31**
- of which retirement benefit liabilities	238	156	3	1	–	398	281
- of which retirement benefit assets	2	93	105	27	19	246	250

Movements in the obligation

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,704	764	776	101	109	3,454
Current service cost	28	4	4	–	–	36
Interest cost	40	19	9	2	3	73
Pensions paid	–68	–31	–43	–6	–17	–165
Past service cost and settlements	–1	9	–6	–	1	3
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	171	–24	–15	–2	–3	127
Remeasurement from experience adjustments	–3	12	–3	–	1	7
Translation differences	–65	–4	–	0	–1	–70
Change in provision for SWT/SSC[1]	34	–5	–	–	–	29
Closing balance	**1,840**	**744**	**722**	**96**	**92**	**3,494**
- of which relates to the active population	27%	14%	14%	–	–	20%
2017, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Opening balance	1,524	869	800	103	138	3,434
Current service cost	25	6	3	–	–	34
Interest cost	41	22	12	2	3	80
Pensions paid	–70	–35	–40	–6	–17	–168
Past service cost and settlements	14	–5	0	–	–	9
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Translation differences	–52	–66	–	–1	–4	–123
Change in provision for SWT/SSC[1]	25	–10	–	–	0	15
Closing balance	**1,704**	**764**	**776**	**101**	**109**	**3,454**
- of which relates to the active population	27%	14%	15%	–	–	20%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 18 (18) years in Sweden, 14 (15) years in Norway, 12 (15) years in Finland, 11 (11) years in Denmark and 22 (24) years in UK based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to lower duration. The increase in average duration during the year is due to changed assumptions.

G32. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,634	666	865	127	131	3,423
Interest income (calculated using the discount rate)	38	17	11	2	3	71
Pensions paid	–	–19	–43	–6	–17	–85
Settlement	–	–	–2	–	–	–2
Contributions by employer	–	4	0	3	–	7
Remeasurement (actual return less interest income)	–5	20	–7	–3	–6	–1
Translation differences	–63	–7	0	–1	0	–71
Closing balance	**1,604**	**681**	**824**	**122**	**111**	**3,342**
2017, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Opening balance	1,591	703	861	131	152	3,438
Interest income (calculated using the discount rate)	42	18	13	3	3	79
Pensions paid	–	–20	–40	–6	–17	–83
Contributions by employer	–	7	0	3	–	10
Remeasurement (actual return less interest income)	49	15	31	–4	–3	88
Translation differences	–48	–57	–	0	–4	–109
Closing balance	**1,634**	**666**	**865**	**127**	**131**	**3,423**

Asset composition

The combined return on assets in 2018 was 2.0% (4.9%). Asset returns across all asset classes were negatively impacted during the latter part of the year, but remained overall positive. At the end of the year the equity exposure in Nordea´s pension funds/foundations represented 24% (28%) of total assets.

Asset composition in funded schemes

%	Swe 2018	Nor 2018	Fin 2018	Den 2018	UK 2018	Total 2018	Total 2017
Bonds	73%	59%	54%	87%	79%	66%	63%
- sovereign	38%	36%	29%	38%	79%	36%	34%
- covered bonds	21%	17%	5%	49%	0%	17%	13%
- corporate bonds	12%	5%	20%	0%	0%	12%	15%
- issued by Nordea entities	2%	1%	–	–	–	1%	1%
- with quoted market price in an active market	73%	59%	54%	87%	79%	66%	63%
Equity	24%	24%	28%	12%	21%	24%	28%
- domestic	6%	6%	7%	12%	6%	6%	7%
- European	6%	6%	7%	0%	7%	6%	8%
- US	6%	6%	8%	0%	7%	7%	8%
- emerging	6%	6%	6%	0%	1%	5%	5%
- Nordea shares	–	–	–	–	–	0%	0%
- with quoted market price in an active market	24%	24%	28%	12%	21%	24%	28%
Real estate[1]	0	14%	15%	0%	0%	7%	7%
- occupied by Nordea	–	–	5%	–	–	1%	1%
Cash and cash equivalents	3%	3%	3%	1%	0%	3%	2%

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

The Group expects to contribute EUR 4m to its defined benefit plans in 2019.

G32. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 54m (EUR 51m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7 "Staff costs").

Recognised in the income statement

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	28	4	4	–	–	36
Net interest	2	2	–2	0	0	2
Past service cost and settlements	–1	9	–4	–	1	5
SWT/SSC[1]	8	3	–	–	–	11
Pension cost on defined benefit plans (expense+/ income–)	**37**	**18**	–2	0	**1**	**54**
2017, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Current service cost	25	6	3	–	–	34
Net interest	–1	4	–1	–1	0	1
Past service cost and settlements	14	–5	0	–	–	9
SWT/SSC[1]	7	0	–	–	–	7
Pension cost on defined benefit plans (expense+/ income–)	**45**	**5**	**2**	–1	**0**	**51**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2017, excluding past service cost and related SWT and SSC, the pension cost has increased in 2018 mainly as a consequence of the change of actuarial assumptions at the end of 2017.

Recognised in other comprehensive income

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	171	–24	–15	–2	–3	127
Remeasurement from experience adjustments	–3	12	–3	–	1	7
Remeasurement of plan assets (actual return less interest income)	5	–20	7	3	6	1
SWT/SSC[1]	44	–6	–	–	–	38
Pension cost on defined benefit plans (expense+/income–)	**217**	**–38**	**–11**	**2**	**3**	**173**
2017, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Remeasurement of plan assets (actual return less interest income)	–49	–15	–31	4	3	–88
SWT/SSC[1]	36	–6	–	–	–	30
Pension cost on defined benefit plans (expense+/income–)	**184**	**–38**	**–30**	**7**	**–8**	**115**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation

G32. Retirement benefit obligations, cont.

between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover ongoing pension expenses as well to provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2018 was 7.0% of the employees' wages below 7.1 average base amounts and 18.0% of the employees' wages above 7.1 average base amounts. Average base amounts are defined in the Norwegian National Insurance Act. The premium is calculated based on the average wages- and average base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2018 amounts to EUR 14m. Payments to the plan during 2018 covered 2,454 employees. The premium rate for 2019 will be on the same level as for 2018. The expected premiums in 2019 amounts to EUR 14m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 6m (EUR 7m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2018 were EUR 0m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G7 "Staff costs".

G33. Subordinated liabilities

EURm	31 Dec 2018	31 Dec 2017
Dated subordinated debenture loans	6,603	5,947
Undated subordinated debenture loans	168	242
Hybrid capital loans	2,384	2,798
Total	**9,155**	**8,987**

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

G34. Assets pledged as security for own liabilities

EURm	31 Dec 2018	31 Dec 2017
Assets pledged for own liabilities		
Securities etc[1]	23,465	25,881
Loans to the public	144,707	138,882
Other assets pledged	3,727	34,210
Total	**171,899**	**198,973**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	13,062	14,575
Deposits and borrowings from the public	2,402	5,646
Derivatives	–	8,978
Debt securities in issue	107,647	106,379
Other liabilities and commitments	2,587	24,408
Total	**125,698**	**159,986**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G43 "Transferred assets and obtained collaterals".

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

G35. Other Assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions (EUR 4,788m (EUR 4,923m)). The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

G36. Contingent liabilities

EURm	31 Dec 2018	31 Dec 2017
Guarantees		
- Loan guarantees	2,434	4,443
- Other guarantees	13,949	12,892
Documentary credits	1,433	1,639
Other contingent liabilities	3	46
Total	**17,819**	**19,020**

In the normal business Nordea issues various forms of guarantees in favour of Nordea's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support Nordea´s customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received. The table above includes all issued guarantees, also those where the possibility of an outflow of resources are considered to be remote.

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings of Nordea Bank Abp.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes is considered likely to have any significant adverse effect on the Group or its financial position.

G37. Commitments

EURm	31 Dec 2018	31 Dec 2017
Unutilised overdraft facilities	29,626	29,956
Loan commitments	43,661	44,589
Future payment obligations	100	1,441
Other commitments	1,092	1,046
Total	**74,479**	**77,032**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2018 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2018. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments, see Note G1 “Accounting policies”, section 25, about derivatives, see Note G18 "Derivatives and Hedge accounting" and about reverse repurchase agreements, see Note G43 "Transferred assets and obtained collaterals".

G38. Capital adequacy

As from 2018 the Capital adequacy disclosures are not part of the financial statements. The disclosures for the Group can be found on page 262 and the disclosures for the parent company on page 274.

G39. Classification of financial instruments

Assets

31 Dec 2018, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)			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	Financial assets at fair value through profit or loss (FVPL): Designated at fair value through profit or loss	Financial assets at fair value through profit or loss (FVPL): 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	Financial liabilities at fair value through profit or loss (FVPL): Designated at fair value through profit or loss	Financial liabilities at fair value through profit or loss (FVPL): 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/m^2	284 EUR/m^2
				- Other	126 EUR/m^2	126 EUR/m^2
				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/m^2	189 EUR/m^2
				- Office	123–294 EUR/m^2	208 EUR/m^2
				- Apartment	189–306 EUR/m^2	248 EUR/m^2
				- Other	231–288 EUR/m^2	260 EUR/m^2
				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/m$_2$	124 EUR/m^2
				- Office	233 EUR/m^2	233 EUR/m^2
				- Apartment	169–179 EUR/m^2	174 EUR/m^2
				- Other	66 EUR/m^2	66 EUR/m^2
				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/m²	273 EUR/m²
				- Office	194–737 EUR/m²	283 EUR/m²
				- Apartment	206 EUR/m²	206 EUR/m²
				- Other	128 EUR/m²	128 EUR/m²
				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/m²	195 EUR/m²
				- Office	98–300 EUR/m²	199 EUR/m²
				- Apartment	189–297 EUR/m²	243 EUR/m²
				- Other	225–279 EUR/m²	252 EUR/m²
				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/m₂	149 EUR/m²
				- Office	238–239 EUR/m²	239 EUR/m²
				- Apartment	167–172 EUR/m²	169 EUR/m²
				- Other	67–82 EUR/m²	69 EUR/m²
				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.

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	31 Dec 2018	31 Dec 2017	31 Dec 2018	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**	**–**	**–**

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	2018	2017	2018	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.

Financial statements, Parent company

Contents

Income statement

EURm	Note	Oct–Dec 2018 [1]
Operating income		
Interest income		1,116
Interest expense		–474
Net interest income	P3	**642**
Fee and commission income		584
Fee and commission expense		–157
Net fee and commission income	P4	**427**
Net result from securities trading and foreign exchange dealing	P5	199
Net result from securities at fair value through other comprehensive income	P5	8
Net result from hedge accounting	P5	–55
Net result from investment properties	P25	0
Dividends	P6	1,167
Other operating income	P7	94
Total operating income		**2,482**
Operating expenses		
Staff costs	P8	–616
Other administrative expenses	P9	–274
Other operating expenses	P10	–100
Depreciation, amortisation and impairment charges of tangible and intangible assets	P11	–115
Total operating expenses		**–1,105**
Profit before loan losses		**1,377**
Net loan losses	P12	–12
Impairment on other financial assets	P12	–21
Operating profit		**1,344**
Income tax expense	P13	–211
Net profit for the year		**1,133**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Balance sheet

EURm	Note	31 Dec 2018
Assets		
Cash and balances with central banks		39,562
Debt securities eligible for refinancing with central banks	P14, P17, P18	72,677
Loans to credit institutions	P15	64,772
Loans to the public	P16	154,419
Interest-bearing securities	P17, P18	1,890
Shares and participations	P19	4,813
Investments in associated undertakings and joint ventures	P20	1,049
Investments in group undertakings	P21	12,175
Derivatives	P22	37,221
Fair value changes of the hedged items in portfolio hedge of interest rate risk		72
Intangible assets	P23	2,331
Tangible assets		
- Properties and equipment	P24	338
- Investment properties	P25	4
Deferred tax assets	P13	130
Current tax assets		234
Retirement benefit assets	P35	243
Other assets	P27	15,681
Prepaid expenses and accrued income	P28	1,111
Total assets		**408,722**
Liabilities		
Deposits by credit institutions and central banks	P29	51,427
Deposits and borrowings from the public	P30	171,102
Debt securities in issue	P31	82,667
Derivatives	P22	40,591
Fair value changes of the hedged items in portfolio hedge of interest rate risk		536
Current tax liabilities	P13	249
Other liabilities	P32	21,257
Accrued expenses and prepaid income	P33	1,330
Deferred tax liabilities	P13	223
Provisions	P34	352
Retirement benefit obligations	P35	349
Subordinated liabilities	P36	9,157
Total liabilities		**379,240**
Equity		
Share capital		4,050
Additional Tier 1 capital holders		750
Invested unrestricted equity		1,080
Other reserves		-150
Retained earnings		22,619
Profit or loss for the period		1,133
Total equity	**P37**	**29,482**
Total liabilities and equity		**408,722**
Off balance sheet commitments		
Commitments given to a third party on behalf of customer	P40	
- Guarantees and pledges		50,026
- Other		1,406
Irrevocable commitments in favour of customer	P41	
- Securities repurchase commitments		–
- Other		80,102

Combined income statement

EURm	Combined 2018[1]	Predecessor 2017
Operating income		
Interest income	4,203	4,155
Interest expense	-1,730	-1,618
Net interest income	**2,473**	**2,537**
Fee and commission income	2,244	2,409
Fee and commission expense	-457	-408
Net fee and commission income	**1,787**	**2,001**
Net result from securities trading and foreign exchange dealing	868	974
Net result from securities classified at fair value through other comprehensive income	25	0
Net result from hedge accounting	-61	133
Net result from investment properties	-1	-3
Dividends	1,735	3,346
Other operating income	377	470
Total operating income	**7,203**	**9,458**
Operating expenses		
Staff costs	-2,478	-2,636
Other administrative expenses	-980	-1,197
Other operating expenses	-539	-581
Depreciation, amortisation and impairment charges of tangible and intangible assets	-355	-277
Total operating expenses	**-4,352**	**-4,691**
Profit before loan losses	**2,851**	**4,767**
Net loan losses	-122	-299
Impairment on other financial assets	-239	-380
Operating profit	**2,490**	**4,088**
Income tax expense	-514	-555
Net profit for the period	**1,976**	**3,533**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Nordea Bank Abp reports under Finnish GAAP. The columns labelled “Predecessor” include restated income statements of the former parent company Nordea Bank AB (publ). The columns labelled “Combined” include combinations of Nordea Bank Abp's reported income statements and restated income statements for the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ) income statements have been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in equity, as well as to that the presentation of the income statement complies with Finnish requirements.

Combined balance sheet

EURm	Reported 31 Dec 2018 [1]	Predecessor 31 Dec 2017
Assets		
Cash and balances with central banks	39,562	42,637
Debt securities eligible for refinancing with central banks	72,677	68,781
Loans to credit institutions	64,772	59,765
Loans to the public	154,419	152,766
Interest-bearing securities	1,890	5,093
Shares and participations	4,813	7,906
Investments in associated undertakings and joint ventures	1,049	1,036
Investments in group undertakings	12,175	12,532
Derivatives	37,221	47,688
Fair value changes of the hedged items in portfolio hedge of interest rate risk	72	85
Intangible assets	2,331	2,114
Tangible assets		
- Properties and equipment	338	384
- Investment properties	4	2
Deferred tax assets	130	84
Current tax assets	234	58
Retirement benefit assets	243	258
Other assets	15,681	15,287
Prepaid expenses and accrued income	1,111	1,128
Total assets	**408,722**	**417,604**
Liabilities		
Deposits by credit institutions and central banks	51,427	51,735
Deposits and borrowing from the public	171,102	176,231
Debt securities in issue	82,667	72,460
Derivatives	40,591	46,118
Fair value changes of the hedge items in pf hedge of interest rate risk	536	552
Current tax liabilities	249	158
Other liabilities	21,257	28,720
Accrued expenses and prepaid income	1,330	1,196
Deferred tax liabilities	223	189
Provisions	352	412
Retirement benefit obligations	349	254
Subordinated liabilities	9,157	8,987
Total liabilities	**379,240**	**387,012**
Equity		
Share capital	4,050	4,050
Additional Tier 1 capital holders	750	750
Invested unrestricted equity	1,080	1,080
Other reserves	–150	1,235
Retained earnings	21,776	19,944
Profit or loss for the period	1,976	3,533
Total equity [2]	**29,482**	**30,592**
Total liabilities and equity	**408,722**	**417,604**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.
2) Including anticipated dividends of EUR 436m from its subsidiaries.

Nordea Bank Abp reports under Finnish GAAP. The columns labelled "Predecessor" include restated income statements of the former parent company Nordea Bank AB (publ). The columns labelled "Combined" include combinations of Nordea Bank Abp's reported income statements and restated income statements for the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ) income statements have been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in equity, as well as to that the presentation of the income statement complies with Finnish requirements.

Cash flow statement

Operating activities	
Operating profit	1,344
Adjustment for items not included in cash flow	804
Income taxes paid	–252
Cash flow from operating activities before changes in operating assets and liabilities	**1,896**
Changes in operating assets	
Change in debt securities eligible for refinancing with central banks	3,250
Change in loans to central banks	–3,455
Change in loans to credit institutions	2,763
Change in loans to the public	7,884
Change in interest-bearing securities	–4,371
Change in financial assets pledged as collateral	2,283
Change in shares and perticipations	1,730
Change in derivatives, net	84
Change in investment properties	–1
Change in other assets	–566
Changes in operating liabilities	
Change in deposits by credit institutions	–8,742
Change in deposits and borrowings from the public	–9,434
Change in debt securities in issue	4,909
Change in other liabilities	–1,808
Cash flow from operating activities	**–3,578**
Investing activities	
Sale of business operation	48
Investment in associated undertakings and joint ventures	–8
Sale of associated undertakings and joint ventures	1
Acquisition of property and equipment	–3
Sale of property and equipment	2
Acquisition of intangible assets	–149
Cash flow from investing activities	**–109**
Financing activities	
Issued subordinated liabilities	–26
Cash flow from financing activities	**–26**
Cash flow for the year	**–3,713**
Cash and cash equivalents at 21 Sep 2017	–
Cash and cash equivalents through merger	–47,436
Translation difference	–27
Cash and cash equivalents at the end of year	43,750
Change	**–3,713**

Cash flow statement, cont.

Comments on the cash flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year for total operations. Nordea Bank Abp's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities

Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for items not included in cash flow includes:

EURm	2018
Depreciation and impairment charges	135
Loan losses	21
Unrealised gains/losses	–28
Capital gains/losses (net)	–13
Change in accruals and provisions	110
Translation differences	94
Other	485
Total	**804**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans, deposits and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

EURm	2018
Interest payments received	1,149
Interest expenses paid	–478

Investing activities

Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets.

Financing activities

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2018
Cash and balances with central banks	39,562
Loans to central banks, payable on demand	2,429
Loans to credit institutions, payable on demand	1,759
Total	**43,750**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;

- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities. Loans to central banks, payable on demand includes instruments where Nordea has the right to resell immediately.

Ratios and key figures

	2018
Return on equity, %	15.6
Return on assets, %	1.1
Cost/income ratio, %	45
Loan loss ratio, basis points	3
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,2,3] %	16.0
Tier 1 capital ratio, excl. Basel I floor %[1,3]	17.9
Total capital ratio, excl. Basel I floor %[1,3]	20.6
Common Equity Tier 1 capital[1,2,3] EURm	24,059
Tier 1 capital[1,2,3] EURm	26,908
Risk exposure amount excl. Basel I floor[1,3] EURbn	150,226

1) End of the year.
2) Including result of the year.
3) Ratios are reported using the Basel III (CRR/CRDIV) framework.

Glossary

Allowances in relation to credit impaired loans (stage 3)
Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

Allowances in relation to loans in stage 1 and 2
Allowances for non-impaired loans (stage 1 and 2) divided by non-impaired loans measured at amortised cost (stage 1 and 2) before allowances.

Cost/income ratio
Total operating expenses divided by total operating income.

Loan loss ratio
Net loan losses for three months (annualised) divided by closing balance of loans to the public (lending) measured at amortised cost.

Return on equity
Annualised Net profit as a percentage of average equity. Average equity has been calculated as the average equity for the period 1 October 2018 - 31 December 2018. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity including net profit and dividend until paid, and excludes noncontrolling interests and Additional Tier 1 capital.

Return on assets
Annualised Net profit as a percentage of total assets at end of the year.

Risk exposure amount
Total assets and off-balance-sheet items valued on the basis of the credit and market risks, as well as operational risks of the Group's undertakings, in accordance with regulations governing capital adequacy, excluding assets in insurance companies, carrying amount of shares which have been deducted from the capital base and intangible assets.

Tier 1 capital
The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution. Common Equity Tier 1 capital includes consolidated shareholders´ equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations, the full expected shortfall deduction (the negative difference between expected losses and provisions) and finally other deductions such as cash flow hedges.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk exposure amount. The Common Equity Tier 1 capital ratio is calculated as Common Equity Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio
Own funds as a percentage of risk exposure amount.

P1. Accounting policies

Content for Note P1

1. Basis for presentation

The financial statements for the parent company, Nordea Bank Abp, are prepared in accordance with the the Finnish Accounting Act, the Finnish Credit Institutions Act, the Decision of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions as well as Finnish Financial Supervision Authority's Regulations.

On 21 February 2019 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 28 March 2019.

2. Nordea Bank Abp and its financial statements

Nordea Bank Abp was established 21 September 2017 and had no business activities before the merger date 1 October 2018. Nordea Bank Abp is the parent company of the Nordea Group.

The income statement figures presented in the financial statements and in the notes to the financial statements refer to the period October-December 2018. No comparison figures are disclosed as Nordea Bank Abp started its banking operations 1 October 2018. The official first accounting period of Nordea Bank Abp is 21 September 2017 - 31 December 2018.

Nordea Bank Abp reports under Finnish GAAP. In the Combined income statement presented in connection of the Financial statements the columns labelled "Predecessor" include restated income statements of the former parent company Nordea Bank Ab (publ). The columns labelled "Combined" include combinations of Nordea Bank Abp's reported income statements and restated income statements for the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB's (publ) income statement have been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IAS19 allowed under Finnish GAAP, that changes to own credit risk on financial liabilities designated at fair value is recognised in Equity, as well as to that presentation of the income statement complies with Finnish requirements.

In the respective balance sheet the column "Predecessor" includes a restated balance sheet of the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB's (publ) balance sheet has been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IAS19 allowed under Finnish GAAP, that changes to own credit risk on financial liabilities designated at fair value is recognised in equity, as well as to that presentation of the balance sheet complies with Finnish requirements.

3. Accounting policies and presentation

The new accounting requirements implemented by Nordea and their impact on the financial statements are described below.

IFRS 9 "Financial instruments"

The new standard IFRS 9 "Financial instruments" covers classification and measurement, impairment and general hedge accounting and replaces the earlier requirements covering these areas in IAS 39. The classification, measurement and impairment requirements in IFRS 9 were implemented by Nordea as from 1 January 2018. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 8).

Classification and measurement

The classification and measurement requirements in IFRS 9 state that financial assets should be classified as, and measured at, amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea has analysed whether the cash flows from the financial assets held per 31 December 2017 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group. For contacts signed after 1 January 2018 only restructured contracts are allowed to have SPPI non-compliant features and for restructured contracts the SPPI analysis is performed for each contact separately.

P1. Accounting policies, cont.

Impairment

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than in IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Under IAS 39 Nordea did not calculate collective provisions for off-balance sheet exposures.

The assets to test for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 have individually calculated provisions, while for insignificant assets the assessment is based on a statistical model. In stage 1, the provisions equal the 12 months expected loss. In stage 2 and 3, the provisions equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. For assets held at transition, Nordea has decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets recognised after transition, changes to the lifetime Probability of Default (PD) are used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2.

Nordea's model for calculating collective provisions under IAS 39 defined a loss event as one notch deterioration in rating/scoring, while the triggering event for moving items from stage 1 to stage 2 under IFRS 9 requires several notches deterioration.

The provisions under IFRS 9 are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 is based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea earlier, under IAS 39, held provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 requires provisions equal to the lifetime expected loss.

When calculating expected losses under IFRS 9, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea has decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as a provision.

Impairment calculations under IFRS 9 requires more experienced credit judgement by the reporting entities than was required by IAS 39 and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward-looking scenarios.

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39 (see further description in section 8). If Nordea instead had elected to apply the new hedge accounting requirement in IFRS 9 that would not have resulted in any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures. The reason is that Nordea generally uses macro (portfolio) hedge accounting.

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:

- the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart frombthose involving estimations) that have the most significant impact on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  - loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the classification of additional tier 1 instruments
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Nordea Bank Abp's accounting policy for determining the fair value of financial instruments is described in section 9 "Determination of fair value of financial instruments" and Note P44 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent

P1. Accounting policies, cont.

fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was 119,786 EUR m in Nordea Bank Abp and EUR 70,099m respectively at the end of the year 2018

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note P44 "Assets and liabilities at fair value".

Estimation uncertainty also arises at initial recognition of financial instruments that are part of larger structural transactions. Although subsequently not necessarily held at fair value such instruments are initially recognised at fair value and as there is normally no separate transaction price or active market for such individual instruments the fair value has to be estimated.

Impairment testing of loans to the public/credit institutions

Nordea Bank Abp's accounting policy for impairment testing of loans is described in section 13 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. Nordea Bank Abp's total lending before impairment allowances was EUR 221,021m at the end of the year. For more information, see Note P16 "Loans and impairment".

When calculating allowances for individually significant impaired loans, judgement is exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, including the valuation of any collateral received. Judgement is also applied when assigning the likelihood of the different scenarios occurring.

Judgement is exercised to assess when an exposure has experienced a significant increase in credit risk. If this is the case, the provision should reflect the lifetime expected losses, as opposed to a 12-month expected loss for exposures not having increased significantly in credit risk. Judgement is also exercised in the choice of modelling approaches covering other parameters used when calculating the expected losses, such as the expected lifetime used in stage 2, as well as in the assessment of whether the parameters based on historical experience are relevant for estimating future losses.

The statistical model used to calculate provisions are based on macro-economic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of to what extent the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses.

Effectiveness testing of cash flow hedges

Nordea Bank Abp's accounting policies for cash flow hedges are described in section 8 "Hedge accounting".

One important judgement in connection to cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea Bank Abp applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

Actuarial calculations of pension liabilities and plan assets related to employees

The pension obligation in the parent company is calculated in accordance with IAS 19 "Employee benefits". For more information, see section 20 "Employee benefits".

The defined benefit obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note P35 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation of Nordea Bank Abp was EUR 349m at the end of the year.

Classification of additional tier 1 instruments

Nordea Bank Abp has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea Bank Abp and non-accumulating. Some of these instruments also include a requirement for Nordea Bank Abp pay interest if the instruments are no longer allowed to be included in tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of Nordea Bank Abp and the holders of the instrument. Nordea Bank Abp classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea Bank Abp to pay interest or principal to the holders of the instrument.

P1. Accounting policies, cont.

Valuation of deferred tax assets

Nordea Bank Abp's accounting policy for the recognition of deferred tax assets is described in section 19 "Taxes" and Note P13 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea Bank Abp's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

The carrying amount of deferred tax assets was EUR 130m at the end of the year.

Claims in civil lawsuits

Within the framework of the normal business operations, Nordea Bank Abp faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea Bank Abp or its financial position. See also Note P34 "Provisions" and Note P40 "Contingent liabilities".

5. Recognition of operating income and impairment

Net interest income

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the estimated future cash flows to the net carrying amount of the financial asset or financial liability.

Interest income and expenses from financial instruments are, with the exceptions described below, classified as "Net interest income".

Interest income and interest expense related to all balance sheet items held at fair value in Markets is classified as "Net result from securities trading and foreign exchange dealing" in the income statement. Also, the interest on the net funding of the operations in Markets is recognised on this line.

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, is classified as "Net result from securities trading and foreign exchange dealing", apart for derivatives used for hedging, including economical hedges of Nordea's funding, where such components are classified as "Net interest income".

Net fee and commission income

Nordea Bank Abp earns commission income from different services provided to customers. The recognition of commission income depends on the purpose for which the fees are received.

Asset management commissions are generally recognised over time as services are performed and are normally based on assets under management. These fees are recognised based on the passage of time as the amount, and the right to the fee, corresponds to the value received by the customer. Variable fees that are based on relative performance compared with a benchmark are in asset management rare and they are normally fixed and recognised at least each reporting date. Variable fees that are not fixed at the reporting date cannot generally be recognised as the outcome is uncertain and subject to market development.

Life & Pension commission income includes fee income, referred to as expense loading, from insurance contracts and investment contracts with policyholders. Investments contracts are contracts that do not include enough insurance risk to be classified as insurance contracts. The expense loading is the part of the premium income considered to be compensation for the contract administration. The fee income is recognised over time when the services are performed. These contracts do generally not include any up-front fees.

Fees categorised as Deposit Products, Brokerage, securities issues and corporate finance, Custody and issuer service and Payment commissions are recognised both over time and at a point of time dependent on when the performance obligations are satisfied. Card fees are categorised as interchange fees that are recognised at a point of time, when the customer uses the services, and cardholder fees that are recognised over time or at a point of time if the fee is transaction based.

Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time. The amount of loan syndication fees, as well as other transaction-based fees, received are recognised at a point when the performance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received on bilateral transactions are generally amortised as part of the effective interest of the financial instruments recognised.

Income from issued financial guarantees, and expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively. Other fee income is generally transaction based.

Commission expenses are normally transaction based and recognised in the period when the services are received.

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

Net result from securities trading and foreign exchange dealing

Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss are recognised in the item "Net result from securities trading and foreign exchange dealing" Realised and unrealised gains and losses derive from:

- Shares/participations and other share-related instruments
- Interest-bearing securities and other interest-related instruments
- Other financial instruments, including credit derivatives as well as commodity instruments/derivatives
- Foreign exchange gains/losses

Net results from securities trading

Interest income and interest expense related to all balance sheet items held at fair value in Markets is classified as "Net result from securities trading" in the income statement. Also, the interest on the net funding of the operations in Markets is recognised on this line.

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt.

"Net result from securities trading" includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss. Impairment losses from instruments within other categories are recognised in the items "Net loan losses" or "Impairment

P1. Accounting policies, cont.

on other financial assets" (see also the sub-sections "Net loan losses" and "Impairment on other financial assets" below).

Dividend received from trading shares are recognised in the income statement as "Net result from securities trading" and classified as "Shares/participations and other share related instruments" in the note. Income is recognised in the period in which the right to receive the payment is established.

Net result from foreign exchange dealing

Net gains and losses on trading in foreign currencies and the positive and negative exchange differences arising from translation into euro of assets, liabilities and the principal of currency swaps are recognised in "Net result from foreign exchange dealing". The period's proportion of gains and losses on measurement of forward foreign exchange contracts, currency futures and currency options are also included in this item. Foreign exchange differences arising from non-monetary held-for-sale assets are recognised in the fair value reserve under equity.

Net result from securities at fair value through other comprehensive income

The ineffective portion of cash flow hedges as well as recycled gains and losses on financial instruments classified into the category Financial assets at fair value through other comprehensive income are recognised in "Net result from securities at fair value through other comprehensive income". Losses as well as impairment on instruments classified into the category Financial assets at fair value through other comprehensive income are also included in this item.

Net result from hedge accounting

Income from hedge accounting is described in the separate section 8 Hedge accounting.

Net result from investment properties

Income and expenses from investment properties, such as rental income and expenses and sales gains and losses, regardless of whether the property is measured using the fair value method or the acquisition cost less depreciation and impairment loss are recognised in "Net result from investment properties". This item also includes items recognisable in profit or loss due to measurement method (depreciation according to plan and impairments, reversals of impairment or fair value changes).

Dividends

Dividends received from other than trading shares, are recognised in the income statement as "Dividends" Income is recognised in the period in which the right to receive payment is established.

Other operating income

Net gains from divestments of shares in group undertakings, associated undertakings and joint ventures and net gains on sale of tangible assets as well as other operating income, not related to any other income line, are generally recognised when it is probable that the benefits associated with the transaction will flow to Nordea Bank Abp and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

Net loan losses

Impairment losses from financial assets classified into the category Amortised cost (see section 12 "Financial instruments"), in the items, "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities" on the balance sheet, are reported as "Impairment losses on financial assets at amortised cost" together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea'Bank Abp's accounting policies for the calculation of impairment losses on loans can be found in section 13 "Loans to the public/credit institutions".

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but excluding loans held at fair value as described above are reported under Net result from securities trading.

Impairment losses on other financial assets

Impairment on investments in interest-bearing securities, classified into the category Financial assets at fair value through other comprehensive income, an on investments in group companies, associated undertakings and joint ventures are classified as "Impairment losses on other financial assets" in the income statement. The policies covering impairment of financial assets classified into the category Amortised cost are disclosed in section 12 "Financial instruments" and section 13 "Loans to the public/credit institutions".

If observable indicators (loss events) indicate that an associated undertaking or the joint ventures is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associated undertaking or the joint venture is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

6. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (and an asset or a liability is recognised as "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to Nordea Bank Abp, i.e. on settlement date.

Loans where cash flows are modified or part of a restructuring are derecognised, and a new loan recognised, if the terms and conditions of the new loan is substantially different from the old loan. This is normally the case if the present

P1. Accounting policies, cont.

value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities.

In some cases, Nordea Bank Abp enters into transactions where it transfers assets that are recognised on the balance sheet but retains either all or a portion of risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea Bank Abp performs, for example when Nordea Bank Abp repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognized as "Other liabilities" on the balance sheet on trade date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 12 "Financial instruments", as well as Note P46 "Transferred assets and obtained collaterals".

7. Translation of assets and liabilities denominated in foreign currencies

The functional currency of Nordea Bank Abp is euro (EUR). Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from foreign exchange dealing".

8. Hedge accounting

As a part of Nordea's risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note P22.

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea applies one of three types of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39.

The EU carve out version enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

At inception, Nordea formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item, as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

Transactions that are entered into in accordance with Nordea's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

Fair value hedge accounting

Fair value hedge accounting is applied used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk in accordance with the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note P22. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net income from hedge accounting". Given the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

Fair value hedge accounting in Nordea Bank Abp is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net income from hedge accounting".

Hedged items

A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in Nordea Bank Abp consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in Nordea Bank Abp are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value. Cash instruments are only used as hedging instruments when hedging currency risk.

Hedge effectiveness

When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and com-

P1. Accounting policies, cont.

pares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

If the hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

Hedge ineffectiveness can arise from:
- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The effect of changes in Nordea's or a counterparty's credit risk on the fair value of the hedging instrument or hedged items
- Disparity between expected and actual prepayments of the loan portfolio

Cash flow hedge accounting

In accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note P22 cash flow hedge accounting is applied when hedging the exposure to variability in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from hedge accounting" in the income statement.

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income or interest expense is recognised.

Hedged items

A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or liabilities or from future assets or liabilities. Nordea Bank Abp uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency and when hedging interest rate risk in lending with floating interest rates.

Hedging instruments

The hedging instruments used in Nordea are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. When hedging the interest rate risk in lending with floating interest rates Nordea uses interest rate swaps as hedging instruments, which are always held at fair value.

Hedge effectiveness

The hypothetical derivative method is used when measuring the effectiveness retrospectively of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is terminated. Changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction no longer is expected to occur.

If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

Hedges of net investments

In accordance with Nordea's risk management policies set out in the Market risk section in the chapter "Risk Management" in the Board of Directors' report and Note P22, Nordea hedges its translation risk. Translation risk is defined as the risk of loss from equity capital investment in foreign operations that are denominated in a foreign currency other than the Group reporting currency (EUR). The hedging instruments used by Nordea are FX swaps.

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Hedge ineffectiveness can arise to the extent the hedging instruments exceed in nominal terms the risk exposure from the foreign operations. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

See also section 7 "Translation of assets and liabilities denominated in foreign currencies".

P1. Accounting policies, cont.

9. Determination of fair value of financial instruments

Financial assets and liabilities classified into the categories Financial assets/liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net result from securities trading and foreign exchange dealing".

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea Bank Abp is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchanges, the counterparty´s valuations, price data from consensus services etc.

Nordea Bank Abp is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea Bank Abp considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note P44 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

The valuation models applied by Nordea Bank Abp are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by the Model Risk Committee and all models are reviewed on a regular basis.

For further information, see Note P44"Assets and liabilities at fair value".

10. Cash and balances with central banks

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:

- The central bank or the postal giro system is domiciled in the country where the institutions is established
- The balance is readily available at any time

11. Debt securities eligible for refinancing with central banks

Debt securities eligible as collateral in central bank monetary operations are recognised as "Debt securities eligible for refinancing with central banks". Debt securities are included in this item based on properties of their own and not based on whether the entity is itself is eligible for refinancing with central banks.

Debt securities eligible for refinancing with central banks can be classified as financial assets as amortised cost, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

12. Financial instruments

Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:

- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial asset at fair value through other comprehensive income

P1. Accounting policies, cont.

Financial liabilities:
- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)

The classification of a financial assets is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is to both keep the instruments to collect the contractual cash flows and sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see section 5, "Net interest income". For information about impairment under IFRS 9, see section 13 below.

Interest on assets and liabilities classified at amortised cost is recognised in the item "Interest income" and "Interest expense" in the income statement.

This category consists of mainly all loans and deposits, except for reversed repurchase/repurchase agreement and securities borrowing/lending agreements in Markets. This category also includes subordinated liabilities and debt securities in issue, except for issued structured bonds in Markets.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from securities trading and foreign exchange dealing".

The category consists of two sub-categories; Mandatorily measured at fair value through profit and loss and Designated at fair value through profit or loss (fair value option).

The sub-category Mandatorily measured at fair value through profit and loss contains mainly all assets in Markets, trading liabilities in Markets, interest-bearing securities included in part of the liquidity buffer, derivative instruments, shares and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policy holders. The deposits are invested in different types of financial asset on behalf of the customer and policyholders. Assets in pooled schemes and unit-linked investments are presented in the respective line item in the balance sheet.

Also, assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. The deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss. The value of these deposits is directly linked to assets in the contacts and there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value on these issues structured bonds is recognised in profit and loss except for the changes in credit risk that is recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets are classified as "Net result from securities trading and foreign exchange dealing".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in part of the liquidity buffer. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income", foreign exchange effects in "Net result from securities trading and foreign exchange dealing" and impairment losses in the item "Net loan losses" in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from securities classified at fair value through other comprehensive income". For information about impairment under IFRS 9, see section 13 below.

P1. Accounting policies, cont.

Hybrid (combined) financial instruments
Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero-coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from securities trading and foreign exchange dealing".

For index-linked bonds issued by Markets Nordea applies the fair value option and the entire combined instrument, host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item "Net result from securities trading and foreign exchange dealing" and presented as "Debt securities in issue" on the balance sheet.

Securities borrowing and lending agreements
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet.

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities" in note P38.

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to credit institutions" or as "Loans to the public".

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

Derivatives
All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from securities trading and foreign exchange dealing".

Offsetting of financial assets and liabilities
Nordea Bank Abp offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received, and the instrument is reset to market terms. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities against central counterparty clearing houses are offset on the balance sheet if the transaction currency and the central counterparty is the same. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities related to bilateral OTC derivative transactions are not offset on the balance sheet.

In addition, loans and deposits related to repurchase and reversed repurchase transaction with CCP are offset on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposit related to repurchase and reversed repurchase transactions that are made in accordance with the Global Master Repurchase Agreement (GMRA) are offset on the balance sheet if the assets and the liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

Issued debt and equity instruments
A financial instrument issued by Nordea Bank Abp is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea Bank Abp having a present obligation to either deliver cash or another financial asset, or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

13. Loans to the public/credit institutions
Scope
Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as 'Cash and balances with central banks", "Debt securities eligible for refinancing with central banks", "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 12 above and Note P43 on "Classification of financial instruments".

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

P1. Accounting policies, cont.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Impairment losses on financial assets at amortised cost".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea Bank Abp forgives its claims either through a legal based or voluntary reconstruction, or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Impairment losses on financial assets at amortised cost".

Assets classified as Fair value through other comprehensive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Impairment on other financial assets". Any fair value adjustments are recognised in equity.

Impairment testing

Nordea Bank Abp classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Nordea Bank Abp monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea Bank Abp applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section in the Board of Directors' Report. Exposures without individually calculated allowances will be covered by the model based impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the collective model described below but based on the fact that the exposures are already in default.

Model based allowance calculation

For exposures not impaired on an individual basis, a collective model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea Bank Abp uses two different models to identify whether there has been a significant increase in credit risk or not. The change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion. Assets where the relative increase in lifetime PD is more than 250 percent is considered as having a significant increase in credit risk, or if the absolute increase in lifetime PD is more than 150 basis points. For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence the customer is not in default. Such exposures will be classified as stage 2.

Nordea Bank Abp does not use the "low credit risk exemption" in the banking operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea applies three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions.

Write-offs

A write-off is a de-recognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written-off from the balance sheet, the customer

P1. Accounting policies, cont.

remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (list not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written-off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans and modifications

In this context a restructured loan is defined as a loan where Nordea Bank Abp has granted concessions to the obligor due to its financial difficulties and where this concession has resulted in an impairment loss for Nordea Bank Abp. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial distress (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced. Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example, a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Impairment losses on financial assets at amortised cost". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Fair value through profit or loss and measured at fair value. Changes in fair values are recognized in the income statement under the line "Net result from securities trading and foreign exchange dealing".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

14. Leasing

Nordea as lessor

Finance leases

Nordea Bank Abp does not have finance leasing operations.

Nordea as lessee

Finance leases

Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

Operating leases are not recognised on Nordea Bank Abp's balance sheet. For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit. The original lease terms normally range between 3 to 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased properties. In addition, the lease term is not for the major part of the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is amortised using the effective interest method which differs from the straight-line basis and better resembles an ordinary rental arrangement.

Embedded leases

Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

P1. Accounting policies, cont.

15. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea's control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea Bank Abp mainly consist of goodwill, IT-development/computer software and customer related intangible assets.

IT-development/Computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software includes also acquired software licenses not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 10 years.

Customer related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment

IT-development not yet taken into use is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT-development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. For goodwill and IT-development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk-free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note P23 "Intangible assets" for more information on the impairment testing.

16. Properties and equipment

Properties and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties and equipment comprise its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Properties and equipment is depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis.

Below follow the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, and any impairment loss is recognised.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

17. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. Nordea Bank Abp applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from securities trading and foreign exchange dealing".

18. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders and are recognised in the respective balance sheet item.

Unit-Linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits in these contracts are recognised

P1. Accounting policies, cont.

and measured at fair value as described in section 12 "Financial instrument" above.

19. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea Bank Abp intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

20. Employee benefits

All forms of consideration given by Nordea Bank Abp to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea Bank Abp. Nordea has also issued share-based payment programmes, which are further described in section 23 "Share-based payment".

More information can be found in Note P8 "Staff costs".

Post-employment benefits

Pension plans

Nordea Bank Abp has various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit pension plans are predominantly sponsored in Sweden, Norway and Finland. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit liabilities"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit liabilities ".

Most pensions in Denmark, but also plans in other countries, are based on defined contribution arrangements that hold no pension liability for Nordea. All defined benefit pension plans are closed for new employees. Nordea also contributes to public pension systems.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note P35 "Retirement benefit obligations").

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan. Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve is derived from the most liquid long

P1. Accounting policies, cont.

dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea Bank Abp has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea Bank Abp is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note P8 "Staff costs".

21. Equity

Additional Tier 1 capital holders

Nordea Bank Abp has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea Bank Abp and non-accumulating. Some of these instruments also include a requirement for Nordea Bank Abp to pay interest if the instruments are no longer allowed to be included in tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include reserves for cash flow hedges, financial assets classified into the category Financial assets at fair value through other comprehensive income and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

Retained earnings

Retained earnings include the undistributed profit from the previous years.

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also, own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

22. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item "Impairment losses on financial assets at amortised cost".

Premiums received for financial guarantees are, as stated in section 5 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, financial guarantees in the item "Contingent liabilities" and irrevocable credit commitments in the item "Commitments".

23. Share-based payment

Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period.. The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note P8 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable sal-

P1. Accounting policies, cont.

aries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from securities trading and foreign exchange dealing".

For more information see Note P8 "Staff costs".

24. Related party transactions

Nordea Bank Abp defines related parties as:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings and joint ventures
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis, apart from loans granted to employees, see Note P8 "Staff costs".

Shareholders with significant influence

Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea Bank Abp but do not control those policies.

Group undertakings

Group undertakings are defined as the subsidiaries of the parent company Nordea Bank Abp. Further information on the undertakings included in the Nordea Group is found in Note P21 "Investments in group undertakings".

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

Associated undertakings and joint ventures

Associated undertakings and joint ventures are defined as the associated companies and joint ventures of the parent company Nordea Bank Abp.

Further information on the associated undertakings and the joint ventures is found in Note P20 "Investments in associated undertakings and joint ventures".

Key management personnel

Key management personnel include the following positions:
- The Board of Directors of Nordea Bank Abp
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note P8 "Staff costs".

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Bank Abp as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea Bank Abp and other related parties is found in Note P48 "Related-party transactions".

25. Exchange rates

	Jan–Dec 2018
EUR 1 = SEK	
Income statement (average)	10.2608
Balance sheet (at end of year)	10.2330
EUR 1 = DKK	
Income statement (average)	7.4533
Balance sheet (at end of year)	7.4672
EUR 1 = NOK	
Income statement (average)	9.6033
Balance sheet (at end of year)	9.9470

P2. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM). In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business area results" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Basis of segmentation

Financial results are presented for the four main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking, with further breakdown on operating segments, and for the operating segment Group Finance & Treasury. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Reportable Operating segments

Personal Banking serves Nordea's household customers in the Nordic markets, through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets. Commercial Banking service large corporate customers and Business Banking service small and medium-sized corporate customers. Commercial & Business Banking works with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The Commercial & Business Banking area also consists of Transaction Banking, which services both personal and corporate customers across the Nordea Group. The unit includes Cards, Trade Finance, Nordea Finance, and Cash Management. Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. The division Shipping, Offshore &Oil Services is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailor made solutions and syndicated loan transactions. Group Finance & Treasury's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Finance & Treasury originates from Group Treasury & ALM.

P2. Segment reporting, cont.

Income statement

Oct–Dec 2018, EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Group Finance & Treasury	Total operating segments	Reconciliation	Total Parent company
Net interest income	223	183	204	–34	576	66	642
Net fee and commission income	301	124	106	–7	524	–97	427
Net result from items at fair value	40	72	28	28	168	–16	152
Profit from associated undertakings and joint ventures accounted for under the equity method	0	0	0	0	0	0	0
Other income	62	21	12	1,170	1,265	–4	1,261
Total operating income	**626**	**400**	**350**	**1,157**	**2,533**	**–51**	**2,482**
Staff costs	–181	–86	–116	–33	–416	–200	–616
Other expenses	–278	–174	–89	8	–533	159	–374
Depreciation, amortisation and impairment charges of tangible and intangible assets	–40	–2	–26	–17	–85	–30	–115
Total operating expenses	**–499**	**–262**	**–231**	**–42**	**–1,034**	**–71**	**–1,105**
Profit before loan losses	**127**	**138**	**119**	**1,115**	**1,499**	**–122**	**1,377**
Net loan losses	–21	–15	14	0	–22	–11	–33
Operating profit	**106**	**123**	**133**	**1,115**	**1,477**	**–133**	**1,344**
Income tax expense	–	–	–	–	–	–211	–211
Net profit for the year	**106**	**123**	**133**	**1,115**	**1,477**	**–344**	**1,133**
Balance sheet 31 Dec 2018, EURbn							
Loans to the public	111	58	64	4	236	–82	154
Deposits and borrowings from the public	74	39	40	2	156	15	171

Reconciliation between total operating segments and financial statements

	Total operating income, EURm	Operating profit, EURm	Loans to the public, EURbn	Deposits and borrowings from the public, EURbn
EURm	Oct–Dec 2018	Oct–Dec 2018	31 Dec 2018	31 Dec 2018
Total Operating segments	2,533	1,477	236	156
Eliminations	–51	–133	–82	15
Total	2,482	1,344	154	171

Total operating income split on product groups

Total operating income, EURm	Oct–Dec 2018
Banking products	2,341
Capital Markets products	141
Total	**2,482**

Geographical information

	Total operating income, EURm	Assets, EURbn
	Oct–Dec 2018	31 Dec 2018
Sweden	1,109	102
Finland	562	110
Norway	342	64
Denmark	388	114
Other	81	19
Total	**2,482**	**409**

Banking products consists of three different product types. Account products include account based products such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Financing products include asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers. Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Nordea's main geographical markets comprise the Nordic countries. Revenues and assets are distributed to geographical areas based on the location of the customers operations.

P3. Net interest income

Interest income

EURm	Oct–Dec 2018[1]
Interest income calculated using the effective interest rate method	1,066
Other interest income	50
Interest income	**1,116**

EURm	Oct–Dec 2018[1]
Debt securities eligible for refinancing with central banks	108
Loans to credit institutions	131
Loans to the public	836
Interest-bearing securities	2
Derivatives	–11
Other interest income	50
Interest income	**1,116**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Interest expense

EURm	Oct–Dec 2018[1]
Deposits by credit institutions	–69
Deposits and borrowings from the public	–81
Debt securities in issue	–353
Derivatives	128
Subordinated liabilities	–92
Other interest expenses[2]	–7
Interest expense	**–474**
Net interest income	**642**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.
2) The net interest income from derivatives, measured at fair value and are related to Nordea's funding. This can have both a positive and negative impact on other interest expense, for further information see Note P1 "Accounting principles".

Interest from categories of financial instruments

EURm	Oct–Dec 2018[1]
Financial assets at fair value through other comprehensive income	62
Financial assets at amortised cost	1,015
Financial assets at fair value through profit and loss (related to hedging instruments)	–11
Interest income calculated using the effective interest rate method	**1,066**
Financial assets at fair value through profit and loss	**50**
Other interest income	**50**
Interest income	**1,116**
Financial liabilities at amortised cost	–602
Financial liabilities at fair value through profit and loss	128
Interest expenses	**–474**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Interest on impaired loans amounted to an insignificant portion of interest income.

P4. Net fee and commission income

EURm	Oct–Dec 2018[1]
Asset management commissions	105
- of which income	107
- of which expense	–2
Life & Pension	5
- of which income	5
- of which expense	–
Deposit Products	6
- of which income	6
- of which expense	–
Brokerage, securities issues and corporate finance	52
- of which income	101
- of which expense	–49
Custody and issuer services	17
- of which income	27
- of which expense	–10
Payments	75
- of which income	108
- of which expense	–33
Cards	41
- of which income	70
- of which expense	–29
Lending Products	85
- of which income	87
- of which expense	–2
Guarantees	46
- of which income	56
- of which expense	–10
Other	–5
- of which income	17
- of which expense	–22
Total	**427**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 93m.

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 214m. The corresponding amount for fee expenses is EUR –61m.

P5. Net result from items at fair value and net result from hedging instruments

Oct–Dec 2018[1], EURm	Total	of which unrealised	of which realised	of which OCI
Net result from items at fair value				
Equity related instruments[2]	57	321	−264	0
Interest related instruments and foreign exchange gains/losses	110	−211	321	8
Other financial instruments (including credit and commodities)	−15	−75	59	0
Total[1]	**152**	**35**	**116**	**8**
-Of which financial instruments held for trading	−190	−751	561	0
Net result from hedging instruments				
Financial instruments under fair value hedge accounting	0	145	−144	−1
- of which net result on hedging instruments	129	274	−145	−1
- of which net result on hedged items	−129	−129	0	-
Net result from categories of financial instruments				
Financial assets at fair value through other comprensive income	8		8	–
Financial liabilites designated at fair value throuh profit or loss	209	701	−492	–
Financial assets and liabilities mandatorily at fair value through profit or loss	−39	−305	265	–
Financial assets at amortised cost	−26	−43	17	–
Financial liabilities at amortised cost	−86	−86	0	–
Foreign exchange gains/losses excluding currency hedges	63	−255	318	–
Non-financial assets and liabilites	23	23	–	–
Total	**152**	**35**	**116**	–

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018
2) Of which EUR 10m is dividends from shares of which EUR 10m from shares held for trading. Dividends from shares measured at fair value through OCI is EUR 0m.

P6. Dividends

EURm	Oct–Dec 2018[1]
Dividends from group undertakings	**457**
Nordea Kredit Realkreditaktieselskab	213
Nordea Finance Finland Ltd	64
Nordea Finans Norge AS	21
Nordea Funds Ltd	159
Dividends from associated undertakings and joint ventures	**30**
Visa Sweden	30
Group Contributions	**666**
Nordea Hypotek AB	305
Nordea Investment Management AB	185
Nordea Finans Sverige AB	178
Currency translation differences from Group Contributions	−2
Gains from group undertakings	**14**
Total	**1,167**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.

P7. Other operating income

EURm	Oct–Dec 2018[1]
Income from real estate	0
Other operational services	12
Other	82
Total	**94**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.

P8. Staff costs

Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018. The staff cost note refers to the period October – December 2018.

EURm	Oct–Dec 2018
Salaries and remuneration (specification below)[1]	–508
Pension costs (specification below)	–58
Social security contributions	–95
Other staff costs[2]	45
Total	**–616**
Salaries and remuneration	
To executives[3]	
- Fixed compensation and benefits	–2
- Performance-related compensation	–2
- Allocation to profit sharing	0
Total	–4
To other employees	–504
Total	**–508**

1) Of which allocation to profit-sharing for Oct - Dec 2018 EUR 10m.
2) Comprising of capitalisation of IT-project with EUR 45m.
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company are included. Executives amount to 22 individuals.

Pension costs[1]

EURm	Oct–Dec 2018
Defined benefits plans (Note P35)[2]	–4
Defined contribution plans	–54
Total	**–58**

1) Pension cost for executives, as defined in footnote 3 above, amounts to EUR 0m and pension obligations to EUR 6m.
2) Excluding social security contributions. Including social security contributions EUR -6m.

Additional disclosures on remuneration under Nordic FSA regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) no later than one week before the Annual General Meeting on 28 March 2019.

Remuneration to the Board of Directors, CEO and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2018 resolved the annual remuneration to the Board of Directors (The Board) amounting to for the Chairman EUR 294,600, to the Deputy Chairman EUR 141,300 and to other members EUR 91,950.

In addition, annual remuneration paid for board committee work on the Compliance Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 48,650 for the committee chairmen and EUR 29,600 for the other members. The remuneration for board committee work on the Board Remuneration Committee amounts to EUR 36,050 for the committee chairman and EUR 25,750 for the other members.

Separate remuneration is not paid to members who are employees of the Nordea Group.

P8. Staff costs, cont.

Remuneration to the Board of Directors[1]

EUR	Oct–Dec 2018
Chairman of the Board:	
Björn Wahlroos	80,088
Vice Chairman of the Board:	
Lars G Nordström	42,725
Other Board members[2]:	
Nigel Hinshelwood	42,550
Torbjörn Magnusson	30,388
Robin Lawther	32,000
Sarah Russell	35,150
Silvija Seres	30,388
Birger Steen	35,150
Pernille Erenbjerg	30,388
Maria Varsellona	30,388
Total	**389,215**

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in four equal instalments.
2) Employee representatives excluded.

There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for a pension commitment to one Board member previously employed by Nordea.

Salary and benefits

The BRC prepares alterations in salary levels and outcome of GEM Executive Incentive Programme (GEM EIP) as well as other changes in the remuneration package for the Chief Executive Officer (CEO), the Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO) and members of Group Executive Management (GEM), for resolution by the Board.

GEM EIP 2018, which is based on specific targets, can be a maximum of 100% of the fixed base salary. In accordance with remuneration regulations 40% of GEM EIP 2018 will be paid out in 2019, 30% will be deferred to 2022 and 30% to 2024. When amounts are paid out 50% will be subject to retention for 12 months.

Benefits include primarily car benefits, tax consultation and housing.

Chief Executive Officer (CEO)

Casper von Koskull was appointed as CEO in Nordea Bank Abp from 1 October 2018. The remuneration to the CEO consists of three components: Fixed salary, GEM Executive Incentive Programme (GEM EIP) and benefits.

The annual fixed base salary as CEO was decided to be EUR 1,354,462 as from 1 October 2018.

GEM EIP 2018 is based on specific targets and can amount to a maximum of 100% of the fixed base salary. For October - December 2018 the outcome of the GEM EIP amounted to EUR 191,382.

The benefits for October - December 2018 amounted to EUR 67,085 and include primarily car benefits and tax consultation, housing (as from 1 October 2018) and costs related to relocation to Finland.

The total earned remuneration for October - December 2018, as CEO, based on the three components (excluding pension) amounted to EUR 639,577.

The CEO took part of the LTIPs from 2010 to 2012.

P8. Staff costs, cont.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed as Group COO in and Deputy CEO Nordea Bank Abp on 1 October 2018. The remuneration to the Group COO and Deputy CEO consists of three components: Fixed salary, GEM EIP and benefits.

The annual fixed base salary as Group COO and Deputy CEO was decided to be DKK 8,560,000 (EUR 1,148,487).

GEM EIP 2018 is based on specific targets and can amount to a maximum of 100% of the fixed base salary. For October - December 2018 the outcome of the GEM EIP amounted to EUR 325,887.

The benefits for October - December 2018 amounted to EUR 14,566 and include primarily housing benefits.

The total earned remuneration for October - December 2018, as Group COO and Deputy CEO, based on the three components (excluding pension) amounted to EUR 654,335.

The Group COO and Deputy CEO took part in the LTIPs until 2012.

Pension

Chief Executive Officer (CEO)

The CEO is, as from 1 October 2018, covered by the Finnish statutory pension scheme and in addition has a defined contribution plan corresponding to 8.5% of the fixed salary.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed base salary.

Group Executive Management (GEM)

The pension agreements for the other GEM members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

As per 31 December 2018 three members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

Oct - Dec 2018, EUR	Fixed salary[1]	GEM Executive Incentive Programme[2]	Benefits[1]	Total
Chief Executive Officer (CEO):				
Casper von Koskull[3]	380,510	191,982	67,085	639,577
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen[4]	313,882	325,887	14,566	654,335
Group Executive Management (GEM):				
9 individuals excluding CEO and Deputy CEO[5]	1,425,680	1,175,071	18,878	2,619,629
Total	**2,120,072**	**1,692,940**	**100,529**	**3,913,541**

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable. Benefits are included at taxable values after salary deductions (if any).
2) The outcome from GEM EIP 2018 has been expensed in full in 2018 but will be paid out over a five-year deferral period with forfeiture clauses compliant to remuneration regulations. The GEM EIP 2018 is indexed with Nordea's total shareholder return (TSR) excluding dividends during the deferral period.
3) The annual fixed base salary as CEO is in 2018 EUR 1,354,462. Benefits includes costs related to relocation to Finland of EUR 53,112.
4) The annual fixed base salary as Group COO and Deputy CEO is in 2018 DKK 8,560,000 (EUR 1,148,487). Car and holiday allowance amount to DKK 669,695 (EUR 89,852).
5) Remuneration to GEM members is included for the period they have been appointed. One GEM member has resigned as GEM member by 30 November 2018, before leaving Nordea. One new GEM members was appointed on 1 December 2018.

Long Term Incentive Programmes (LTIP) 2011–2012

	Number of outstanding shares[1]		
	LTIP 2012	LTIP 2011	Total
Chief Executive Officer (CEO):			
Casper von Koskull	19,312	7,501	26,813
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):			
Torsten Hagen Jørgensen	17,912	6,712	24,624
Total	**37,224**	**14,213**	**51,437**
Former Chief Executive Officer (Former CEO):			
Christian Clausen	27,413	10,362	37,775
Total	**64,637**	**24,575**	**89,212**

1) The LTIPs related to previous position in Nordea and were fully expensed in May 2015. All shares in LTIPs are fully vested and consequently not conditional. 60% of the vested shares are deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. The number of outstanding shares are presented as of 31 December 2018. No other GEM members have outstanding LTIP shares by 31 December 2018.

P8. Staff costs, cont.

benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution is in total 30% of the fixed salary.

One member has pension in accordance with the local country statutory pension system in Finland. According to the statutory pension rules the part of GEM EIP 2017 outcome paid or retained in 2018 is included in the pensionable income.

Three members have a defined contribution plan in accordance with local practises in Denmark. The pension contribution is in total 30% of the fixed base salary.

Two members do not have a pension agreement with Nordea.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has a severance pay equal to 12 months' salary to be reduced by the salary he receives from another employment during these 12 months.

The Group COO and Deputy CEO and nine GEM members have a notice period of 6 months and Nordea a notice period of 12 months. A severance pay of up to 12 months' salary is provided to be reduced by the salary the executive receives from another employment during the severance pay period.

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 79.

Additional disclosures for all Nordea employees will be published in a separate report on www.nordea.com no later than one week before the Annual General Meeting 28 March 2019.

Loans to key management personnel

Loans to key management personnel, as defined in Note P1 section 25, amount to EUR 2m. Interest income on these loans amounts to EUR 0m.

For key management personnel who are employed by Nordea the same credit terms apply as for other employees. In Norway the employee interest rate for loans is variable and was 1.8% as 31 December 2018. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 30 basis points up to EUR 0.4m, and 60 basis points on the part that exceeds EUR 0.4m. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 50 Swedish price base amounts both on fixed- and variable interest rate loans. For interest on loans above the defined caps, the same terms apply as for premium customers. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Nordea shares held by the Board of Directors, CEO and Group Executive Management

At the end of 2018, number of Nordea shares held by the Board of Directors amounted to 177,855 and the CEO and Group Executive Management amounted to 299,518, in total 477,373 (0.011% of total shares). Key management personnel has no holdings of equity warrants or convertible bonds issued by Nordea Bank Abp.

Guarantees and other off-balance-sheet commitments

Nordea Bank Abp has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any key management personnel or auditors.

Pension expense and pension obligation

2018, EUR	Oct - Dec 2018 Pension expense[1]	31 Dec 2018 Pension obligation[2]
Board members[4]:		
Lars G Nordström	–	312,465
Chief Executive Officer (CEO):		
Casper von Koskull	27,411	357,936
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):		
Torsten Hagen Jørgensen	86,137	–
Group Executive Management (GEM):		
9 individuals excluding CEO and Deputy CEO[3]	239,464	777,583
Total	**353,012**	**1,447,984**
Former Chairman of the Board and CEOs:		
Vesa Vainio[5]	–	4,844,682
Total	**353,012**	**6,292,666**

1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during October - December 2018 in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 345,179 relates to defined contribution agreements. Contributions to the Finnish statutory pension schemes are reported as part of the social charges and thus excluded from the above disclosure.

2) The pension obligation (value of defined benefit pension plan liabilities) is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.

3) Members of GEM included for the period they are appointed. The pension obligation is the value of pension liabilities towards three Swedish GEM members as of 31 December 2018.

4) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.

5) The pension obligation for Former Chairman of the Board and CEO is mainly due to defined benefit pension rights earned in, and funded by, banks forming Nordea.

P8. Staff costs, cont.

Long Term Incentive Programmes

Dec 2018	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012			
Outstanding at the beginning of the period	–	–	–
Through merger	49 608	148 824	49 608
Outstanding at end of year[1]	**49 608**	**148 824**	**49 608**
- of which currently exercisable	–	–	–
Rights LTIP 2011			
Outstanding at the beginning of the period	–	–	–
Through merger	31 563	52 736	14 203
Outstanding at end of year[1]	**31 563**	**52 736**	**14 203**
- of which currently exercisable	–	–	–

1) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2018 is paid no earlier than autumn 2022. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2018 is decided during spring 2019, and a reservation of EUR 8m excl. social costs is made during Oct - Dec 2018. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

Share linked deferrals

Oct - Dec 2018, EURm	Share linked deferrals
Opening balance 21 Sep 2017	–
Through merger	138
Deferred/earned during the period	–
TSR indexation during the period	–20
Payments during the period	–40
Translation differences	–1
Closing balance 31 Dec 2018	**77**

Average number of employees

Oct - Dec 2018	Total	Men	Women
Full-time equivalents			
Finland	5,712	2,141	3,571
Sweden	6,254	3,098	3,156
Denmark	7,478	4,253	3,225
Norway	2,493	1,348	1,145
Poland	3,363	1,875	1,488
Other countries	596	230	366
Total average	**25,896**	**12,945**	**12,951**

Number of employees

Dec 2018	
Permanent Full time	23,071
Permanent Part time	1,224
Fixed Term	1,656
Total number of employees (FTE´s), end of period	**25,951**

Gender distribution

In the parent company's Board of Directors 50% were men and 50% were women. The corresponding numbers for Other executives were 82% men and 18% women. The employee representatives has been excluded.

P9. Other administrative expenses

EURm	Oct–Dec 2018[1]
Other personnel expenses	–24
Travelling	–19
Information technology	–121
Marketing and representation	–21
Postage, transportation, telephone and office expenses	–16
Other[2]	–73
Total	**–274**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.

2) Including fees to auditors distributed as follows.

Auditor''s fees

EURm	Oct–Dec 2018[1]
PricewaterhouseCoopers	
Auditing assignments	–3
Audit-related services	0
Tax advisory services[3]	0
Other assignments[3]	0
Total	**–3**

3) Of which Tax advisory services EUR 0m and Other assignments EUR 0m refers to PricewaterhouseCoopers Oy.

P10. Other operating expenses

EURm	Oct–Dec 2018[1]
Rents, premises and real estate	–79
Fees to authorities[2]	–10
Other	–11
Total	**–100**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.

2) Including Deposit Guarantee Scheme fee, resolution fee, supervisory fees, contribution to the Single Resolution Board and fees to Federation of Finnish Financial Services.

P11. Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

EURm	Oct–Dec 2018[1]
Properties and equipment (Note P24)	
Equipment	–22
Total	**–22**
Intangible assets (Note P23)	
Goodwill	–17
Computer software	–44
Other intangible assets	–7
Total	**–68**

Impairment charges /reversed impairment charges

EURm	Oct–Dec 2018[1]
Intangible assets (Note P23)	
Computer software	–23
Other intangible assets	–2
Total	**–25**
Total depreciation/amortisation and impairment charges	**–115**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.

P12. Net loan losses

Oct–Dec 2018[1], EURm Based on IFRS 9	Loans to central banks and credit institutions	Loans to the public	Off balance sheet items	Total
Net loan losses, stage 1	–1	11	8	18
Net loan losses, stage 2	–2	25	–3	20
Net loan losses, non-defaulted	**–3**	**36**	**5**	**38**
Stage 3, defaulted				
Net loan losses, individually asssed, model based[2]	6	7	–3	10
Realised loan losses	–	–106	–10	–116
Decrease of provisions to cover realised loan losses	–	66	10	76
Recoveries on previous realised loan losses	0	8	–	8
New/increase in provisions	–	–126	–15	–141
Reversals of provisions	–	82	31	113
Net loan losses, defaulted	**6**	**–69**	**13**	**–50**
Net loan losses	**3**	**–33**	**18**	**–12**

Oct–Dec 2018[1], EURm Based on IFRS 9	Net loan losses, individually assessed	Net loan losses, collectively assessed[2]	Reversals of provisions	Recoveries on previous realised loan losses	Write-offs	Total in Income Statement
Loans to central banks and credit institutions	6	–3	–	0	–	3
Loans to the public	–53	36	82	8	–106	–33
Guarantees and other off balance sheet items	–9	5	32	0	–10	18
Other	–	–	–	–	–	–
Net loan losses from loans measured at amortised cost	**–56**	**38**	**114**	**8**	**–116**	**–12**
Impairment on other financial assets						
Net loan losses from loans classified as Fair value through other comprehensive income	–	0	–	–	–	0
Impairments on shares and interests in group entities and participating interests	–	–	–	–	–21	–21
Total Impairment on other financial assets	**–**	**0**	**–**	**–**	**–21**	**–21**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018.
2) Includes individually identified assets where the provision has been caclulated based on statistical models.

P13. Taxes

Income tax expense

EURm	Oct-Dec 2018[1]
Current tax	–134
Deferred tax	–77
Total	**–211**

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Finland as follows:

EURm	Oct-Dec 2018[1]
Profit before tax	1,344
Tax calculated at a tax rate of 20.0%	–269
Effect of different tax rates in other countries	–27
Tax-exempt income	94
Non-deductible expenses	7
Tax relating to merged entity's prior periods	–11
Other	–5
Tax charge	**–211**
Average effective tax rate	16%

Deferred tax

EURm	Deferred tax assets 31 Dec 2018	Deferred tax liabilities 31 Dec 2018
Deferred tax related to:		
Tax loss carried forward	90	0
Loans to the public	20	0
Derivatives	–2	319
Properties and equipment	7	8
Intangible assests	0	40
Hedge of net investment in foreign subsidiaries	0	1
Retirement benefit assets/ obligations	32	25
Liabilities/provisions	63	0
Foreign tax credits	101	–
Other	1	12
Netting between deferred tax assets and liabilites	–182	–182
Total	**130**	**223**

1) Nordea Bank Abp's financial period started 21 September 2017, but with no business activities until 1 October 2018

P14. Debt securities eligible for refinancing with central banks

EURm	31 Dec 2018
Treasury bonds, notes and bills	16,719
Other	55,958
Total	**72,677**

P15. Loans to Credit Institutions

31 Dec 2018, EURm	Carrying amount	On-Demand	Non-Demand
Central Banks	7,272	2,429	4,843
Credit Institutions	57,500	1,759	55,741
Total	**64,772**	**4,188**	**60,584**

P16. Loans and impairment

EURm	31 Dec 2018
Loans measured at fair value through profit and loss	24,486
Loans measured at amortised cost, not impaired (stage 1 and 2)	192,646
Impaired loans (stage 3)	3,889
- of which servicing	1,977
- of which non-servicing	1,912
Loans before allowances	**221,021**
- of which central banks and credit institutions	64,772
Allowances for impaired loans (stage 3)	–1,469
- of which servicing	–657
- of which non-servicing	–812
Allowances for not-impaired loans (stage 1 and 2)	–361
Allowances	**–1,830**
- of which central banks and credit institutions	–15
Loans, carrying amount	**219,191**

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 21 Sep 2017	–	–	–	–	–	–	–	–	–	–	–	–
Through merger	66,484	71	–	66,555	129,036	9,043	4,164	142,243	195,520	9,114	4,164	208,798
Origination and acquisition	3,413	2	–	3,415	11,534	3	48	11,585	14,947	5	48	15,000
Transfers between stage 1 and stage 2, (net)	–6	8	–	2	–1,087	1,137	–	50	–1,093	1,145	–	52
Transfers between stage 2 and stage 3, (net)	–	–	–	–	–	–86	169	83	–	–86	169	83
Transfers between stage 1 and stage 3, (net)	8	0	–	8	113	–	4	117	121	–	4	125
Repayments and disposals	–8,817	–50	–	–8,867	–15,991	–1,171	–373	–17,535	–24,808	–1,221	–373	–26,402
Write-offs	–	–	–	–	–	–	–105	–105	–	–	–105	–105
Translation differences	61	0	–	61	–959	–100	–18	–1,077	–898	–100	–18	–1,016
Closing balance at 31 Dec 2018	**61,143**	**31**	**–**	**61,174**	**122,646**	**8,826**	**3,889**	**135,361**	**183,789**	**8,857**	**3,889**	**196,535**

Movement of allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 21 Sep 2017	–	–	–	–	–	–	–	–	–	–	–	–
Through merger	–4	–5	–9	–18	–128	–257	–1,500	–1,885	–132	–262	–1,509	–1,903
Origination and acquisition	0	0	–	0	–5	0	–1	–6	–5	0	–1	–6
Transfers from stage 1 to stage 2	0	0	–	0	6	–38	–	–32	6	–38	0	–32
Transfers from stage 1 to stage 3	–	–	–	–	0	–	–8	–8	0	0	–8	–8
Transfers from stage 2 to stage 1	–	–	–	–	–3	19	–	16	–3	19	0	16
Transfers from stage 2 to stage 3	–	–	–	–	–	10	–50	–40	0	10	–50	–40
Transfers from stage 3 to stage 1	–	–	–	–	–1	–	3	2	–1	0	3	2
Transfers from stage 3 to stage 2	–	–	–	–	–	–3	7	4	0	–3	7	4
Changes in credit risk without stage transfer	–1	–2	3	0	7	27	–3	31	6	25	0	31
Repayments and disposals	0	0	3	3	7	10	9	26	7	10	12	29
Write-off through decrease in allowance account	–	–	–	–	–	–	66	66	0	0	66	66
Translation differences	0	0	0	0	0	0	11	11	0	0	11	11
Closing balance at 31 Dec 2018	**–5**	**–7**	**–3**	**–15**	**–117**	**–232**	**–1,466**	**–1,815**	**–122**	**–239**	**–1,469**	**–1,830**

P16. Loans and impairment, cont.

Allowances and provisions[1]

31 Dec 2018, EURm	Credit institutions	The public	Total
Allowances for items on the balance sheet	–15	–1,815	–1,830
Provisions for off balance sheet items	–	–201	–201
Total allowances and provisions	**–15**	**–2,016**	**–2,031**

1) Included in Note P34 "Provisions" as "Guarantees/Commitments".

Key ratios[1]

EURm	31 Dec 2018
Impairment rate, (stage 3) gross, basis points	198
Impairment rate, (stage 3) net, basis points	123
Total allowance rate (stage 1,2 and 3), basis points	93
Allowances in relation to credit impaired loans (stage 3), %	38
Allowances in relation to loans in stage 1 and 2, basis points	19

1) For definitions, see "Glossary" on page 192

Loans to public

31 Dec 2018, EURm	Loans before allowances	Allowances	Loans carrying amount
Non financial corporations	16,227	–258	15,969
Financial and insurance corporations	782	–1	781
General government	591	0	591
Households	13,383	–68	13,315
Non-profit institutions serving households	321	–2	319
Foreign Countries	124,930	–1,486	123,444
Total	**156,235**	**–1,815**	**154,419**

Assets subject to enforcement activities	31 Dec 2018
Amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity	0

Rating/scoring information on loans measured at amortised cost

Rating/ scoring grade	Average PD, %	Gross carring amount 31 Dec 2018			
		Stage 1	Stage 2	Stage 3	Total
7	0.01	8,772	113	–	8,885
6+ / A+	0.04	10,887	68	1	10,956
6 / A	0.05	8,798	69	1	8,868
6– / A–	0.08	7,455	132	2	7,589
5+ / B+	0.08	9,005	251	2	9,258
5 / B	0.17	15,356	294	1	15,651
5– / B–	0.22	11,951	366	3	12,320
4+ / C+	0.42	15,108	426	3	15,537
4 / C	0.60	15,870	514	3	16,387
4– / C–	1.15	13,210	704	3	13,917
3+ / D+	3.10	4,132	1,369	12	5,513
3 / D	5.72	2,506	968	13	3,487
3– / D–	8.5	2,037	920	11	2,968
2+ / E+	10.44	1,284	974	65	2,323
2 / E	16.6	526	569	17	1,112
2– / E–	20.87	252	232	3	487
1+ / F+	33.90	149	175	9	333
1 / F	32.90	133	147	15	295
1– / F–	31.83	321	441	24	786
0+ / 0 / 0–	100.00	120	98	3,701	3,919
Standardised/ Unrated	0.23	2,949	28	0	2,977
Internal[1]	–	52,967	–	–	52,967
Total		**183,788**	**8,858**	**3,889**	**196,535**

1) Exposures towards Nordea entities.

P17. Interest-bearing securities and subordinated receivables

Interest-bearing securities

31 Dec 2018, EURm	Carrying amount
Interest-bearing securities, Issued by public measured at fair values through P&L	16,054
- of which measured at fair value through P/L	15,621
- of which held for trading	2,675
Interest-bearing securities, Issued by public measured at fair value through OCI [2]	432
Interest-bearing securities, Issued by other borrowers measured at fair value through P&L	58,513
- of which measured at fair value through P/L	26,583
- of which held for trading	12,618
Interest-bearing securities, Issued by other borrowers measured at fair value through OCI [2]	31,680
Interest-bearing securities, Issued by other borrowers measured at amortized cost through P&L[1]	250
Total	**74,567**
- of which listed	27,923
- of which unlisted	46,644
- of which debt securities eligible for refinancing with central banks	72,677

1) Interest-bearing securities measured at amortized cost, not impaired (stage1) EUR 250m.
2) Interest-bearing securities measured at fair value through OCI, not impaired (stage1) EUR 31,572m of which allowances EUR 2m.

Subordinated receivables

31 Dec 2018, EURm	Carrying amount
Subordinated receivables	296
Total	**296**

P18. Financial instruments pledged as collateral

Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instuments pledged as collateral.

31 Dec 2018, EURm	
Treasury bonds, notes and bills	3,430
Interest-bearing securities	10,439
Total	**13,869**

For information on transferred assets, see Note P46 ”Transferred assets and obtained collaterals”.

P19. Shares and participations

31 Dec 2018, EURm	Listed	Unlisted	Carrying amount
Shares	4,034	734	4,768
- of which measured at fair value through P/L	4,034	734	4,768
- of which held for trading	2,402	–	2,402
Shares in group undertakings	–	45	45
Total	**4,034**	**779**	**4,813**
- of which under securities lending	–	–	–

Shares borrowed EUR 2,258m are not recognised in the balance sheet and hence are not included in the total amount.

P20. Investments in associated undertakings and joint ventures

31 Dec 2018, EURm	
Opening balance at 21 Sep 2017	–
Through merger	1,041
Acquisitions/capital contributions during the year	12
Sales during the year	–1
Translation differences	–2
Reclassifications	–1
Acquisition value at end of year	**1,049**
- of which listed shares	–

P21. Investments in group undertakings

31 Dec 2018, EURm	
Opening balance at 21 Sep 2017	–
Through merger	13,544
Revaluations under hedge accounting	–96
Sales during the year	–29
Reclassifications	6
Acquisition value at end of year	**13,425**
Opening balance at 21 Sep 2017	–
Through merger	–1,229
Impairment charges during the year	–21
Accumulated impairment charges at end of year	**–1,250**
Total	**12,175**
- of which listed shares	–

Nordea Bank Abp’s branches

	Country
Nordea Danmark, filial af Nordea Bank Abp	Denmark
Nordea Abp, Estonian Branch	Estonia
Nordea Bank Abp, German branch	Germany
Nordea Bank Abp, New York Branch	USA
Nordea Bank Abp, Filial i Norge	Norway
Nordea Bank Abp, Polish Branch	Poland
Nordea Bank Abp, Singapore Branch	Singapore
Nordea Bank Abp, filial i Sverige	Sweden
Nordea Bank Abp, UK Branch	UK
Nordea Bank Abp, Shanghai Branch	China

P21. Investments in group undertakings, cont.

Specification

This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies.

31 Dec 2018	Registration number	Domicile	Number of shares	Carrying amount 2018, EURm	Shareholding, %	Voting power of holding %
Nordea Kredit RealKreditaktieselskab	15134275	Copenhagen	17,172,500	2,946	100.0	100.0
Nordea Hypotek AB (publ)	556091-5448	Stockholm	100,000	2,305	100.0	100.0
Nordea Eiendomskreditt AS	971227222	Oslo	15,336,269	1,232	100.0	100.0
Fionia Asset Company A/S	31934745	Copenhagen	148,742,586	1,184	100.0	100.0
Nordea Finance Finland Ltd	0112305-3	Espoo	1,000,000	1,066	100.0	100.0
Nordea Mortgage Bank Plc	2743219-6	Helsinki	257,700,000	731	100.0	100.0
Nordea Life Holding AB	556742-3305	Stockholm	1 000	719	100.0	100.0
LLC Promyshlennaya Kompaniya Vestkon[1]	1027700034185	Moscow	4,601,942,680	311	100.0	100.0
Nordea Bank S.A.	B-14157	Luxembourg	1,000,000	237	100.0	100.0
Nordea Finans Norge AS	924507500	Oslo	63,000	424	100.0	100.0
Nordea Funds Ltd	1737785-9	Helsinki	3,350	385	100.0	100.0
Nordea Asset Management Holding AB	559104-3301	Stockholm	500	234	100.0	100.0
Nordea Finans Danmark A/S	89805910	Høje Taastrup	20,006	188	100.0	100.0
Nordea Finans Sverige AB (publ)	556021-1475	Stockholm	1,000,000	113	100.0	100.0
Nordea Essendropsgate Eiendomsforvaltning AS	986610472	Oslo	7,500	39	100.0	100.0
Nordea Markets Holding Company INC	36-468-1723	Delaware	1,000	20	100.0	100.0
Nordic Baltic Holding (NBH) AB	556592-7950	Stockholm	1,000	21	100.0	100.0
Privatmegleren	986386661	Oslo	12,000,000	10	100.0	100.0
Tomteutvikling Norge AS	999222862	Oslo	300	2	100.0	100.0
Danbolig A/S	13186502	Copenhagen	1	0	100.0	100.0
Structured Finance Servicer A/S	24606910	Copenhagen	2	1	100.0	100.0
Nordea Hästen Fastighetsförvaltning AB	556653-6800	Stockholm	1,000	0	100.0	100.0
Nordea Putten Fastighetsförvaltning AB	556653-5257	Stockholm	1,000	0	100.0	100.0
Nordea do Brasil Representações Ltda	51.696.268/0001-40	São Paulo, Brazil	116,215	0	100.0	100.0
First Card AS	963215371	Oslo	200	0	100.0	100.0
Bohemian Wrappsody AB	556847-8399	Stockholm	14,658,539	7	47.9	55.4
Tordarius AB	559107-6871	Stockholm	100	0	100.0	100.0
Nordea Vallila Fastighets Förvaltning Ab	1880368-8	Helsinki	1,000	0	100.0	100.0
Total				**12,175**		

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon. Combined ownership, Nordea Bank Abp directly 7.2% and indirecly 92.8% through LLC Promyshlennaya Kompaniya Vestkon.

P22. Derivatives and hedge accounting

Nordea enters into derivatives for trading and risk management purposes. Nordea may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Derivatives not used for hedge accounting	35,146	40,008	6,743,740
Fair value hedges	947	259	91,096
Cash flow hedge	1,128	324	18,433
Total derivatives	**37,221**	**40,591**	**6,853,269**

P22. Derivatives and hedge accounting, cont.

Derivatives not used for hedge accounting

31 Dec 2018, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	17,633	18,573	3,958,802
FRAs	26	8	1,036,172
Futures and forwards	19	29	144,285
Options	5,341	6,042	384,585
Other	0	7	5,724
Total	**23,019**	**24,659**	**5,529,568**
of which internal transactions	138	991	102,292
Equity derivatives			
Equity swaps	192	138	10,886
Futures and forwards	4	2	1,255
Options	303	638	15,273
Total	**499**	**778**	**27,414**
- of which internal transactions			
Foreign exchange derivatives			
Currency and interest rate swaps	6,156	9,414	410,046
Currency forwards	4,817	4,284	625,256
Options	108	116	19,879
Other	-	-	-
Total	**11,081**	**13,814**	**1,055,181**
- of which internal transactions	133	143	4,067
Other derivatives			
Credit default swaps (CDS)	537	755	130,921
Commodity derivatives	0	0	92
Other derivatives	10	2	564
Total	**547**	**757**	**131,577**
- of which internal transactions			
Total derivatives not used for hedge accounting	**35,146**	**40,008**	**6,743,740**
- of which internal transactions	271	1,134	106,359

Hedge Accounting

Risk management

Nordea manages its identified market risks according to the risk management framework and strategy described in the Market risk section in the chapter "Risk management" in the Board of Director's report.

Nordea classifies its exposures to market risk into either trading (the Trading Book) or non-trading (the Banking Book) portfolios and are managed separately.

The 'Trading Book' consists of all positions in financial instruments held by Nordea either with trading intent, or in order to hedge positions held with trading intent. Positions held "with trading intent" are those held intentionally for short-term resale or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices, or from other price or interest rate variations.

The Banking Book comprises all positions not held in the Trading Book. All hedges qualifying for hedge accounting are performed in the Banking Book. The hedging instruments and risks hedged are futher described below per risk and hedge accounting type.

Interest rate risk

Nordea's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on Nordea's margins, profit or loss, and equity. Interest risk arises from mismatch of interest from interest bearing liabilities and assets such as deposits, issued debt, securities and loan portfolio.

As part of Nordea's risk management strategy, the Board has established limits on the non–trading interest rate gaps for the interest rate sensitivities. These limits are consistent with the Nordea's risk appetite and Nordea aligns its hedge accounting objectives to keep exposures within those limits. Nordea's policy is to monitor positions on a daily basis. For further information on measurement of risks, see the Market risk section in the chapter "Risk management" in the Board of Directors' report.

For hedge accounting relationships related to interest a risk, the hedged item is the benchmark rate. The hedging ratio is one to one and is established by matching the notional of the derivatives against the principle of the hedged item.

The benchmark rate is determinded as a change in present value of the future cash flows using benchmark rate discount curves. The benchmark rate is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

In order to reduce or eliminate changes in the fair value of financial assets and financial liabilities due to movements in interest rates, Nordea enters into fair value hedge relationships as described in Note P1 section 9. Nordea uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and loans and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities. There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e. notional amount, maturity, payment and reset dates).

In the below table, the accumulated fair value adjustments arising from continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

Hedged items

2018, EURm	Interest rate risk
Fair value hedges	
Carrying amount of hedged assets[1]	29,422
- of which accumulated amount of fair value hedge adjustment[3]	72
Carrying amount of hedged liabilties[2]	38,819
- of which accumulated amount of fair value hedge adjustment[3]	536

1) Presented on the balance sheet row Loans to central banks, Loan to credit institutions, Loans to the public, Interest-bearing securities and Fair value changes of portoflio hedge of interest rate risk.
2) Presented on the balance sheet row Deposit by credit institution, Deposit and borrowing from the public, Debt securities in issue and Fair value changes of portfolio hedge of interest rate risk.
3) Of which related to continuing portfolio hedges of interest rate rist.

P22. Derivatives and hedge accounting, cont.

The following table provides information about the hedging instruments included in the line item Derivatives on the balance sheet:

Derivatives used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	947	259	91,096
- of which internal transactions	14	10	1,132

The below table presents the changes in the fair value of the hedged items and changes in fair value of the hedging instruments used as the basis for recognising ineffectiveness. These changes are recognised on the row "Net result from hedge accounting" in the income statement.

Hedge ineffectiveness

31 Dec 2018, EURm	Interest rate risk
Fair value hedges	
Changes in fair value of hedging instruments	71
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–78
Hedge ineffectiveness recognised in the income statement[1]	–7

1) Recognised on the row Net result from items at fair value.

Cash flow hedges

For Nordea's cash flow hedge accounting relationships, the hedged risk is the variability in future interest cash flows due to changes in market interest rates. In order to reduce or eliminate variability in future interest payments, Nordea primarily uses interest rate swaps and cross currency interest rate swaps as hedging instruments according to Nordea's policies and risk management strategy described in Note P1 section 9 and in the Market risk section in the chapter "Risk management" in the Board of Directors' report.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps and cross currency swaps match the terms of the future interest cash flows (i.e. notional amount and expected payment date).

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing interest rate risk including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions:

Derivatives used for hedge accounting

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	10	2	190
- of which internal transactions	–	–	–

In the below table, the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year are specified.

Hedge ineffectiveness

2018, EURm	Interest rate risk
Cash flow hedges	
Changes in fair value of hedging instruments	1
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–1
Hedge ineffectiveness recognised in the income statement[1]	0
Hedging gains or losses recognised in OCI	1

1) Recognised on the row Net result from hedge accounting

Cash flow hedge reserve

2018, EURm	Interest rate risk
Opening balance at 21 Sep 2017	–
Through merger	1
Cash flow hedges:	
- Valuation gains/losses during the year	1
- Tax on valuation gains/losses during the year	0
- Transferred to the income statement during the year	–1
- Tax on transfers to the income statement during the year	0
Other comprehensive income, net of tax	0
Total comprehensive income	0
Balance at 31 Dec 2018	**1**
- of which relates to continuing hedges for which hedge accounting is applied	0
- of which relates to hedging relationships for which hedge accounting is no longer applied	0

The maturity profile of Nordea's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) follows below:

Maturity profile of the nominal amount of hedging instrumens

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	1,691	10,894	59,491	16,590	88,666
Total	**–**	**1,691**	**10,894**	**59,491**	16,590	88,666

P22. Derivatives and hedge accounting, cont.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. FX risk from trading activities is limited through a VaR limit while FX risk from structural exposures as described below are limited through a stress loss limit for the CET1-ratio impact from FX fluctuations in a severed but plausible stress scenario (see the Market risk section in the chapter "Risk management" in the Board of Directors report).

Nordea's issuance of credits and borrowing can be denominated in the currency of the borrower or investor. Borrowing, investing and lending are not always executed in the same currency and thus exposes Nordea to a foreign exchange risk. Differences in exposures to individual currencies that exist between different transactions are matched by predominantly entering into cross currency interest rate swaps. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

In addition to the above, Nordea also has exposure to structural foreign currency risk through its foreign operations that have a functional currency other than Nordea's presentation currency, EUR (i.e. a translation risk). Fluctuation of the spot exchange rates will cause Nordea's reported net investment in foreign operations to vary and the CET1-ratio to fluctuate from the currency mismatch between equity and Risk Exposure Amounts (REA). Nordea applies hedge accounting when it hedges its investments in fully consolidated foreign operations whose functional currency is not EUR.

For hedge accounting relationships related to currency risk, the hedeged item is foreign currency component. The hedging ratio is 1:1 and is established by matching the notional of the derivatives against the principal of the hedged item.

The currency component is determined as the change in present value of the future cash flows using foreign exchange curves. The foreign currency component is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value of cash flows.

Cash flow hedges

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing currency risks including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Derivatives used for hedge accounting

31 Dec 2018, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	1,118	322	18,243
Total derivatives used for hedge accounting	**1,118**	**322**	**18,243**
-of which internal transactions	–	–	–

In the below table, the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year are specified.

Hedge ineffectiveness

Dec 2018, EURm	Foreign exchange risk
Cash flow hedges	
Changes in fair value of hedging instruments	549
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	– 549
Hedge ineffectiveness recognised in the income statement[1]	–
Hedging gains or losses recognised in OCI	549

1) Presented on the balance sheet row Loans to central banks, Loan to credit institutions, Loans to the public, Interest-bearing securities and Fair value changes of portoflio hedge of interest rate risk.

Cash flow hedge reserve

2018, EURm	Foreign exchange risk
Cash flow hedges	
Opening balance at 21 Sep 2017	–
Through merger	–29
Cash flow hedges:	
Valuation gains/losses during the year	549
Tax on valuation gains/losses during the year	–130
Transferred to the income statement during the year	–523
Tax on transfers to the income statement during the year	124
Other comprehensive income, net of tax	20
Balance at 31 Dec 2018	–9
– of which relates to continuing hedges for which hedge accounting is applied	–9
– of which relates to hedging relationships for which hedge accounting is no longer applied	–

Maturity profile of the nominal amount of hedging instrumens

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	–	1,987	3,296	12,911	2,669	20,863
Total	**–**	**1,987**	**3,296**	**12,911**	**2,669**	**20,863**

P23. Intangible assets

Intangible assets	
Goodwill allocated to cash generating units	
Personal Banking	119
Commercial and Business Banking	75
Total goodwill	**194**
Computer software	2,099
Other intangible assets	38
Total intangible assets	**2,331**

Movements in goodwill	
Opening balance at 21 Sep 2017	–
Through merger	318
Acquisition value at end of year	**318**
Opening balance at 21 Sep 2017	0
Through merger	–107
Amortisation according to plan for the year	–17
Accumulated amortisation at end of year	**–124**
Total	**194**

Movements in computer software	
Opening balance at 21 Sep 2017	–
Through merger	2,505
Acquisitions during the year	154
Sales/disposals during the year	–1
Reclassifications	0
Translation differences	–6
Acquisition value at end of year	**2,652**
Opening balance at 21 Sep 2017	–
Through merger	–460
Amortisation according to plan for the year	–44
Accumulated amortisation on sales/disposals during the year	1
Translation differences	1
Accumulated amortisation at end of year	**–502**
Opening balance at 21 Sep 2017	–
Through merger	–26
Accumulated impairment charges on sales/disposals during the year	–2
Impairment charges during the year	–23
Accumulated impairment charges at end of year	**–51**
Total	**2,099**

Movements in other intangible assets

31 Dec 2018, EURm	
Opening balance at 21 Sep 2017	–
Through merger	227
Acquisitions during the year	2
Translation differences	–1
Acquisition value at end of year	**228**
Opening balance at 21 Sep 2017	–
Through merger	–182
Amortisation according to plan for the year	–7
Translation differences	0
Accumulated amortisation at end of year	**–189**
Opening balance at 21 Sep 2017	–
Accumulated impairment charges on disposals during the of year	0
Impairment charges during the year	–1
Accumulated impairment charges at end of year	**–1**
Total	**38**

P24. Properties and equipment

31 Dec 2018, EURm	
Properties and equipment	338
- of which buildings for own use	2
Total	**338**

Movements in equipment	
Opening balance at 21 Sep 2017	–
Acquisitions during the year	3
Through merger	983
Sales/disposals during the year	–4
Reclassification	0
Translation differences	–4
Acquisition value at end of year	**978**
Opening balance at 21 Sep 2017	–
Accumulated depreciation on sales /disposals during the year	5
Depreciations according to plan for the year	–22
Through merger	–625
Reclassifications	0
Translation differences	2
Accumulated depreciation at end of year	**–640**
Total	**338**

P25. Investment properties

31 Dec 2018, EURm	
Opening balance at 21 Sep 2017	–
Throug merger	4
Acquisitions during the year	1
Sales/disposals during the year	–1
Fair value adjustments	0
Transfers/reclassifications during the year	0
Translation differences	0
Carrying amount at end of year	**4**

Amounts recognised in the income statement[1]

31 Dec 2018, EURm	
Fair value adjustments	0
Direct operating expenses that did not generate rental income	0
Total	**0**

1) Included in Net result from investment properties.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers

P26. Leasing

Nordea as a lessee

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

31 Dec 2018, EURm	
2019	186
2020	156
2021	124
2022	99
2023	80
Later years	718
Total	**1,363**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 12m.

P27. Other assets

31 Dec 2018, EURm	
Claims on securities settlement proceeds	2,753
Cash/margin receivables related to derivatives	10,220
Other[1]	2,708
Total	**15,681**

1) Includes cash items in the process of collection 144m.

P28. Prepaid expenses and accrued income

31 Dec 2018, EURm	
Accrued interest income	222
Other accrued income	175
Prepaid expenses	714
Total	**1,111**

P29. Deposits by credit institutions and central banks

31 Dec 2018, EURm	
Central banks	16,456
Credit institutions	34,971
- of which on-demand	7,878
- of which non-demand	27,093
Total	**51,427**

P30. Deposits and borrowings from the public

31 Dec 2018, EURm	
Deposits[1]	166,372
Repurchase agreements	4,730
Total	**171,102**

1) Deposits related to individual pension savings (IPS) are also included.

P31. Debt securities in issue

31 Dec 2018, EURm	Total	Amortized cost	Fair value
Certificates of deposit	29,693	29,693	–
Commercial papers	17,078	17,078	–
Other bonds	35,849	32,645	3,204
Other	47	47	–
Total	**82,667**	**79,463**	**3,204**

P32. Other liabilities

31 Dec 2018, EURm	
Liabilities on securities settlement proceeds	1,557
Sold, not held, securities	13,223
Cash items in the process of collection	2,312
Accounts payable	67
Cash/margin payables related to derivatives	4,290
Other	–192
Total	**21,257**

P33. Accrued expenses and prepaid income

31 Dec 2018, EURm	
Accrued interest	6
Other accrued expenses	1,122
Prepaid income	202
Total	**1, 330**

P34. Provisions

31 Dec 2018, EURm	
Restructuring	150
Guarantees/commitments	201
Other	1
Total	**352**

EURm	Restruc-turing	Other
Opening balance at 21 Sep 2017	–	–
Through merger	144	4
New provisions made	24	–1
Provisions utilised	–27	–1
Reversals	9	0
Translation differences	0	0
At end of year	**150**	**2**

New provisions for restructuring costs were recognised to EUR 24m. The change in restructuring provisions is following the transformation agenda of Nordea. The majority of the provision is expected to be used during 2019. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed. For further information see Board of Directors' report.

Provision for restructuring costs amounts to EUR 150m. Loan loss provisions for individually assessed guarantees and other commitments amounts to EUR 201m. Other provision amounts to EUR 2m.

Movements in provisions for off balance sheet items

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 21 Sep 2017	–	–	–	–
Changes due to origination and acquisition	1	1	0	3
Changes due to changes in credit risk (net)	–7	–1	–21	–29
Changes due to repayments and disposals	–2	0	0	–3
Write-off through decrease in allowance account	–	–	–10	–10
Other changes	27	52	162	240
Translation differences	0	0	–1	–1
Closing balance at 31 Dec 2018	**19**	**52**	**130**	**201**

P34. Provisions, cont.

Rating/scoring information on off balance sheet items

EURm	Nominal amount 31 Dec 2018			
Rating/scoring grade	Stage 1	Stage 2	Stage 3	Total
7+	309	–	–	309
7	4,872	–	–	4,872
7–	–	–	–	–
6+ / A+	6,200	3	0	6,204
6 / A	4,656	1	0	4,657
6– / A–	3,952	13	0	3,965
5+ / B+	6,936	48	0	6,983
5 / B	11,303	49	0	11,353
5– / B–	9,259	36	0	9,295
4+ / C+	8,048	119	0	8,167
4 / C	6,900	207	1	7,108
4– / C–	4,597	351	0	4,948
3+ / D+	1,301	635	0	1,936
3 / D	928	529	5	1,462
3– / D-	551	477	2	1,030
2+ / E+	201	241	2	445
2 / E	120	159	2	281
2– / E–	29	64	0	94
1+ / F+	34	39	0	74
1 / F	10	42	0	52
1– / F–	24	79	1	104
0+ / 0 / 0–	–	0	597	597
Standardised / Unrated	638	337	0	975
Internal[1]	55,218	–	–	55,218
Total	**126,090**	**3,427**	**611**	**130,128**

1) Exposures towards Nordea entities.

P35. Retirement benefit obligations

31 Dec 2018, EURm	
Retirement benefit assets	243
Retirement benefit liabilities	349
Net liability(-)/asset(+)	**–106**

Nordea Bank Abp sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). Nordea Bank Abp reports post-employment benefits in accordance with IAS 19 standard. IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Nordea Bank Abp's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with

P35. Retirement benefit obligations, cont.

the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplusor alternatively safeguarded by a credit insurance contract (Sweden only). Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to monitor the likely level of future contributions.

Defined benefit plans may impact Nordea Bank Abp via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), inflation, salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on different actuarial assumptions.

Assumptions[1]

31 Dec 2018	Swe	Nor	Fin	Den	UK
Discount rate[2]	2.17%	2.82%	1.58%	1.80%	2.56%
Salary increase	3.00%	2.75%	1.75%	2.25%[3]	–
Inflation	2.00%	1.50%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
1 Oct 2018					
Discount rate[2]	2.23%	2.88%	1.50%	1.83%	2.46%
Salary increase	2.75%	2.75%	1.75%	2.25%	–
Inflation	2.00%	1.75%	1.25%	–	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 31 Dec 2018 have an impact on the liability calculation by year-end 2018, while the assumptions disclosed for 1 Oct 2018 are used for calculating the pension expense in Oct-Dec 2018.
2) More information on the discount rate can be found in Note P1 "Accounting policies", section 20. The sensitivities to changes in the discount rate can be found below.
3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.
4) With CMI_2017 projections.

Sensitivities - Impact on Defined Benefit Obligation (DBO) %

	Swe	Nor	Fin	Den	UK
Discount rate - Increase 50bps	−10.4%	−7.7%	−5.9%	−4.9%	−10.5%
Discount rate - Decrease 50bps	12.0%	8.7%	6.6%	5.4%	12.1%
Salary increase - Increase 50bps	3.7%	0.4%	0.4%	4.8%	–
Salary increase - Decrease 50bps	−2.8%	−0.4%	−0.4%	−4.5%	–
Inflation - Increase 50bps	10.2%	8.0%	4.9%	–	2.0%
Inflation - Decrease 50bps	−9.1%	−6.8%	−4.5%	–	−1.8%
Mortality - Increase 1 year	4.7%	3.4%	4.3%	5.5%	4.6%
Mortality - Decrease 1 year	−4.6%	−4.5%	−4.2%	−5.4%	−4.5%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it gives the possibility to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. The sensitivity analysis in Sweden and Norway include the impact on the liabilities held for future SWT (special wage tax) or SSC (social security contributions).

As all pensions in Denmark are salary indexed the inflation has no impact on the DBO in Denmark.

P35. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

2018 EURm	Swe	Nor	Fin	Den	UK	Total
Obligations	1,703	685	700	95	92	3,275
Plan assets	1,494	640	802	122	111	3,169
Net liability(–)/asset(+)	**–209**	**–45**	**102**	**27**	**19**	**–106**
- of which retirement benefit liabilities	–209	–139	–	–1	–	–349
- of which retirement benefit assets	–	94	102	28	19	243

Movements in the obligation

EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance at 27 Sep 2017	–	–	–	–	–	–
Through merger	1,670	713	713	94	93	3,283
Current service cost	6	1	1	–	–	8
Interest cost	9	5	3	0	1	18
Pensions paid	–16	–7	–10	–1	0	–34
Past service cost and settlements	–4	–2	–1	–	1	–6
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	19	–34	–6	0	–3	–24
Remeasurement from experience adjustments	3	42	0	1	2	48
Translation differences	4	–32	–	0	–1	–29
Change in provision for SWT/SSC[1]	12	–1	–	–	–	11
Closing balance 31 Dec 2018	**1,703**	**685**	**700**	**95**	**92**	**3,275**
- of which relates to the active population	16%	9%	10%	–	–	13%

1) Change in provision for special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

The average duration of the obligation is 18 years in Sweden, 14 years in Norway, 12 years in Finland, 11 years in Denmark and 22 years in UK based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to lower duration.

Movements in the fair value of plan assets

EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance at 27 Sep 2017	–	–	–	–	–	–
Through merger	1,509	673	829	126	115	3,252
Interest income (calculated using the discount rate)	8	5	3	0	1	17
Pensions paid	–	–4	–10	–1	0	–15
Remeasurement (actual return less interest income)	–28	–1	–20	–2	–3	–54
Translation differences	5	–33	0	–1	–2	–31
Closing balance 31 Dec 2018	**1,494**	**640**	**802**	**122**	**111**	**3,169**

Asset composition

The combined return on assets in Oct-Dec 2018 was –1.2%. Asset returns across all asset classes were negatively impacted during the latter part of the year. At the end of the year the equity exposure in Nordea´s Bank Abp's pension funds/foundations represented 24% of total assets.

P35. Retirement benefit obligations, cont.

Asset composition in funded schemes, %

2018	Swe	Nor	Fin	Den	UK	Total
Bonds	73%	59%	54%	87%	79%	66%
- sovereign	38%	36%	29%	39%	79%	36%
- covered bonds	23%	18%	5%	49%	–	18%
- corporate bonds	12%	5%	20%	–	–	11%
- issued by Nordea entities	2%	1%	–	–	–	1%
- with quoted market price in an active market	73%	59%	54%	87%	79%	66%
Equity	24%	24%	27%	12%	21%	24%
- domestic	6%	6%	7%	12%	6%	7%
- European	6%	5%	6%	–	7%	6%
- US	6%	6%	8%	–	7%	7%
- emerging	6%	6%	6%	–	1%	5%
- Nordea shares						
- with quoted market price in an active market	24%	24%	27%	12%	21%	66%
Real estate[1]	–	14%	15%	–	–	7%
- occupied by Nordea	–	–	5%	–	–	1%
Cash and cash equivalents	**3%**	**3%**	**4%**	**1%**	**–**	**3%**

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

Nordea Bank Abp expects to contribute only a minor amount to its defined benefit plans in 2019.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the parent company's income statement (as staff costs) for the year is EUR 6m. Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note P8 "Staff costs").

Recognised in the income statement

Oct - Dec 2018[1], EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	6	1	1	–	–	8
Net interest	2	0	0	0	0	2
Past service cost and settlements	–4	–2	–1	–	1	–6
SWT/SSC[2]	2	0	0	–	–	2
Pension cost on defined benefit plans (expense+ / income–)	**6**	**–1**	**0**	**0**	**1**	**6**

Recognised in other comprehensive income

Oct - Dec 2018[1], EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	19	–34	–6	0	–3	–24
Remeasurement from experience adjustments	3	42	0	1	2	48
Remeasurement of plan assets (actual return less interest income)	28	1	20	2	3	54
SWT/SSC[2]	12	2	0	0	0	14
Pension cost on defined benefit plans (expense+ / income–)	**62**	**11**	**14**	**4**	**1**	**92**

1) Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

P35. Retirement benefit obligations, cont.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover on-going pension expenses as well to provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2018 was 7.0% of the employees' wages below 7.1 average base amounts and 18.0% of the employees' wages above 7.1 average base amounts. Average base amounts are defined in the Norwegian National Insurance Act. The premium is calculated based on the average wages- and average base amount from the previous year, excluding employees over the age of 61. Total premiums paid in October-December 2018 amounted to EUR 4m. Payments to the plan during 2018 covered 2,454 employees. The premium rate for 2019 will be on the same level as for the whole year 2018. The expected premiums in 2019 amount to EUR 14m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

Nordea Bank Abp's total pension obligations regarding key management personnel amounted to EUR 1m at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in Oct-Dec 2018 were EUR 0m. Complete information concerning key management personnel is disclosed in Note P8 "Staff costs".

P36. Subordinated liabilities

31 Dec 2018, EURm	
Dated subordinated debenture loans	6,605
Undated subordinated debenture loans	168
Hybrid capital loans	2,384
Total	**9,157**

Debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

The carrying amount at year end representing revaluations in the fair value of the hedged part of subordinated liabilities is included in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" under "Liabilities" and amounts to EUR 463m.

At 31 December 2018 six loans - with terms specified below - exceeded 10% of the total outstanding volume of dated subordinated loans.

31 Dec 2018, EURm	Nominal value	Carrying amount	Interest rate (coupon)	Interest Rate%	Currency	Classification in Capital Adequacy	Of which used for Capital Adequacy
Dated loan[1]	1,250	1,090	Fixed	4.88%	USD	Tier2	516
Dated loan[2]	1,000	999	Fixed	4.50%	EUR	Tier2	247
Dated loan[3]	750	748	Fixed	4.00%	EUR	Tier2	336
Dated loan[4]	1,000	871	Fixed	4.25%	USD	Tier2	648
Dated loan[5]	750	747	Fixed	Fixed 1.88%, until first call date, thereafter fixed 5-year mid swap +1.70%.	EUR	Tier2	747
Dated loan[6]	1,000	995	Fixed	Fixed 1.00 %, until first call date, thereafter fixed 5-year mid swap +1.25%	EUR	Tier2	995

1) Maturity date 13 May 2021.
2) Maturity date 26 March 2020.
3) Maturity date 29 March 2021.
4) Maturity date 21 September 2022.
5) Call date 10 November 2020, maturity date 10 November 2025.
6) Call date 7 September 2021, maturity date 7 September 2026.

P37. Equity

	Restricted equity						
			Other restricted reserves				
			Fair value reserve				
EURm	Share capital [1]	Revaluation reserves	Translation of foreign operations	Cash flow hedges [3]	Fair value through other comprehen-sive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option
Opening balance at 21 Sep 2017	–	–	–	–	–	–	–
Subscription of share capital	5	–	–	–	–	–	–
Through merger	4,045	–159	–9	–29	84	165	–
Net profit for the year	–	–	–	–	–	–	–
Currency translation differences during the year	–	5	0	–	–	–	–
Net investments in foreign operations:							
Valuation gains/losses during the year	–	–	–5	–	–	–	–
Tax on valuation gains/losses during the year	–	–	–1	–	–	–	–
Fair value through other comprehensive income							
Valuation gains/losses during the year	–	–	–	–	–37	–	–
Tax on valuation gains/losses during the year	–	–	–	–	8	–	–
Transferred to the income statement during the year	–	–	–	–	3	–	–
Tax on transfers to the income statement during the year	–	–	–	–	0	–	–
Cash flow hedges:							
Valuation gains/losses during the year	–	–	–	550	–	–	–
Tax on valuation gains/losses during the year	–	–	–	–130	–	–	–
Transferred to the income statement during the year	–	–	–	–524	–	–	–
Tax on transfers to the income statement during the year	–	–	–	124	–	–	–
Changes in own credit risk related to liabilities classified as fair value option:							
Valuation gains/losses during the year	–	–	–	–	–	–	10
Tax on valuation gains/losses during the year	–	–	–	–	–	–	–2
Defined benefit plans:							
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–257	–
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	56	–
Other comprehensive income, net of tax	**–**	**5**	**–6**	**20**	**–26**	**–201**	**8**
Total comprehensive income	**–**	**5**	**–6**	**20**	**–26**	**–201**	**8**
Disposal/Purchase of own shares [2]	–	–	–	–	0	–	–
Other changes	–	–	–	–	0	–2	–
Balance at 31 Dec 2018	**4,050**	**–154**	**–15**	**–9**	**58**	**–38**	**8**

1) Total shares registered were 4,050 million. For more information, see section The Nordea share and ratings in the Board of Director's report.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holdings of own shares to were 15,2 million. The total holding of own shares related to LTIP were 9,6 million. See more information on own shares below.

3) For more detailed information, see note P22.

P37. Equity, cont.

EURm	Unrestricted equity					
	Invested unrestricted reserve	Other unrestricted reserves	Retained earnings	Total	Additonal Tier 1 capital holders	Total equity
Opening balance at 21 Sep 2017	–	–	–	–	–	–
Subscription of share capital	–	–	–	5	–	5
Through merger	1,080	2,762	19,804	27,743	750	28,493
Net profit for the year	–	–	1,133	1,133	–	1,133
Currency translation differences during the year	–	–	–27	–22	–	–22
Net investments in foreign operations:						
Valuation gains/losses during the year	–	–	–	–5	–	–5
Tax on valuation gains/losses during the year	–	–	–	–1	–	–1
Fair value through other comprehensive income						
Valuation gains/losses during the year	–	–	–	–37	–	–37
Tax on valuation gains/losses during the year	–	–	–	8	–	8
Transferred to the income statement during the year	–	–	–	3	–	3
Tax on transfers to the income statement during the year	–	–	–	0	–	0
Cash flow hedges:						
Valuation gains/losses during the year	–	–	–	550	–	550
Tax on valuation gains/losses during the year	–	–	–	–130	–	–130
Transferred to the income statement during the year	–	–	–	–524	–	–524
Tax on transfers to the income statement during the year	–	–	–	124	–	124
Changes in own credit risk related to liabilities classified as fair value option:						
Valuation gains/losses during the year	–	–	–	10	–	10
Tax on valuation gains/losses during the year	–	–	–	–2	–	–2
Defined benefit plans:						
Remeasurement of defined benefit plans during the year	–	–	–	–257	–	–257
Tax on remeasurement of defined benefit plans during the year	–	–	–	56	–	56
Other comprehensive income, net of tax	**–**	**–**	**–27**	**–227**	**–**	**–227**
Total comprehensive income	**–**	**–**	**1,106**	**906**	**–**	**906**
Disposal/Purchase of own shares[2]	–	–	–13	–13	–	–13
Other changes	–	–	93	91	–	91
Balance at 31 Dec 2018	**1,080**	**2,762**	**20,990**	**28,732**	**750**	**29,482**

1) Total shares registered were 4,050 million. For more information, see section The Nordea share and ratings in the Board of Director's report.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holdings of own shares were 15,2 million. The total holding of own shares related to LTIP were 9,6 million. See more information on own shares below.

3) For more detailed information, see note P22.

P37. Equity, cont.

Nordea shares

Nordea Bank Abp has bought and sold its own shares as part of its normal trading and market making activities. The trades are specified in the table below.

Acquisitions[1]

Month	Quantity	Average price, EUR	Amount, tEUR
October	7,044,559	8,03	56,576
November	4,089,747	7,87	32,180
December	6,843,449	7,63	52,245
Total	**17,977,755**		**141,001**

Sales[1]

Month	Quantity	Average price, EUR	Amount, tEUR
October	–7,093,218	8,01	–56,805
November	–3,872,216	7,91	–30,626
December	–3,487,945	7,69	–26,835
Total	**–14,453,379**		**–114,266**

1) Excluding Nordea shares related to securities lending.

The quota value of Nordea Bank Abp share is EUR 1.00. The trades had an insignificant effect on the shareholding and voting-power in Nordea Bank Abp. At year-end 2018 Nordea Bank Abp held 15,2 million shares of Nordea (including own shares related to LTIP).

P38. Assets pledged as security for own liabilities

EURm	31 Dec 2018	of which on behalf of group companies
Assets pledged for own liabilities		
Securities etc[1]	24,611	1,176
Loans to the public	10,418	59
Other assets pledged	329	–
Total	**35,358**	**1,235**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	14,519	1,458
Deposits and borrowings from the public	2,402	–
Derivatives	4,290	4,290
Other liabilities and commitments	304	–
Total	**21,515**	**5,748**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note P46 "Transferred assets and obtained collaterals".

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

P39. Other assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions EUR 4,788m. The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

Nordea Bank Abp has not committed to contingent liabilities on behalf of any key management personnel or auditors.

P40. Contingent liabilities

EURm	31 Dec 2018	of which on behalf of group companies
Guarantees		
- Loan guarantees	35,948	33,677
- Other guarantees	14,079	181
Documentary credits	1,403	0
Other contingent liabilities	3	–
Total	**51,433**	**33,858**

In the normal business Nordea issues various forms of guarantees in favour of the Nordea's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and con-

P40. Contingent liabilities, cont.

firmed export documentary credits. These transactions are part of the bank services and support the Nordea´s customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received. The table above includes all issued guarantees, also those where the possibility of an outflow of resources are considered to be remote

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings of Nordea Bank Abp.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note P8 "Staff costs".

Legal proceedings

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes is considered likely to have any significant adverse effect on the Group or its financial position.

Nordea Bank Abp has not committed to contingent liabilities on behalf of any key management personnel of auditors.

P41. Commitments

EURm	31 Dec 2018	of which to group companies
Credit commitments	44,628	11,929
Unutilised overdraft facilities	35,474	9,403
Total	**80,102**	**21,332**
- of which to associated companies	6	

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2018 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2018. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments see Note P1 "Accounting policies" section 23, about derivatives, see Note P22 "Derivates and Hedge accounting" and about reverse repurchase agreements, see Note 46 "Transferred assets and obtained collaterals".

P42. Capital adequacy

As from 2018 the Capital adequacy disclosures are not part of the financial statements. The disclosures for the Group can be found on page 262 and the disclosures for the parent company on page 274.

P43. Classification of financial instruments

Assets

31 Dec 2018, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)		Fair value through other comprehensive income (FVOCI)	Non-financial assets	Total
		Mandatorily	Derivatives used for hedging	Mandatorily		
Cash and balances with central banks	39,562	–	–	–	–	39,562
Loans to credit institutions	61,159	3,612	–	–	–	64,772
Loans to the public	133,546	20,873	–	–	–	154,419
Interest-bearing securities	250	42,205	–	32,112	–	74,567
Shares and parcitipations	–	4,813	–	–	–	4,813
Investments in associated undertakings and joint ventures	–	–	–	–	1,049	1,049
Investments in group undertakings	–	–	–	–	12,175	12,175
Derivatives	–	35,146	2,075	–	–	37,221
Fair value changes of the hedged items in portfolio hedge of interest rate risk	72	–	–	–	–	72
Intangible assets	–	–	–	–	2,331	2,331
Properties and equipment	–	–	–	–	338	338
Investment properties	–	–	–	–	4	4
Deferred tax assets	–	–	–	–	130	130
Current tax assets	–	–	–	–	234	234
Retirement benefit assets	–	–	–	–	243	243
Other assets	750	12,490	–	–	2,441	15,681
Prepaid expenses and accrued income	936	–	–	–	175	1,111
Total	**236,275**	**119,139**	**2,075**	**32,112**	**19,121**	**408,722**

Liabilities

31 Dec 2018, EURm	Amortised cost (AC)	Fair value through profit and loss			Non-financial liabilities	Total
		Mandatorily	Designated at fair value through profit or loss	Derivatives used for hedging		
Deposits by credit institutions and central bank	42,941	8,486	–	–	–	51,427
Deposits and borrowings from the public	160,613	6,525	3,964	–	–	171,102
Debt securities in issue	79,464	–	3,204	–	–	82,667
Derivatives	–	40,008	–	583	–	40,591
Fair value changes of the hedged items in portfolio hedge of interest rate risk	536	–	–	–	–	536
Current tax liabilities	–	–	–	–	249	249
Other liabilities	858	18,556	–	–	1,843	21,257
Accrued expenses and prepaid income	209	–	–	–	1,121	1,330
Deferred tax liabilities	–	–	–	–	223	223
Provisions	–	–	–	–	352	352
Retirement benefit liabilities	–	–	–	–	349	349
Subordinated liabilities	9,157	–	–	–	–	9,157
Total	**293,777**	**73,575**	**7,168**	**583**	**4,137**	**379,240**

P43. Classification of financial instruments, cont.

Financial liabilities designated at fair value through profit or loss

31 Dec 2018, EURm	Liabilities where changes in credit risk is presented in OCI	Liabilites where changes in credit risk is presented in profit or loss	Total
Carrying amount per end of the year	3,204	3,964	7,168
Amount to be paid at maturity[1]	3,364	–	3,364
Changes in fair value due to changes in own credit risk, during the year	11	–	11
Changes in fair value due to changes in own credit risk, accumulated	10	–	10

1) Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. The amount disclosed to be paid at maturity has been set to the carrying amount.

Financial liabilities designated at fair value through profit or loss per 31 December 2018 consist of issued structured bonds in Markets operation, EUR 3,204m and deposits linked to the investment return of separate assets, EUR 3,964m. For issued structured bonds in Markets, changes in fair value due to changes in own credit risk is recognised in other comprehensive income and Nordea is calculating the change in own credit spread based on the change in Nordea's funding spread by assuming the liquidity premium for the issuance to be constant over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on issuance date and actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk.

P44. Assets and liabilities at fair value

Fair value of financial assets and liabilities

31 Dec 2018, EURm	Carrying amount	Fair value
Financial assets		
Cash and balances with central banks	39,562	39,562
Loans	219,263	220,214
Interest-bearing securities	74,567	74,567
Shares and participations	4,813	4,813
Derivatives	37,221	37,221
Other assets	14,175	14,175
Total	**389,601**	**390,552**

31 Dec 2018, EURm	Carrying amount	Fair value
Financial liabilities		
Deposits by credit institutions and central banks	51,427	51,427
Deposits and borrowings from the public	171,638	171,960
Debt securities in issue	82,667	82,667
Derivatives	40,591	40,591
Other liabilities	28,780	28,780
Total	**375,103**	**375,423**

For information about valuation of items measured at fair value on the balance sheet, see Note P1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" below.

Categorisation into the fair value hierarchy

31 Dec 2018, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans	–	24,485	–	24,485
Interest-bearing securities[2]	29,429	44,564	324	74,317
Shares and participations	4,038	1	775	4,813
Derivatives	69	36,110	1,041	37,221
Other assets	4	12,458	28	12,490
Total	**33,540**	**117,618**	**2,168**	**153,326**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	8,486	–	8,486
Deposits and borrowings from the public	3,964	6,525	–	10,489
Debt securities in issue	–	577	2,627	3,204
Derivatives	42	39,500	1,049	40,591
Other liabilities	7,221	11,320	15	18,556
Total	**11,227**	**66,408**	**3,691**	**81,326**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 13,870m relates to the balance sheet item Financial instruments pledged as collateral.

P44. Assets and liabilities at fair value, cont.

Determination of fair values for items measured at fair value on the balance sheet

Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or inputs prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input have a significant impact on the fair values, certain complex or structured financial instruments and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific inputs.

All valuation models, both complex and simple models, make use of market prices and inputs. These market prices and inputs comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies the interest rates are all observable, and implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations may also be observable for the most liquid equity instruments. For less liquid equity names the option market is fairly illiquid, and hence implied volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels are based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). Level 3 bonds are characterised by illiquidity.

For OTC derivatives valuation models are used for establishing fair value. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model inputs are observable in active markets.

Valuations of Private Equity Funds, Credit Funds and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by IPEV Board. The guidelines are considered as best practice in the industry. For US based funds, similar methods are applied.

Nordea furthermore holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower and the fair value of the margin associated with each loan.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by portfolio adjustments.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value from the counterparty´s credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, Nordea obtains credit spreads from the credit default swap (CDS) market, and probabilities of defaults (PDs) are inferred from this data. For counterparties that do not have a liquid CDS, PDs are estimated using a cross sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating region and industry.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). In addition, Nordea applies in its fair value measurement close-out-cost valuation adjustments and model risk adjustments for identified model deficiencies.

Transfers between Level 1 and 2

During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 5,954m from Level 1 to Level 2 and EUR 2,799m from Level 2 to Level 1 of the fair value hierarchy. Nordea has

P44. Assets and liabilities at fair value, cont.

also transferred derivative assets of EUR 0m from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

Movements in Level 3

31 Dec 2018, EURm	Opening balance at 21 Sep 2017	Through merger	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised	Purchases /Issues	Sales	Settle-ments	Issues	Transfers into level 3	Transfers out of level 3	Transla-tion differ-ences	31 Dec 2018
Intererest-bearing securities	–	163	–2	2	169	–9	2	–	–	–	1	324
Shares and participations	–	654	46	54	208	–198	–	–	–	–	11	775
Derivatives (net)	–	441	–264	–440	–	18	246	–	–	–10	1	–8
Other assets	–	–	–	–	–	–	–	–	28	–	–	28
Debt securities in issue	–	4,012	–23	–585	–	–	–1,216	437	1	–	–	2,627
Other liabilities	–	–	–	–	–	–	–	–	14	–	1	15

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the incomestatement during the period are included in "Net result from items at fair value" (see Note P5). Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements

Financial instruments

The valuation process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the 1st line of defence, which is independent from the risk taking units in the front office. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by comparing the prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. The verification of the correctness of prices and inputs is as minimum carried out on a monthly basis and is for many products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the 1st line of defence. These teams are responsible for 2nd line of defence oversight for valuations, with independent reporting responsibilities towards the CRO and the BAC.

P44. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2018, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	323	Discounted cash flows	Credit spread	–32/32
Corporates	1	Discounted cash flows	Credit spread	–0/0
Total	**324**			**–32/32**
Shares including participating interest in other companies				
Unlisted shares	120	Net asset value[2]		–7/7
Private equity funds	288	Net asset value[2]		–29/29
Hedge funds	19	Net asset value[2]		–1/1
Credit Funds	222	Net asset value[2]		–22/22
Other funds	110	Net asset value[2]		–11/11
Other	16	–		–2/2
Total	**775**			**–72/72**
Derivatives				
Interest rate derivatives	237	Option model	Correlations, Volatilities	–13/14
Equity derivatives	–25	Option model	Correlations, Volatilities, Dividend	–12/8
Foreign exchange derivatives	–13	Option model	Correlations, Volatilities	–0/0
Credit derivatives	–212	Credit derivative model	Correlations, Volatilities, Recovery rates	–34/33
Other	5	Option model	Correlations, Volatilities	–0/0
Total	**–8**			**–59/55**
Other assets				
Credit institutions	28		Credit spread	–3/3
Total	**28**			**–3/3**
Debt securities in issue				
Issued structured bonds	2,627	Credit derivative model	Correlation, Volatilities, Recovery rates	–13/13
Total	**2,627**			**–13/13**
Other liabilities	15			–1/1
Total	**15**			**–1/1**

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

2) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. All private equity fund investments are internally adjusted/valued based on the Private Equity and Venture Capital Valuation (IPEV) guidelines. These carrying amounts are in a range 5% to 100% compared to the values received from suppliers/custodians.

The tables above shows, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

The column "range of fair value" in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table. The range disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a total range of 2-10 percentage units depending of the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique

P44. Assets and liabilities at fair value, cont.

(Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see, Note P1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

Deferred day 1 profit - derivatives, net

	31 Dec 2018, EURm
Opening balance at 21 Sep 2017	–
Through merger	58
Deferred profit/loss on new transactions	62
Recognised in the income statement during the year	–39
Amount at end of year	**81**

Financial assets and liabilities not held at fair value on the balance sheet

31 Dec 2018, EURm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	39,562	39,562	3
Loans	194,777	195,728	3
Interest-bearing securities	250	250	2
Other assets	751	751	3
Prepaid expenses and accrued income	936	936	3
Total	**236,275**	**237,227**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	283,553	283,875	3
Other liabilities	858	858	3
Subordinated debt	9,157	9,157	3
Accrued expenses and prepaid income	209	209	3
Total	**293,777**	**294,099**	

Cash and balances with central banks

The fair value of "Cash and balances with central banks", is due to its short term nature, assumed to equal the carrying amount and is thus is categorised into Level 3 in the fair value hierarchy.

Loans

The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Commercial & Business Banking and Wholesale Banking respectively.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest bearing-securities

The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income

The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments

The fair value of "Deposits by credit institutions", "Deposits and borrowings from the public", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income

The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

P45. Assets and liabilities in EUR and other currencies

31 Dec 2018, EURm	EUR	Foreign currency	Total	From Group companies	From participating interests
Loans and receivables to credit institutions	79,428	24,906	104,334	47,190	1,856
Loans and receivables to the public	19,863	134,556	154,419	3,874	0
Interest-bearing securities	7,421	67,146	74,567	3,076	0
Derivatives contracts	13,914	23,307	37,221	278	7
Other assets	26,429	11,752	38,181	2,503	127
Total	**147,055**	**261,667**	**408,722**	**56,921**	**1,990**
Liabilities to credit institutions	17,596	33,831	51,427	9,065	100
Deposits and borrowings from the public	53,266	117,836	171,102	2,904	1
Debt securities in issue	23,495	59,172	82,667	223	0
Derivative contracts	21,879	18,712	40,591	1,144	8
Other liabilities	33,088	365	33,453	1,012	0
Total	**149,324**	**229,916**	**379,240**	**14,348**	**109**

P46. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions results in the securities are returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterpart in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

31 Dec 2018, EURm	Total
Repurchase agreements	
Debt securities eligible for refinancing with central banks	3,430
Interest-bearing securities	10,439
Total	13,869

Liabilities associated with the assets

31 Dec 2018, EURm	Total
Repurchase agreements	
Deposits by credit institutions	3,427
Deposits and borrowings from the public	8,540
Total	11,967
Net	1,902

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

31 Dec 2018, EURm	
Reverse repurchase agreements	
Received collaterals which can be repledged or sold	35,515
- of which repledged or sold	19,662
Securities borrowing agreements	
Received collaterals which can be repledged or sold	5,648
- of which repledged or sold	2,980
Total	**41,163**

P47. Maturity analysis for assets and liabilities

31 Dec 2018, EURm	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Securities eligible for Central Bank refinancing	4,272	11,804	50,345	4,247	2,009	72,677
Loans and receivables to credit institutions	62,148	9,879	31,538	718	51	104,334
Loans and receivables to the public	54,454	10,817	42,425	13,791	32,932	154,419
Interest bearing securities	659	0	345	629	257	1,890
Derivatives contracts	4,933	2,656	29,075	264	293	37,221
Other assets	22,205	22	2,696	1,020	12,238	38,181
Total	**148,671**	**35,178**	**156,424**	**20,669**	**47,780**	**408,722**
Liabilities to credit institutions	43,900	1,238	5,711	578	–	51,427
Deposits and borrowings from the public	163,728	2,136	5,182	39	17	171,102
Debt securities in issue	36,086	18,365	23,496	4,660	60	82,667
Subordinated liabilities	125	886	6,825	1,003	318	9,157
Derivative contracts and other liabilities at fair value	4,441	3,802	38,830	390	128	40,591
Other liabilities	23,968	12	293	14	9	24,296
Total	**272,248**	**26,439**	**73,337**	**6,684**	**532**	**379,240**

P48. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note P1 "Accounting policies" section 25.

31 Dec 2018, EURm	Group undertakings	Associated undertakings	Other related parties[1]
Assets			
Debt securities eligible for refinancing with Central banks	–	–	–
Loans and receivables	51,064	155	–
Interest-bearing securities	1,410	57	–
Derivatives	278	142	–
Investments in associated undertakings and joint ventures	–	1,049	–
Investments in group undertakings	12,175	–	–
Other assets	3,647	–	–
Prepaid expenses and accrued income	522	–	–
Total assets	**69,096**	**1,403**	**–**
Liabilities			
Deposits	11,970	21	62
Debt securities in issue	223	–	–
Derivatives	1,144	180	–
Other liabilities	988	0	–
Accrued expenses and deferred income	24	–	–
Subordinated liabilities	0	–	–
Total liabilities	**14,349**	**201**	**62**
Off balance[1]	**55,186**	**342**	**–**

1) Including nominal values on derivatives in associated undertakings.

EURm	Group undertakings	Associated undertakings	Other related parties[1]
Net interest income and expenses	–104	1	0
Net fee and commission income	122	0	0
Net result from items at fair value	–164	4	–
Other operating income	83	0	–
Total operating expenses	–21	0	–
Profit before loan losses	**–84**	**5**	**0**

1) Shareholders with significant influence and close family members to key management personnel in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risktaking, the transactions are not included in the table. Nordea has thus not disclosed any transactions with shareholders with significant influence.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note P8 "Staff costs".

P49. Credit risk management and credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report.

Credit risk management

Credit risk exposure and loans

(excluding cash and balances at central banks and settlement risk exposure)

EURm	31 Dec 2018
To central banks and credit institutions	64,772
To the public	154,419
- of which corporate	108,608
- of which household	42,877
- of which public sector	2,934
Total Loans	**219,191**
Offbalance credit exposure[1]	80,102
Counterparty risk exposure	19,533
Treasury bills and interest-bearing securities[2]	74,567
Total credit risk exposure in the banking operations	**393,393**

1) Of which for corporate customers approx. 90%.
2) Also includes Treasury bills and interest-bearing securities pledged as collateral in repurchase agreements.

The total credit risk exposure at year end according to the CRR definition after Credit Conversion Factor was EUR 303bn. See more information and breakdown of exposure according to the CRR definition in section Credit risk disclosures below and in the Capital and Risk Management Report.

Rating distribution IRB Corporate customers

2018, %	
6+	2.70
6	4.80
6–	3.70
5+	6.74
5	12.21
5–	13.53
4+	15.63
4	15.79
4–	12.47
3+	4.81
3	2.83
3–	1.81
2+	1.03
2	0.39
2–	0.21
1+	0.38
1	0.07
1–	0.06

Risk grade distribution IRB Retail customers

2018, %	
A+	28.14
A	14.69
A–	12.71
B+	11.10
B	7.94
B–	5.27
C+	4.38
C	3.10
C–	2.92
D+	1.73
D	1.53
D–	1.37
E+	1.82
E	1.21
E–	0.34
F+	0.21
F	0.26
F–	1.10

P49. Credit risk management and credit risk disclosures, cont.

Loans to the public by country and industry

31 Dec 2018, EURm	Denmark	Finland	Norway	Sweden	Outside Nordic	Parent company
Energy (oil, gas, etc.)	548	51	572	490	422	2,084
Metals and mining materials	9	155	78	230	–	472
Paper and forest materials	80	314	76	333	83	886
Other materials (building materials, etc.)	260	964	359	1,596	36	3,215
Industrial capital goods	336	407	53	328	74	1,197
Industrial commercial services, etc.	2,631	1,287	2,860	3,218	313	10,309
Construction and engineering	396	558	1,959	472	11	3,396
Shipping and offshore	89	208	5,389	140	3,015	8,841
Transportation	196	329	517	567	0	1,609
Consumer durables (cars, appliances, etc.)	116	427	302	781	50	1,675
Media and leisure	216	603	219	534	1	1,572
Retail trade	2,746	1,581	695	2,558	70	7,651
Consumer staples (food, agriculture, etc.)	1,828	820	1,759	636	57	5,100
Health care and pharmaceuticals	359	330	90	187	7	974
Financial institutions	2,806	2,276	2,122	9,281	132	16,617
Real estate	2,518	7,173	10,702	7,741	25	28,158
IT software, hardware and services	428	422	264	377	158	1,650
Telecommunication equipment	6	7	2	0	–	15
Telecommunication operators	21	205	332	426	–	984
Utilities (distribution and productions)	244	2,305	900	492	6	3,946
Other, public and organisations	499	0	774	1,556	56	2,886
Total excl reverse repurchase agreements	**16,335**	**20,422**	**30,024**	**31,942**	**4,514**	**103,236**
Reversed repurchase agreements	765	–	–	–	4,606	5,371
Total corporate loans	**17,100**	**20,422**	**30,024**	**31,942**	**9,120**	**108,607**
Household mortgage loans	–	8,845	16,649	0	–	25,493
Household consumer loans	8,329	4,980	320	3,756	0	17,384
Public sector	1,514	650	30	740	–	2,934
Total loans to the public	**26,943**	**34,895**	**47,022**	**36,438**	**9,120**	**154,419**
Loans to central banks and credit institutions	11,940	3,960	6,049	29,359	13,462	64,772
Total loans	**38,883**	**38,855**	**53,071**	**65,797**	**22,582**	**219,191**

Impaired loans and allowances and ratios

31 Dec 2018, EURm	
Gross impaired loans, stage 3, EURm	3,889
- of which servicing	1,977
- of which non-servicing	1,912
Impaired loans (Stage 3) ratio, basis points	**198**
Allowance ratio Stages 1 & 2, basis points	**19**
Total allowance ratio, basis points	**93**

Net loan losses and loan loss ratios

31 Dec 2018, EURm,	
Net loan losses, EURm	–12
Loan loss ratio annualised	3
- of which (Stage 3)	13
- of which (Stages 1 & 2)	–10
Loan loss ratio bps, Personal Banking	–9
Loan loss ratio bps, Commercial & Business Banking	31
Loan loss ratio bps, Corporate & Institutional Banking	40
Loan loss ratio bps, Shipping, Offshore & Oil Services	–119

P49. Credit risk management and credit risk disclosures, cont.

Impaired loans gross and allowances by country and industry

31 Dec 2018, EURm	Denmark	Finland	Norway	Sweden	Outside Nordic	Parent company	Allowances (on balance)	Impaired loans (stage 3) ratio (Stage 3 allowances/ Stage 3 loans)
Energy (oil, gas, etc.)	0	–	182	0	372	555	164	29%
Metals and mining materials	0	3	0	0	–	4	10	>100%
Paper and forest materials	16	1	0	0	–	17	8	44%
Other materials (building materials, etc.)	12	95	5	7	2	121	110	90%
Industrial capital goods	8	44	0	2	–	53	42	78%
Industrial commercial services, etc.	84	32	51	53	82	301	134	44%
Construction and engineering	36	26	17	5	–	85	68	80%
Shipping and offshore	50	0	265	1	269	585	178	30%
Transportation	10	10	26	4	–	51	26	52%
Consumer durables (cars, appliances, etc.)	23	23	81	3	1	131	43	33%
Media and leisure	7	11	4	0	–	22	11	51%
Retail trade	161	43	13	65	1	283	177	63%
Consumer staples (food, agriculture, etc.)	335	48	4	4	–	390	226	58%
Health care and pharmaceuticals	2	2	0	0	–	4	3	77%
Financial institutions	195	8	64	19	–	285	187	66%
Real estate	82	81	65	2	–	230	113	49%
IT software, hardware and services	8	4	0	0	–	13	18	>100%
Telecommunication equipment	0	1	0	0	–	1	1	57%
Telecommunication operators	0	0	0	2	–	3	6	>100%
Utilities (distribution and productions)	1	0	1	0	–	2	3	>100%
Other, public and organisations	2	0	0	0	–	2	0	-22%
Total corporate impaired loans	**1,031**	**434**	**779**	**167**	**728**	**3,138**	**1,526**	
Household mortgages impaired loans	0	262	74	0	0	337	45	13%
Household consumer impaired loans	182	172	5	54	0	414	243	59%
Public sector impaired loans	–	–	–	–	–	–	1	-
Credit institutions impaired loans	–	–	–	–	–	–	15	>100%
Total impaired loans	**1,213**	**868**	**859**	**221**	**728**	**3,889**		
Total allowances	**804**	**343**	**281**	**162**	**240**		**1,830**	
Total provisioning ratio	**66%**	**40%**	**33%**	**73%**	**33%**			**47%**

Credit portfolio
Including on and offbalance sheet exposures and exposures related to securities, the total credit risk exposure at year end was EUR 393bn. Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 303bn. See more information and breakdown of exposure according to the CRR definition below.

Credit risk is measured, monitored and segmented in different ways. Onbalance lending consists of fair value lending and amortised cost lending and constitutes the major part of the credit portfolio. Amortised cost lending is the basis for impaired loans, allowances and loan losses. Credit risk in lending is measured and presented as the principal amount of onbalance sheet claims, i.e. loans to credit institutions and to the public, and offbalance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing.

Nordea Bank Abp's loans to the public amounted to EUR 154bn at the year end 2018. The corporate portfolio totalled EUR 109bn and the household portfolio EUR 43bn. The overall credit quality is solid with strongly rated customers. Of the lending to the public portfolio, corporate customers accounted for 70%, household customers for 28% and the public sector for 2%. Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, amounted to EUR 65bn at the end of 2018.

Loans to corporate customers
Loans to corporate customers at the end of 2018 amounted to EUR 109bn. The contribution of the three largest industries is approximately 51% of total lending to corporate customers. Real estate management (commercial & residential) is the largest industry in Nordea's lending portfolio, at EUR 28.2bn.

Loans to household customer
At year end 2018 lending to household customers amounted to EUR 43bn. Mortgage lending was EUR 25bn and consumer lending EUR 17bn. The proportion of mortgage lending of total household lending was 59%.

P49. Credit risk management and credit risk disclosures, cont.

Geographical distribution
Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries account for 94%. The portfolio is geographically well diversified with no market accounting for more than 30% of total lending. Other EU countries represent the largest part of lending outside the Nordic countries.

Rating and scoring distribution
One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. retail exposures. For the corporate rating the majority of the rating is allocated to 4+ and 4. For the retail rating grade the majority of the rating is found in A+ and A.

Loan classes
The loan portfolio consists of two classes; loans measured at fair value of EUR 24bn and loans measured at amortised cost of EUR 193bn. For further information on loans measured at fair value, see note P16. Loans measured at amortised cost are the basis used for impaired loans, allowances and loan losses.

Impaired loans (Stage 3)
Impaired loans gross in Nordea Bank Abp amounted to EUR 3.889m, corresponding to 198 basis points of total loans. 51% of impaired loans gross are servicing and 49% are non-servicing. Impaired loans net, after allowances for Stage 3 loans amount to EUR 2,420m, corresponding to 123 basis points of total loans. Allowances for Stage 3 loans amount to EUR 1,469m. Allowances for Stages 1&2 loans amount to EUR 361m. The ratio of allowances in relation to impaired loans is 38% and the allowance ratio for loans in Stages 1&2 is 19 basis points.

Net loan losses
Loan losses amount to EUR 12m in Oct-Dec 2018. This corresponds to a loan loss ratio of 3 basis points. EUR 13m relates to corporate customers, and EUR -1m to household customers.

Credit risk disclosures

Allowances for credit risk

EURm	Note	31 Dec 2018
Loans to central banks and credit institutions	P16	15
Loans to the public	P16	1,815
Interest bearing securities measured at fair value through other comprehensive income or amortised cost	P14	2
Off-balance sheet items	P34	201
Total		**2,033**

Maximum exposure to credit risk

31 Dec 2018, EURm	Note	AC+FVOCI	FVTPL
Loans to central banks and credit institutions	P16, P43	61,160	3,612
Loans to the public	P16, P43	133,546	20,873
Interest bearing securities	P14, P43	32,362	42,205
Derivatives			37,221
Off-balance sheet items	P41, P42	130,129	
Total		**357,197**	**103,911**

Exposure types

31 Dec 2018, EURm	
On-balance sheet items	303,375
Off-balance sheet items	72,835
Securities financing	4,942
Derivatives	15,095
Total exposure	**396,247**

Tables presented in this Note, containing exposure, is the exposure after applying credit conversion factors (CCF).

Link between credit risk exposure and the balance sheet
This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRR. The main differences are outlined in this section to illustrate the link between the different reporting methods. Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure, unless otherwise stated. In accordance with the CRR, credit risk exposure presented in this note is divided into exposure classes where each exposure class is divided into exposure types as follows:
- On-balance sheet items.
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities).
- Securities financing (e.g. reversed repurchase agreements and securities lending).
- Derivatives.

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):
- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

The the next table the link between the CRR credit risk exposure and items presented in the Annual Report is shown.

On-balance sheet items
The following items are excluded from the balance sheet, when on-balance sheet exposure is calculated in accordance with the CRR:
- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances and intangible assets.

P49. Credit risk management and credit risk disclosures, cont.

Off-balance sheet items

The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- "Assets pledged as security for own liabilities" and "Other assets pledged" (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives.

Derivatives and securities financing

The fair value of derivatives is recognised on the balance sheet in accordance with accounting standards. However, in the CRR, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRR calculations these exposure types are determined net of the collateral.

On-balance sheet items

31 Dec 2018, EURm	Original Exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet
Cash and balances with central banks	39,562	–	–	–	39,562
Loans to credit institutions and central banks	55,803	–	8,984	–15	64,772
Loans to the public	131,948	–	20,771	1,700	154,419
Interest-bearing securities and pledged instruments	56,262	16,801	–	1,504	74,567
Derivatives[1]	–	–	37,221	–	37,221
Intangible assets	–	–	–	2,331	2,331
Other assets and prepaid expenses	19,767	14,663	–	1,420	35,850
Total assets	**303,342**	**31,464**	**66,976**	**6,940**	**408,722**
Exposure at default[2]	**303,376**				

1) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives is included in the credit risk.
2) The on-balance exposures have a CCF of 100% but can still have a lower exposure value due to provisions in the standardised approach, that are deducted from the original exposure when calculating exposure value.

Off-balance sheet items

31 Dec 2018, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	51,432	–	–	51,432
Commitments	80,102	–	–	80,102
Total	**131 534**	**–**	**–**	**131 534**

31 Dec 2018, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	59,620	– 260	59,360	49%	29,100
Checking accounts	14,066	1,454	15,520	49%	7,559
Loan commitments	6,412	1,117	7,529	39%	2,938
Guarantees	50,427	–	50,427	65%	32,942
Other (leasing and documentary credits)	1,009	–4	1,005	30%	296
Total exposure	**131,534**	**2,307**	**133,841**		**72,835**

P49. Credit risk management and credit risk disclosures, cont.

Exposure classes split by exposure type

31 Dec 2018, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	76,929	1,456	1,084	3,179	82,649
Institutions	84,145	10,774	2,723	4,689	102,331
Corporate	82,056	35,188	1,134	7,155	125,533
Retail[1]	43,108	19,766	–	71	62,946
Other	17,138	5,651	–	–	22,789
Total exposure	**303,376**	**72,835**	**4,942**	**15,095**	**396,247**

1) Includes exposures secured by real estate.

Exposure split by geography and exposure classes

31 Dec 2018, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorithies and central banks	52,296	7,930	30,082	3,142	11,142	4	-	21,964	8,385	82,649
Institutions	90,490	27,263	15,013	11,315	36,899	2,099	613	559	8,570	102,331
Corporate	104,025	29,471	21,332	25,036	28,186	1,443	714	2,223	17,128	125,533
Retail[1]	62,406	24,637	13,676	18,959	5,134	19	6	53	462	62,946
Other	21,141	5,590	9,504	2,061	3,986	-	807	135	705	22,789
Total exposure	**330,358**	**94,891**	**89,607**	**60,513**	**85,347**	**3,565**	**2,140**	**24,934**	**35,250**	**396,247**

1) Includes exposures secured by real estate.

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (statistical classification codes of economic activities in the European community). The industry group which has the largest share of total exposure is Other, public and organisations; they account for 47% of the total exposure.

Exposure split by industry sector

EURm	31 Dec 2018
Construction and engineering	4,744
Consumer durables (cars, appliances, etc.)	2,520
Consumer staples (food, agriculture etc.)	7,684
Energy (oil, gas, etc.)	2,200
Health care and pharmaceuticals	1,635
Industrial capital goods	3,122
Industrial commercial services	13,578
IT software, hardware and services	2,003
Media and leisure	1,833
Metals and mining materials	691
Other financial institutions	103,317
Other materials (chemical, building materials, etc.)	4,513
Other, public and organisations	186,807
Paper and forest materials	1,722
Real estate management and investment	31,232
Retail trade	9,841
Shipping and offshore	9,106
Telecommunication equipment	252
Telecommunication operators	1,356
Transportation	2,609
Utilities (distribution and production)	5,482
Total exposure	**396,247**

At the end of 2018, the share of total exposure secured by eligible collateral was 17%. Approximately 3% of total exposure was secured by guarantees and credit derivatives.

P49. Credit risk management and credit risk disclosures, cont.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2018, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorithies and central banks	81,198	80,171	350	–
Institutions	114,313	102,331	152	162
Corporate	159,674	125,533	10,332	37,748
Retail[1]	71,053	62,924	1,985	30,975
Other	30,980	25,288	–	21
Total exposure	**457,218**	**396,247**	**12,819**	**68,906**

1) Includes exposures secured by real estate.

Collateral distribution

The table presents the distribution of collateral used in the capital adequacy calculation process. The table shows that real estate collateral had the major share with a 49% of total eligible collateral. Commerical real estate represents approximately to 32%.

	31 Dec 2018
Financial Collateral	2.8%
Receivables	1.0%
Residential Real Estate	49.1%
Commercial Real Estate	31.8%
Other Physical Collateral	15.4%
Total	**100.0%**

Loan-to-value distribution

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV bucket based on the LTV ratio. In 2018, the majority of the exposure is classified in < 50% LTV bucket

Retail mortgage exposure

31 Dec 2018	EURbn	%
<50%	23.2	82
50–70%	3.5	13
70–80%	0.9	3
80–90%	0.4	1
>90%	0.3	1
Total	**28.3**	**100**

Forbearance

EURm	31 Dec 2018
Forborne loans	3,061
- of which defaulted	2,040
Allowances for individually assessed impaired and forborne loans	709
- of which defaulted	690

Key ratios

	31 Dec 2018
Forberance ratio[1]	1.4%
Forbearance coverage ratio[2]	23%
-of which defaulted	34%

1) Forborne loans/Loans before allowances (Central banks and credit institutions and the public)
2) Individual allowances/Forborne loans

Additional information on forbearance is disclosed in the risk management section of of the Board of Directors´ Report.

Assets taken over for protection of claims[1]

31 Dec 2018, EURm	
Land and buildings	5
Total	**5**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

P49. Credit risk management and credit risk disclosures, cont.

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers were at end of 2018 EUR 485m and past due loans for household customers were EUR 1,163m.

31 Dec 2018, EURm	Corporate customers	Household customers
6–30 days	131	701
31–60 days	44	104
61–90 days	18	37
>90 days	292	321
Total	**485**	**1,163**
Past due not impaired loans divided by loans to the public after allowances, %	0.3	2.7

Loans to corporate customers, by size of loan

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 56% of the corporate volume represents loans up to EUR 50m per customer.

31 Dec 2018, Size in EURm	Loans EURm	%
0–10	26,308	28.0
10–50	26,643	28.4
50–100	15,532	16.5
100–250	14,165	15.1
250–500	4,321	4.6
500–	6,939	7.4
Total	**93,908**	**100.0**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note P17 “Interest-bearing securities and subordinated receivables” where the carrying amount of interest-bearing securities is split on different types of counterparties.

P50. Customer Assets being Managed

31 Dec 2018, EURm	
Asset management	84,468
Custody assets	685,255
Total	**769,723**

Customers’ Long term savings account (PS-account) were minor amounting to EUR 4m as 31 December 2018.
Total of customers PS investmets are EUR 47m.

Signing

The Board of Directors' and the CEO's signing of the Board of Directors' report and the Financial Statements 2018

Nordea Bank Abp is the parent company of the Nordea Group and domiciled in Helsinki, Finland. A copy of the report by the Board of Directors and financial statement is available from Nordea Bank Abp, Aleksis Kiven katu 7, 00500 Helsinki and from Nordea's website www.nordea.com.

Nordea Bank Abp's distributable retained earnings including profit for the year are EUR 18,896,473,415.98 and the unrestricted equity reserve is EUR 4,591,670,261.24. The Board of Directors proposes a dividend of EUR 0.69 per share for 2018. The total dividend payment for 2018 would then be EUR 2,787,859,824.33, excluding dividend for treasury shares and would be paid from retained earnings. After the dividend pay-out, EUR 16,108,613,591.65 is to be carried forward as distributable retained earnings.

21 February 2019

Björn Wahlroos
Chairman

Lars G Nordström
Vice Chairman

Dorrit Groth Brandt
Board member[1]

Pernille Erenbjerg
Board member

Nigel Hinshelwood
Board member

Robin Lawther
Board member

Torbjörn Magnusson
Board member

Gerhard Olsson
Board member[1]

Hans Christian Riise
Board member[1]

Sarah Russell
Board member

Silvija Seres
Board member

Birger Steen
Board member

Maria Varsellona
Board member

Casper von Koskull
President and CEO

Auditor's note

A report on the audit performed has been issued today.

Helsinki 26 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

1) Employee representative.

Auditor's report *(Translation of the Swedish original)*

To the Annual General Meeting of Nordea Bank Abp

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Nordea Bank Abp (business identity code 2858394-9) for the financial year ended 31 December 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in Note G8 Other expenses/Auditors' fees to the consolidated financial statements.

Our Audit Approach

Overview

- Overall group materiality: € 200 million, which represents 5 % of operating profit.

- The group audit scope encompassed all significant group companies, as well a number of smaller group companies in Nordic countries and Luxembourg, covering the vast majority of revenue, assets and liabilities.

- Impairment of loans to customers
- Valuation of financial instruments held at fair value
- Actuarial assumptions related to the Life business
- IT systems supporting processes over financial reporting.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 200 million
How we determined it	5 % of operating profit
Rationale for the materiality benchmark applied	We chose operating profit as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Nordea group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralized systems. Audits were performed in group companies which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the group.

By performing the procedures above at group companies, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Impairment of loans to customer	
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)

Capital adequacy for the Nordea Group

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is a worldwide capital adequacy standard (Basel III) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR).

CRD IV was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries on the 1 January 2014.

The Basel III framework is built on three Pillars:

- **Pillar I** – requirements for the calculation of REA and Capital
- **Pillar II** – rules for the Supervisory Review Evaluation Process (SREP) including the Internal Capital Adequacy Assessment Process (ICAAP)
- **Pillar III** – rules for the disclosure on risk and capital management, including capital adequacy

Nordea performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirements reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

Nordea's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2019, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

The disclosures in this note cover the Nordea Group as defined on page 273.

Own funds

Own funds is the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both Common Equity Tier 1 (CET1) and additional Tier 1 capital.

Tier 1 capital

Tier 1 capital is the sum of common equity tier 1 capital and additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbing characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Additional Tier 1 capital items consist of additional Tier 1 instruments and the related share premium.

Additional Tier 1 instruments

Additional Tier 1 instruments are subordinated capital instruments that rank senior only to share capital. CRR specifies the necessary characteristics required for inclusion in additional Tier 1 capital. The instruments are loss-absorbing from a going concern perspective as coupons can be cancelled at any time at the full discretion of the issuer and the principal will be written down if the Common Equity Tier 1 capital ratio would fall below a pre-defined trigger level. The instruments are perpetual and can only be repaid with the permission from the national competent authorities and not earlier than five years after original issuance of the instrument. Additional Tier 1 instruments that fulfil the CRR requirements are fully included whereas remaining instruments are phased out according to transitional rules. During 2018, Nordea did not issue any additional Tier 1 instrument. At year-end, Nordea held EUR 2.9bn in undated subordinated instruments..

Tier 2 capital

Tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-á-vis depositors and other bank creditors.

Tier 2 instruments

Tier 2 instruments are subordinated instruments. The basic principle for subordinated instruments in own funds is the order of priority in case of a default or bankruptcy situation.

Under such conditions, the holder of the subordinated instrument would be repaid after other creditors, but before shareholders. Tier 2 instruments have an original maturity of at least five years. According to the regulation, Tier 2 instruments that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The inclusion of outstanding Tier 2 instruments in the Tier 2 capital is reduced if the remaining maturity is less than five years. As of year-end, Nordea held EUR 5.0bn in dated subordinated instruments.

The tables below shows the main features of outstanding-Common Equity Tier 1, additional Tier 1 and Tier 2 instruments.

Common Equity Tier 1 capital: instruments and reserves

		A) Amount at disclosure date, EURm	(C) Amounts subject to pre- regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	–
	of which: Instrument type 1	4,050	–
2	Retained earnings	23,943	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–541	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**28,532**	**–**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	–210	–
8	Intangible assets (net of related tax liability) (negative amount)	–3,885	–
11	Fair value reserves related to gains or losses on cash flow hedges	12	–
12	Negative amounts resulting from the calculation of expected loss amounts	–76	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–108	–
15	Defined-benefit pension fund assets (negative amount)	–116	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–9	–
25a	Losses for the current financial year (negative amount)	–6	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	57
	Of which: ...filter for unrealised loss on AFS debt instruments	–	–51
	Of which: ...filter for unrealised gain on AFS debt instruments	–	108
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–4,398**	**57**
29	**Common Equity Tier 1 (CET1) capital**	**24,134**	**57**
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	2,878	–
31	of which: classified as equity under applicable accounting standards	750	–
32	of which: classified as liabilities under applicable accounting standards	2,128	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,878**	**–**
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–28	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–28**	**–**
44	**Additional Tier 1 (AT1) capital**	**2,850**	**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**26,984**	**–**
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	4,973	–
50	Credit risk adjustments	135	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,108**	**–**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–64	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,000	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–1,064**	**–**
58	**Tier 2 (T2) capital**	**4,044**	**–**
59	**Total capital (TC = T1 + T2)**	**31,028**	**–**
60	**Total risk weighted assets**	**155,886**	**–**

Common Equity Tier 1 capital: instruments and reserves, cont.

		A) Amount at disclosure date, EURm	(C) Amounts subject to pre- regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.5%	–
62	Tier 1 (as a percentage of risk exposure amount)	17.3%	–
63	Total capital (as a percentage of risk exposure amount)	19.9%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	3.4%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.9%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.0%	–
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	299	–
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	909	–
Applicable caps on the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	135	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	646	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements	788	–
84	Current cap on T2 instruments subject to phase out arrangements	443	–

Minimum capital requirement and REA

	31 Dec 2018		31 Dec 2017	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**9,678**	**120,969**	**8,219**	**102,743**
- of which counterparty credit risk	534	6,671	488	6,096
IRB	8,611	107,635	7,104	88,808
- sovereign	–	–	149	1,869
- corporate	5,749	71,868	4,560	57,004
- advanced	4,850	60,626	3,774	47,173
- foundation	899	11,242	786	9,831
- institutions	477	5,953	493	6,163
- retail	2,078	25,979	1,671	20,888
- secured by immovable property collateral	1,369	17,118	934	11,678
- other retail	709	8,861	737	9,210
- items representing securitisation positions	132	1,648	68	850
- other	175	2,187	163	2,034
Standardised	1,067	13,334	1,115	13,935
- central governments or central banks	48	600	22	281
- regional governments or local authorities	7	86	1	7
- public sector entities	0	2	0	3
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	20	248	14	171
- corporate	312	3,904	261	3,264
- retail	259	3,243	258	3,225
- secured by mortgages on immovable properties	79	984	197	2,458
- in default	28	344	47	592
- associated with particularly high risk	65	811	60	754
- covered bonds	–	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	198	2,472	208	2,598
- other items	51	640	47	582
Credit Value Adjustment Risk	**74**	**931**	**96**	**1,207**
Market risk	**485**	**6,064**	**282**	**3,520**
- trading book, Internal Approach	351	4,388	196	2,444
- trading book, Standardised Approach	86	1,070	86	1,076
- banking book, Standardised Approach	48	606	–	–
Operational risk	**1,319**	**16,487**	**1,345**	**16,809**
Standardised	1,319	16,487	1,345	16,809
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	**53**	**657**	**–**	**–**
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	**850**	**10,626**	**–**	**–**
Additional risk exposure amount due to Article 3 CRR	**12**	**152**	**120**	**1,500**
Sub total	**12,471**	**155,886**	**10,062**	**125,779**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	–	–	6,132	76,645
Total	**12,471**	**155,886**	**16,194**	**202,424**

Leverage ratio

	31 Dec 2018	31 Dec 2017
Tier 1 capital, transitional definition, EURm[1]	26,984	28,008
Leverage ratio exposure, EURm	528,163	538,338
Leverage ratio, percentage	5.1	5.2

1) Including profit for the period.

Capital requirements for market risk

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
31 Dec 2018, EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	967	77	652	52	–	–	1,619	129
Equity risk	89	7	370	30	–	–	459	37
Foreign exchange risk	132	11	–	–	606	48	738	59
Commodity risk	–	–	32	3	–	–	32	3
Settlement risk	–	–	16	1	–	–	16	1
Diversification effect	–464	–37	–	–	–	–	–464	–37
Stressed Value-at-Risk	2,173	174	–	–	–	–	2,173	174
Incremental Risk Measure	1,066	85	–	–	–	–	1,066	85
Comprehensive Risk Measure	425	34	–	–	–	–	425	34
Total	**4,388**	**351**	**1,070**	**86**	**606**	**48**	**6,064**	**485**

1) Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of Nordea's entities. Such approval has to be applied and authorised by the local FSA for internal subordinated loans as prescribed by Article 77 in the CRR. Table A3–A5 include disclosure of capital instruments' main features in accordance with Article 3 in Commission implementing regulation (EU) No 1423/2013, where the template in Annex II is used.

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	FI4000297767
3	Governing law(s) of the instrument	Finnish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons/dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

Table A4 – Capital instruments' main features template – AT1

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013							
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947	XS1725580465
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment							
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 873m	EUR 435m	EUR 219m	EUR 125m	EUR 480m	EUR 745m
9	Nominal amount of instrument	USD 1,000m / EUR 875m	USD 500m / EUR 437m	SEK 2,250m / EUR 220m	NOK 1,250m / EUR 126m	USD 550m / EUR 481m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Equity
11	Original date of issuance	23 Sep 2014	23 Sep 2014	12 Mar 2015	12 Mar 2015	12 Mar 2015	28 Nov 2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	23 Sep 2019 In addition tax/regulatory call 100 per cent of nominal amount	23 Sep 2024 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/regulatory call 100 per cent of nominal amount	13 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2025 In addition tax/regulatory call 100 per cent of nominal amount

Table A4 – Capital instruments' main features template – AT1, cont

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013							
16	Subsequent call dates, if applicable	23 Mar and 23 Sep each year after first call date	23 Mar and 23 Sep each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	13 Sep each year after first call date	12 Mar each year after first call date
Coupons / dividends							
17	Fixed or floating dividend / coupon	Fixed	Fixed	Floating	Floating	Fixed	Fixed
18	Coupon rate and any related index	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum	Fixed 3.5 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.003 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	No	No	No	No

Table A5 – Capital instruments' main features template – T2

	Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013				
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
	Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 247m (24.7 per cent of Nominal amount, <5 yrs to maturity)	EUR 336m (44.8 per cent of Nominal amount, <5 yrs to maturity)	EUR 516m (47.2 per cent of Nominal amount, <5 yrs to maturity)	EUR 648m (74.1 per cent of Nominal amount, <5 yrs to maturity)
9	Nominal amount of instrument	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,093m	USD 1,000m / EUR 875m
9a	Issue price	99.810 per cent	99.699 per cent	99.508 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	26 Mar 2010	29 Sep 2010	13 May 2011	21 Sep 2012
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	26 Mar 2020	29 Mar 2021	13 May 2021	21 Sep 2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
	Coupons / dividends				
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4,50%	4,00%	4,875%	4,250%
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013					
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 166m	EUR 225m	EUR 119m	EUR 747m
9	Nominal amount of instrument	SEK 1,700m / EUR 166m	SEK 2,300m / EUR 225m	JPY 15,000m / EUR 119m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	17 Sep 2015	17 Sep 2015	6 Oct 2015	10 Nov 2015
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	17 Sep 2025	17 Sep 2025	6 Oct 2025	10 Nov 2025
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10 Nov 2020 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17 Mar, 17 Jun, 17 Sep and 17 Dec each year after first call date	17 Sep each year after first call date	N/A	10 Nov each year after first call date
Coupons / dividends					
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1,160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

	Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013				
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1486520403	N/A	N/A	N/A
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)
	Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 995m	EUR 79m	EUR 159m	EUR 79m
9	Nominal amount of instrument	EUR 1,000m	JPY 10,000m / EUR 79m	JPY 20,000m / EUR 159m	JPY 10,000m / EUR 79m
9a	Issue price	99.391 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	07 Sep 2016	06 Jun 2018	06 Jun 2018	06 Jun 2018
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	07 Sep 2026	26 Feb 2034	04 Mar 2040	12 Oct 2040
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	07 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount	26 Feb 2029 In addition tax/regulatory call 100 per cent of nominal amount	04 Mar 2035 In addition tax/regulatory call 100 per cent of nominal amount	12 Oct 2035 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	7 Sep each year after first call date	26 Feb and 26 Aug each year after first call date	4 Mar and 4 Sep each year after first call date	12 Apr and 12 Oct each year after first call date
	Coupons / dividends				
17	Fixed or floating dividend / coupon	Fixed	Fixed to floating	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +1.1 per cent per annum	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.2 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.2 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013				
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US65557FAH91/ US65557HAH57	XS1884708238	NO0010833015
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)
Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 435m	EUR 171m	EUR 50m
9	Nominal amount of instrument	USD 500m / EUR 437m	SEK 1,750m / EUR 171m	NOK 500m / EUR 50m
9a	Issue price	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	13 Sep 2018	26 Sep 2018	26 Sep 2018
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	13 Sep 2033	26 Sep 2028	26 Sep 2028
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	13 Sep 2028 In addition tax/regulatory call 100 per cent of nominal amount	26 Sep 2023 In addition tax/regulatory call 100 per cent of nominal amount	26 Sep 2023 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	26 Mar, 26 Jun, 26 Sep and 26 Dec each year after first call date	26 Mar, 26 Jun, 26 Sep and 26 Dec each year after first call date
Coupons / dividends				
17	Fixed or floating dividend / coupon	Fixed	Floating	Floating
18	Coupon rate and any related index	Fixed 4.625 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.69 per cent per annum	Floating 3-month STIBOR +1.4 per cent per annum	Floating 3-month NIBOR +1.4 per cent per annum
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No

Specification of group undertakings 31 December 2018

Owner	Company name	Voting power of holding, %	Accounting consolidation
Nordea Bank Abp	Nordea Finance Finland Ltd	100	Acquisition method
	Nordea Mortgage Bank Plc	100	Acquisition method
	Nordea Funds Ltd	100	Acquisition method
	Automatia Pankkiautomaatit Oy	33	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Acquisition method
Nordea Bank Abp	Nordea Eiendomskreditt AS	100	Acquisition method
	Nordea Finans Norge AS	100	Acquisition method
	Eksportfinans ASA	23	Equity method
	Nordea Utvikling AS	100	Acquisition method
Nordea Bank Abp	Nordea Finans Danmark A/S	100	Acquisition method
	Nordea Kredit Realkreditaktieselskab	100	Acquisition method
	LR-Realkredit A/S	39	Equity method
	Fionia Asset Company A/S	100	Acquisition method
Nordea Finans Danmark A/S	BH Finance K/S	100	Acquisition method
	NAMIT 10 K/S	100	Acquisition method
	UL Transfer Aps	100	Acquisition method
	DT Finance K/S	100	Acquisition method
	BAAS 2012 K/S	100	Acquisition method
Fionia Asset Company A/S	Ejendomsselskabet Vestre Stationsvej 7, Odense A/S	100	Acquisition method
Nordea Bank Abp	LLC Promyshlennaya Kompaniya Vestkon	100	Acquisition method
Promyshlennaya Companiya Vestkon / Nordea Bank Abp	Joint Stock Company Nordea Bank	100	Acquisition method
Joint Stock Company Nordea Bank	Nordea Leasing LLC	100	Acquisition method
Nordea Bank Abp	Nordea Hypotek AB (publ)	100	Acquisition method
	Nordea Finans Sverige AB (publ)	100	Acquisition method
	Nordea Asset Management Holding AB	100	Acquisition method
	Bankomat AB	20	Equity method
	Getswish AB	20	Equity method
	Luminor Group AB	49,9	Equity method
	Nordea Markets Holding Company INC	100	Acquisition method
Nordea Markets Holding Company LLC	Nordea Markets LLC	100	Acquisition method
Nordea Asset Management Holding AB	Nordea Investment Management AB	100	Acquisition method
	Nordea Investment Funds S.A.	100	Acquisition method
	Madrague Capital Partners AB	40	Equity method
	NAM Alternative Investment AB	100	Acquisition method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	Acquisition method
	Nordea Investment Management AG	100	Acquisition method
	Nordea Asset Management UK Ltd	100	Acquisition method
Nordea Bank Abp	Nordea Bank S.A.	100	Acquisition method

Capital adequacy for the Nordea Parent company

Capital Management
Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to different asset, liability and risk categories. The goal is to enhance returns to shareholders while maintaining a prudent capital structure. The Board of Directors decide ultimately on the targets for capital ratios, capital policy and the overall framework of capital management in Nordea. The ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

Capital requirements
The capital requirement and the own funds described in this section follow the rules in the Capital Requirements Regulation (CRR) and not accounting standards, see Note P42 for details. Therefore, the capital requirement and the own funds are only applicable for Nordea Bank Abp on its consolidated situation, in which the insurance companies are not consolidated.

Capital policy
The Nordea Group's current capital policy states that Nordea Group under normal business conditions should have minimum targets for Common Equity Tier 1 (CET1) capital ratio, Tier 1 capital ratio and the Total capital ratio that exceed the capital requirements received from the competent authorities and, in addition, Nordea will maintain a management buffer.

Minimum capital requirements
Risk exposure amount (REA) is calculated in accordance with the requirements in the Capital Requirements Regulation. Nordea had 72% of the credit risk exposure amount covered by internal rating based (IRB) approach by the end of 2018. Nordea is approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for the major share of the market risk in the trading book. For operational risk the standardised approach is applied.

Internal capital requirement
The ICR is calculated based on a Pillar I equivalent plus add-ons approach and includes a buffer for economic stress. In addition, supervisors require Nordea to hold capital for other risks which are identified and communicated as part of the Supervisory Review and Evaluation Process (SREP).

Own funds
Own funds is the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both Common Equity Tier 1 (CET1) and Additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Additional Tier 1 and Tier 2 capital consists mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Capital situation of the financial conglomerate
As Sampo Plc has an owner share of more than 21.3% in Nordea Bank Abp, Nordea is part of the Sampo financial conglomerate in accordance with the Finnish Act on the Supervision of Financial and Insurance Conglomerates (2004/699), based on Directive 2002/87/EC.

Capital adequacy ratios

	31 Dec 2018
Common Equity Tier[1] (CET[1]) capital ratio excluding Basel I floor (%)	16,0
Tier 1 ratio excluding Basel I floor (%)	17,9
Capital ratio excluding Basel I floor (%)	20,6
Capital adequacy quotient (Own funds/capital requirement excluding Basel I floor)	2,6
Capital adequacy quotient (Own funds/capital requirement including Basel I floor)	2,6

Summary of items included in own funds

	31 Dec 2018[3]
Calculation of own funds	–
Equity in the consolidated situation	26,869
Proposed/actual dividend	–
Common Equity Tier 1 capital before regulatory adjustments	26,869
Deferred tax assets	–
Intangible assets	–2,331
IRB provisions shortfall (–)	–
Deduction for investments in credit institutions (50%)	–
Pension assets in excess of related liabilities[1]	–116
Other items, net	–363
Total regulatory adjustments to Common Equity Tier 1 capital	–2,810
Common Equity Tier 1 capital (net after deduction)	**24,059**
Additional Tier 1 capital before regulatory adjustments	2,860
Total regulatory adjustments to Additional Tier 1 capital	–11
Additional Tier 1 capital	2,849
Tier 1 capital (net after deduction)	**26,908**
Tier 2 capital before regulatory adjustments	4,960
IRB provisions excess (+)	111
Deduction for investments in credit institutions (50%)	–
Deductions for investments in insurance companies	–1,000
Pension assets in excess of related liabilities	–
Other items, net	–51
Total regulatory adjustments to Tier 2 capital	–940
Tier 2 capital	4,020
Own funds (net after deduction)[2]	**30,928**

1) Based on conditional FSA approval.
2) Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 30,817m by 31 Dec 2018.
3) Including profit of the period.

Common Equity Tier 1 capital: instruments and reserves

		A) Amount at disclosure date	(C) Amounts subject to pre- regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	–
	of which: Instrument type 1	4,050	
2	Retained earnings	21,577	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	171	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**26,878**	**–**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			**–**
7	Additional value adjustments (negative amount)	–199	–
8	Intangible assets (net of related tax liability) (negative amount)	–2,331	–
11	Fair value reserves related to gains or losses on cash flow hedges	9	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–173	–
15	Defined-benefit pension fund assets (negative amount)	–116	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–9	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	57
	Of which: ...filter for unrealised loss on AFS debt instruments	–	–51
	Of which: ...filter for unrealised gain on AFS debt instruments	–	108
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–2,819**	**57**
29	**Common Equity Tier 1 (CET1) capital**	**24,059**	**57**
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	2,878	–
31	of which: classified as equity under applicable accounting standards	749	–
32	of which: classified as liabilities under applicable accounting standards	2,128	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,878**	**–**
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–29	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–29**	**–**
44	**Additional Tier 1 (AT1) capital**	**2,849**	**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**26,908**	**–**
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	4,973	–
50	Credit risk adjustments	111	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,084**	**–**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–64	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,000	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–1,064**	**–**
58	**Tier 2 (T2) capital**	**4,020**	**–**
59	**Total capital (TC = T1 + T2)**	**30,928**	**–**
60	**Total risk weighted assets**	**150,266**	**–**

Common Equity Tier 1 capital: instruments and reserves, cont.

		A) Amount at disclosure date	(C) Amounts subject to pre- regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.0%	–
62	Tier 1 (as a percentage of risk exposure amount)	17.9%	–
63	Total capital (as a percentage of risk exposure amount)	20.6%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	3.4%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.9%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.5%	–
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	298	–
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	796	–
Applicable caps on the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	111	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	532	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements	788	–
84	Current cap on T2 instruments subject to phase out arrangements	443	–

Minimum capital requirement and REA

EURm	31 Dec 2018 Minimum Capital requirement	REA
Credit risk	**9,899**	**123,740**
- of which counterparty credit risk	539	6,741
IRB	7,089	88,619
- sovereign	–	–
- corporate	5,359	66,992
- advanced	4,875	60,935
- foundation	484	6,057
- institutions	493	6,164
- retail	1,104	13,803
- secured by immovable property collateral	449	5,617
- other retail	655	8,186
- other	133	1,660
Standardised	2,810	35,121
- central governments or central banks	36	452
- regional governments or local authorities	6	76
- public sector entities	–	–
- multilateral development banks	–	–
- international organisations	–	–
- institutions	1,061	13,259
- corporate	366	4,567
- retail	4	45
- secured by mortgages on immovable properties	1	9
- in default	0	0
- associated with particularly high risk	63	793
- covered bonds	49	617
- institutions and corporates with a short-term credit assessment	–	–
- collective investments undertakings (CIU)	–	–
- equity	1,223	15,285
- other items	1	18
Credit Value Adjustment Risk	**73**	**922**
Market risk	**995**	**12,433**
- trading book, Internal Approach	351	4,387
- trading book, Standardised Approach	87	1,084
- banking book, Standardised Approach	557	6,962
Operational risk	**1,039**	**12,986**
Standardised	1,039	12,986
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	**–**	**–**
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	**10**	**123**
Additional risk exposure amount due to Article 3 CRR	**5**	**62**
Total	**12,021**	**150,266**

Leverage ratio

	31 Dec 2018
Tier 1 capital, transitional definition, EURm[1]	26,908
Leverage ratio exposure, EURm	453,689
Leverage ratio, percentage	5.9

1) Including profit of the period

Capital requirements for market risk

EURm	Trading book, IA REA	Trading book, IA Capital requirement	Trading book, SA REA	Trading book, SA Capital requirement	Banking book, SA REA	Banking book, SA Capital requirement	Total REA	Total Capital requirement
Interest rate risk & other[1]	967	77	665	53	–	–	1,632	130
Equity risk	88	7	371	30	–	–	459	37
Foreign exchange risk	132	11	–	–	6,962	557	7,094	568
Commodity risk	–	–	32	3	–	–	32	3
Settlement risk	–	–	16	1	–	–	16	1
Diversification effect	–464	–37	–	–	–	–	–464	–37
Stressed Value-at-Risk	2,173	174	–	–	–	–	2,173	174
Incremental Risk Measure	1,066	85	–	–	–	–	1,066	85
Comprehensive Risk Measure	425	34	–	–	–	–	425	34
Total	**4,387**	**351**	**1,084**	**87**	**6,962**	**557**	**12,433**	**995**

1) Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of Nordea's entities. Such approval has to be applied and authorised by the local FSA for internal subordinated loans as prescribed by Article 77 in the CRR.

Table A3–A5 include disclosure of capital instruments' main features in accordance with Article 3 in Commission implementing regulation (EU) No 1423/2013, where the template in Annex II is used.

Table A3 – Capital instruments' main features template – CET1

	Common equity Tier 1 capital	
1	Issuer	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	FI4000297767
3	Governing law(s) of the instrument	Finnish
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
	Coupons / dividends	
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument						
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947	XS1725580465
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
	Regulatory treatment						
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 873m	EUR 435m	EUR 219m	EUR 125m	EUR 480m	EUR 745m
9	Nominal amount of instrument	USD 1,000m / EUR 875m	USD 500m / EUR 437m	SEK 2,250m / EUR 220m	NOK 1,250m / EUR 126m	USD 550m / EUR 481m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Equity
11	Original date of issuance	23 Sep 2014	23 Sep 2014	12 Mar 2015	12 Mar 2015	12 Mar 2015	28 Nov 2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	23 Sep 2019 In addition tax/regulatory call 100 per cent of nominal amount	23 Sep 2024 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/regulatory call 100 per cent of nominal amount	13 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount	12 Mar 2025 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	23 Mar and 23 Sep each year after first call date	23 Mar and 23 Sep each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	13 Sep each year after first call date	12 Mar each year after first call date
	Coupons / dividends						
17	Fixed or floating dividend / coupon	Fixed	Fixed	Floating	Floating	Fixed	Fixed
18	Coupon rate and any related index	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum	Fixed 3.5 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.003 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes

Table A4 – Capital instruments' main features template – AT1, cont.

Additional Tier 1 instrument							
31	If write-down, write-down trigger(s)	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	No	No	No	No

Table A5 – Capital instruments' main features template – T2

	Tier 2 instruments				
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
	Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 247m (24.7 per cent of Nominal amount, <5 yrs to maturity)	EUR 336m (44.8 per cent of Nominal amount, <5 yrs to maturity)	EUR 516m (47.2 per cent of Nominal amount, <5 yrs to maturity)	EUR 648m (74.1 per cent of Nominal amount, <5 yrs to maturity)
9	Nominal amount of instrument	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,093m	USD 1,000m / EUR 875m
9a	Issue price	99.810 per cent	99.699 per cent	99.508 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	26 Mar 2010	29 Sep 2010	13 May 2011	21 Sep 2012
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	26 Mar 2020	29 Mar 2021	13 May 2021	21 Sep 2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
	Coupons / dividends				
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4,50%	4,00%	4,875%	4,250%
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments					
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorpora-tion of the Issuer (Finnish law)
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63	Tier 2 as published in Regula-tion (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 166m	EUR 225m	EUR 119m	EUR 747m
9	Nominal amount of instrument	SEK 1,700m / EUR 166m	SEK 2,300m / EUR 225m	JPY 15,000m / EUR 119m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	17 Sep 2015	17 Sep 2015	6 Oct 2015	10 Nov 2015
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	17 Sep 2025	17 Sep 2025	6 Oct 2025	10 Nov 2025
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10 Nov 2020 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17 Mar, 17 Jun, 17 Sep and 17 Dec each year after first call date	17 Sep each year after first call date	N/A	10 Nov each year after first call date
Coupons / dividends					
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1,160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments					
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1486520403	N/A	N/A	N/A
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 995m	EUR 79m	EUR 159m	EUR 79m
9	Nominal amount of instrument	EUR 1,000m	JPY 10,000m / EUR 79m	JPY 20,000m / EUR 159m	JPY 10,000m / EUR 79m
9a	Issue price	99.391 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	07 Sep 2016	06 Jun 2018	06 Jun 2018	06 Jun 2018
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	07 Sep 2026	26 Feb 2034	04 Mar 2040	12 Oct 2040
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	07 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount	26 Feb 2029 In addition tax/regulatory call 100 per cent of nominal amount	04 Mar 2035 In addition tax/regulatory call 100 per cent of nominal amount	12 Oct 2035 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	7 Sep each year after first call date	26 Feb and 26 Aug each year after first call date	4 Mar and 4 Sep each year after first call date	12 Apr and 12 Oct each year after first call date
Coupons / dividends					
17	Fixed or floating dividend / coupon	Fixed	Fixed to floating	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +1.1 per cent per annum	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.2 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.2 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No	No

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments				
1	Issuer	Nordea Bank Abp	Nordea Bank Abp	Nordea Bank Abp
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US65557FAH91/ US65557HAH57	XS1884708238	NO0010833015
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Finnish law)
Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 435m	EUR 171m	EUR 50m
9	Nominal amount of instrument	USD 500m / EUR 437m	SEK 1,750m / EUR 171m	NOK 500m / EUR 50m
9a	Issue price	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	13 Sep 2018	26 Sep 2018	26 Sep 2018
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	13 Sep 2033	26 Sep 2028	26 Sep 2028
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	13 Sep 2028 In addition tax/regulatory call 100 per cent of nominal amount	26 Sep 2023 In addition tax/regulatory call 100 per cent of nominal amount	26 Sep 2023 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	26 Mar, 26 Jun, 26 Sep and 26 Dec each year after first call date	26 Mar, 26 Jun, 26 Sep and 26 Dec each year after first call date
Coupons / dividends				
17	Fixed or floating dividend / coupon	Fixed	Floating	Floating
18	Coupon rate and any related index	Fixed 4.625 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.69 per cent per annum	Floating 3-month STIBOR +1.4 per cent per annum	Floating 3-month NIBOR +1.4 per cent per annum
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior non-preferred	Senior non-preferred	Senior non-preferred
36	Non-compliant transitioned features	No	No	No

ANNEX 2 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE YEAR ENDED 31 DECEMBER 2017, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO

Financial statements, Contents

Income statement

EURm	Note	2017	2016
Operating income			
Interest income		7,575	7,747
Interest expense		–2,909	–3,020
Net interest income	**G3**	**4,666**	**4,727**
Fee and commission income		4,232	4,098
Fee and commission expense		–863	–860
Net fee and commission income	**G4**	**3,369**	**3,238**
Net result from items at fair value	G5	1,328	1,715
Profit from associated undertakings accounted for under the equity method	G19	23	112
Other operating income	G6	83	135
Total operating income		**9,469**	**9,927**
Operating expenses			
General administrative expenses:			
Staff costs	G7	–3,212	–2,926
Other expenses	G8	–1,622	–1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	–268	–228
Total operating expenses		**–5,102**	**–4,800**
Profit before loan losses		**4,367**	**5,127**
Net loan losses	G10	–369	–502
Operating profit		**3,998**	**4,625**
Income tax expense	G11	–950	–859
Net profit for the year		**3,048**	**3,766**
Attributable to:			
Shareholders of Nordea Bank AB (publ)		3,031	3,766
Non-controlling interests		17	–
Total		**3,048**	**3,766**
Basic earnings per share, EUR	G12	0.75	0.93
Diluted earnings per share, EUR	G12	0.75	0.93

Statement of comprehensive income

EURm	2017	2016
Net profit for the year	**3,048**	**3,766**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–511	438
Tax on currency translation differences during the year	3	–
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	175	–219
Tax on valuation gains/losses during the year	–37	48
Available for sale investments:[1]		
Valuation gains/losses during the year	31	186
Tax on valuation gains/losses during the year	–8	–42
Transferred to the income statement during the year	0	–69
Tax on transfers to the income statement during the year	0	15
Cash flow hedges:		
Valuation gains/losses during the year	–150	–569
Tax on valuation gains/losses during the year	43	147
Transferred to the income statement during the year	43	525
Tax on transfers to the income statement during the year	–19	–137
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	–115	–205
Tax on remeasurement of defined benefit plans during the year	25	47
Other comprehensive income, net of tax	**–520**	**165**
Total comprehensive income	**2,528**	**3,931**
Attributable to:		
Shareholders of Nordea Bank AB (publ)	2,511	3,931
Non-controlling interests	17	–
Total	**2,528**	**3,931**

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	Note	31 Dec 2017	31 Dec 2016
Assets			
Cash and balances with central banks		43,081	32,099
Loans to central banks	G13	4,796	11,235
Loans to credit institutions	G13	8,592	9,026
Loans to the public	G13	310,158	317,689
Interest-bearing securities	G14	75,294	87,701
Financial instruments pledged as collateral	G15	6,489	5,108
Shares	G16	17,180	21,524
Assets in pooled schemes and unit-linked investment contracts	G17	25,879	23,102
Derivatives	G18	46,111	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk		163	178
Investments in associated undertakings and joint ventures	G19	1,235	588
Intangible assets	G20	3,983	3,792
Properties and equipment		624	566
Investment properties	G22	1,448	3,119
Deferred tax assets	G11	118	60
Current tax assets		121	288
Retirement benefit assets	G32	250	306
Other assets	G23	12,441	18,973
Prepaid expenses and accrued income	G24	1,463	1,449
Assets held for sale	G42	22,186	8,897
Total assets		**581,612**	**615,659**
Liabilities			
Deposits by credit institutions	G25	39,983	38,136
Deposits and borrowings from the public	G26	172,434	174,028
Deposits in pooled schemes and unit-linked investment contracts	G17	26,333	23,580
Liabilities to policyholders	G27	19,412	41,210
Debt securities in issue	G28	179,114	191,750
Derivatives	G18	42,713	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,450	2,466
Current tax liabilities		389	487
Other liabilities	G29	28,515	24,413
Accrued expenses and prepaid income	G30	1,603	1,758
Deferred tax liabilities	G11	722	830
Provisions	G31	329	306
Retirement benefit liabilities	G32	281	302
Subordinated liabilities	G33	8,987	10,459
Liabilities held for sale	G42	26,031	4,888
Total liabilities		**548,296**	**583,249**
Equity			
Additional Tier 1 capital holders		750	–
Non-controlling interests		168	1
Share capital		4,050	4,050
Share premium reserve		1,080	1,080
Other reserves		–1,543	–1,023
Retained earnings		28,811	28,302
Total equity		**33,316**	**32,410**
Total liabilities and equity		**581,612**	**615,659**
Assets pledged as security for own liabilities	G34	198,973	189,441
Other assets pledged	G35	4,943	8,330
Contingent liabilities	G36	19,020	23,089
Commitments	G37	77,032	79,434

Statement of changes in equity

2017

	Attributable to shareholders of Nordea Bank AB (publ)[2]										
			Other reserves:								
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	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	–	–	–	–150	–	–	–	–150	–	–	–150
Tax on valuation gains/losses during the year	–	–	–	43	–	–	–	43	–	–	43
Transferred to the income statement during the year	–	–	–	43	–	–	–	43	–	–	43
Tax on transfers to the income statement during the year	–	–	–	–19	–	–	–	–19	–	–	–19
Items that may not be reclassified subsequently to the income statement											
Defined benefit plans:											
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–115	–	–115	–	–	–115
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	25	–	25	–	–	25
Other comprehensive income, net of tax	**–**	**–**	**–370**	**–83**	**23**	**–90**	**–**	**–520**	**–**	**–**	**–520**
Total comprehensive income	**–**	**–**	**–370**	**–83**	**23**	**–90**	**3,031**	**2,511**	**–**	**17**	**2,528**
Issuance of additional Tier 1 capital	–	–	–	–	–	–	–6	–6	750	–	744
Dividend for 2016	–	–	–	–	–	–	–2,625	–2,625	–	–	–2,625
Purchase of own shares[3]	–	–	–	–	–	–	–12	–12	–	–	–12
Change in non-controlling interests[4]	–	–	–	–	–	–	121	121	–	150	271
Balance at 31 Dec 2017	**4,050**	**1,080**	**–1,720**	**–46**	**103**	**120**	**28,811**	**32,398**	**750**	**168**	**33,316**

1) Total shares registered were 4,050 million.

2) Restricted equity was at 31 December 2017 EUR 5,454m, which consists of share capital was EUR 4,050m, equity method reserve was EUR 169m and development cost reserves EUR 1,235m. Equity method reserve and development costs reserve are recognised in retained earnings. Unrestricted equity was at 31 December 2017 EUR 26,944m.

3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.7 million. The total holdings of own shares related to LTIP were 10.2 million.

4) Refers to the sale of 25% of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.

Statement of changes in equity, Nordea Group, cont.

2016

	Attributable to shareholders of Nordea Bank AB (publ)[2]									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2016	4,050	1,080	–1,617	71	–10	368	27,089	31,031	1	31,032
Net profit for the year	–	–	–	–	–	–	3,766	3,766	–	3,766
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	–	–	438	–	–	–	–	438	–	438
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	–	–	–219	–	–	–	–	–219	–	–219
Tax on valuation gains/losses during the year	–	–	48	–	–	–	–	48	–	48
Available for sale investments:										
Valuation gains/losses during the year	–	–	–	–	186	–	–	186	–	186
Tax on valuation gains/losses during the year	–	–	–	–	–42	–	–	–42	–	–42
Transferred to the income statement during the year	–	–	–	–	–69	–	–	–69	–	–69
Tax on transfers to the income statement during the year	–	–	–	–	15	–	–	15	–	15
Cash flow hedges:										
Valuation gains/losses during the year	–	–	–	–569	–	–	–	–569	–	–569
Tax on valuation gains/losses during the year	–	–	–	147	–	–	–	147	–	147
Transferred to the income statement during the year	–	–	–	525	–	–	–	525	–	525
Tax on transfers to the income statement during the year	–	–	–	–137	–	–	–	–137	–	–137
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans:										
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–205	–	–205	–	–205
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	47	–	47	–	47
Other comprehensive income, net of tax	–	–	267	–34	90	–158	–	165	–	165
Total comprehensive income	–	–	267	–34	90	–158	3,766	3,931	–	3,931
Dividend for 2015	–	–	–	–	–	–	–2,584	–2,584	–	–2,584
Divestment of own shares[3]	–	–	–	–	–	–	31	31	–	31
Balance at 31 Dec 2016	4,050	1,080	–1,350	37	80	210	28,302	32,409	1	32,410

1) Total shares registered were 4,050 million.
2) Restricted equity was at 31 December 2016 EUR 4,889m, which consists of share capital was EUR 4,050m, equity method reserve was EUR 240m and development cost reserves EUR 599m. Equity method reserve and development costs reserve are recognised in retained earnings. Unrestricted equity was at 31 December 2016 EUR 27,520m.
3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.3 million. The total holdings of own shares related to LTIP were 10.9 million.

Cash flow statement

EURm	2017	2016
Operating activities		
Operating profit	3,998	4,625
Adjustment for items not included in cash flow	3,514	3,892
Income taxes paid	–950	–952
Cash flow from operating activities before changes in operating assets and liabilities	**6,562**	**7,565**
Changes in operating assets		
Change in loans to central banks	–190	7,824
Change in loans to credit institutions	136	689
Change in loans to the public	7,541	14,357
Change in interest-bearing securities	4,305	–154
Change in financial assets pledged as collateral	–2,915	3,233
Change in shares	–5,801	488
Change in derivatives, net	–4,816	–751
Change in investment properties	–171	–174
Change in other assets	2,890	–3,217
Changes in operating liabilities		
Change in deposits by credit institutions	9,423	–6,482
Change in deposits and borrowings from the public	–1,681	–9,686
Change in liabilities to policyholders	2,163	2,602
Change in debt securities in issue	–8,373	–7,357
Change in other liabilities	3,201	–5,657
Cash flow from operating activities	**12,274**	**3,280**
Investing activities		
Sale of business operations	228	–
Investments in associated undertakings and joint ventures	–957	–5
Sale of associated undertakings and joint ventures	20	134
Acquisition of property and equipment	–129	–124
Sale of property and equipment	11	20
Acquisition of intangible assets	–685	–658
Sale of intangible assets	42	1
Net divestments in debt securities, held to maturity	–8	–360
Sale of other financial fixed assets	–21	58
Cash flow from investing activities	**–1,499**	**–934**
Financing activities		
Issued subordinated liabilities	–	1,000
Issued Additional Tier 1 capital	750	–
Amortised subordinated liabilities	–750	–
Divestment of own shares including change in trading portfolio	–12	31
Dividend paid	–2,625	–2,584
Cash flow from financing activities	**–2,637**	**–1,553**
Cash flow for the year	**8,138**	**793**
Cash and cash equivalents at the beginning of year	41,860	40,200
Translation difference	–3,785	867
Cash and cash equivalents at the end of year	46,213	41,860
Change	**8,138**	**793**

Cash flow statement, Nordea Group, cont.

Comments on the cash flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year for total operations. Nordea's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities

Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for items not included in cash flow includes:

EURm	2017	2016
Depreciation	263	221
Impairment charges	5	7
Loan losses	422	560
Unrealised gains/losses	2,387	–2
Capital gains/losses (net)	–47	–72
Change in accruals and provisions	–182	126
Translation differences	–625	919
Change in bonus potential to policyholders, Life	58	–115
Change in technical reserves, Life	2,056	2,491
Change in fair value of hedged items, assets/liabilities (net)	–957	–92
Other	134	–151
Total	**3,514**	**3,892**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans, deposits and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

EURm	2017	2016
Interest payments received	7,748	7,649
Interest expenses paid	–3,475	–3,198

Investing activities

Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets.

Financing activities

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2017	31 Dec 2016
Cash and balances with central banks	43,081	32,099
Loans to central banks, payable on demand	2,004	8,538
Loans to credit institutions, payable on demand	779	1,093
Assets held for sale	349	130
Total	**46,213**	**41,860**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;

- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities. Loans to central banks, payable on demand includes instruments where Nordea has the right to resell immediately.

Reconciliation of liabilities arising from financing activities

The opening balance of subordinated liabilities was EUR 10,459m. During the period cash flow related to bonds were EUR –750m and the effects of FX changes and other was EUR –722m ending up to a closing balance of EUR 8,987m.

Quarterly development

EURm	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2017	2016
Net interest income	1,109	1,185	1,175	1,197	1,209	1,178	1,172	1,168	4,666	4,727
Net fee and commission income	839	814	850	866	867	795	804	772	3,369	3,238
Net result from items at fair value	235	357	361	375	498	480	405	332	1,328	1,715
Profit from associated undertakings accounted for under the equity method	16	3	0	4	4	–2	101	9	23	112
Other operating income	29	14	21	19	32	15	74	14	83	135
Total operating income	**2,228**	**2,373**	**2,407**	**2,461**	**2,610**	**2,466**	**2,556**	**2,295**	**9,469**	**9,927**
General administrative expenses:										
Staff costs	–861	–757	–795	–799	–687	–743	–756	–740	–3,212	–2,926
Other expenses	–425	–377	–433	–387	–475	–389	–396	–386	–1,622	–1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	–75	–70	–63	–60	–71	–51	–54	–52	–268	–228
Total operating expenses	**–1,361**	**–1,204**	**–1,291**	**–1,246**	**–1,233**	**–1,183**	**–1,206**	**–1,178**	**–5,102**	**–4,800**
Profit before loan losses	**867**	**1,169**	**1,116**	**1,215**	**1,377**	**1,283**	**1,350**	**1,117**	**4,367**	**5,127**
Net loan losses	–71	–79	–106	–113	–129	–135	–127	–111	–369	–502
Operating profit	**796**	**1,090**	**1,010**	**1,102**	**1,248**	**1,148**	**1,223**	**1,006**	**3,998**	**4,625**
Income tax expense	–167	–258	–267	–258	–148	–260	–227	–224	–950	–859
Net profit for the year	**629**	**832**	**743**	**844**	**1,100**	**888**	**996**	**782**	**3,048**	**3,766**
Diluted earnings per share (DEPS), EUR	0.15	0.21	0.18	0.21	0.27	0.22	0.25	0.19	0.75	0.93
DEPS, rolling 12 months up to period end, EUR	0.75	0.87	0.88	0.95	0.93	0.87	0.84	0.83	0.75	0.93

5 year overview

Income statement

EURm	2017	2016	2015	2014	2013
Net interest income	4,666	4,727	4,963	5,349	5,525
Net fee and commission income	3,369	3,238	3,230	3,017	2,642
Net result from items at fair value	1,328	1,715	1,645	1,383	1,539
Profit from associated undertakings accounted for under the equity method	23	112	39	18	79
Other operating income	83	135	263	474	106
Total operating income	**9,469**	**9,927**	**10,140**	**10,241**	**9,891**
General administrative expenses:					
Staff costs	-3,212	–2,926	–3,263	–3,159	–2,978
Other expenses	-1,622	–1,646	–1,485	–1,656	–1,835
Depreciation, amortisation and impairment charges of tangible and intangible assets	-268	–228	–209	–585	–227
Total operating expenses	**-5,102**	**–4,800**	**–4,957**	**–5,400**	**–5,040**
Profit before loan losses	**4,367**	**5,127**	**5,183**	**4,841**	**4,851**
Net loan losses	-369	–502	–479	–534	–735
Operating profit	**3,998**	**4,625**	**4,704**	**4,307**	**4,116**
Income tax expense	-950	–859	–1,042	–950	–1,009
Net profit for the year from continuing operations	**3,048**	**3,766**	**3,662**	**3,357**	**3,107**
Net profit for the year from discontinued operations, after tax	–	–	–	–25	9
Net profit for the year	**3,048**	**3,766**	**3,662**	**3,332**	**3,116**

Balance sheet

EURm	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Cash and balances with central banks	43,081	32,099	35,500	31,067	33,529
Loans to central banks and credit institutions	13,388	20,261	23,986	19,054	22,512
Loans to the public	310,158	317,689	340,920	348,085	342,451
Interest-bearing securities and pledged instruments	81,783	92,809	94,876	97,817	96,889
Assets in pooled schemes and unit-linked investment contracts	25,879	23,102	20,434	17,442	–
Derivatives	46,111	69,959	80,741	105,119	70,992
Other assets	39,026	50,843	50,411	50,758	55,166
Assets held for sale	22,186	8,897	–	–	8,895
Total assets	**581,612**	**615,659**	**646,868**	**669,342**	**630,434**
Deposits by credit institutions	39,983	38,136	44,209	56,322	59,090
Deposits and borrowings from the public	172,434	174,028	189,049	192,967	200,743
Deposits in pooled schemes and unit-linked investment contracts	26,333	23,580	21,088	18,099	–
Liabilities to policyholders	19,412	41,210	38,707	38,031	47,226
Debt securities in issue	179,114	191,750	201,937	194,274	185,602
Derivatives	42,713	68,636	79,505	97,340	65,924
Subordinated liabilities	8,987	10,459	9,200	7,942	6,545
Other liabilities	33,289	30,562	32,141	34,530	31,897
Liabilities held for sale	26,031	4,888	–	–	4,198
Equity	33,316	32,410	31,032	29,837	29,209
Total liabilities and equity	**581,612**	**615,659**	**646,868**	**669,342**	**630,434**

Ratios and key figures[1]

	2017	2016	2015	2014	2013
Basic earnings per share, EUR	0.75	0.93	0.91	0.83	0.77
Diluted earnings per share, EUR	0.75	0.93	0.91	0.83	0.77
Share price[2], EUR	10.09	10.60	10.15	9.68	9.78
Total shareholders' return, %	3.6	16.3	8.2	9.2	44.6
Proposed/actual dividend per share, EUR	0.68	0.65	0.64	0.62	0.43
Equity per share[2], EUR	8.21	8.03	7.69	7.40	7.27
Potential shares outstanding[2], million	4,050	4,050	4,050	4,050	4,050
Weighted average number of diluted shares, million	4,039	4,037	4,031	4,031	4,020
Return on equity, %	9.5	12.3	12.2	11.4	11.0
Assets under management[2], EURbn	330.4	322.7	288.2	262.2	232.1
Cost/income ratio[3], %	54	50	47	49	51
Loan loss ratio, basis points[4]	12	15	14	15	21
Common Equity Tier 1 capital ratio excluding Basel I floor[2,5,6] ,%	19.5	18.4	16.5	15.7	14.9
Tier 1 capital ratio, excluding Basel I floor[2,5,6], %	22.3	20.7	18.5	17.6	15.7
Total capital ratio, excluding Basel I floor[2,5,6], %	25.2	24.7	21.6	20.6	18.1
Tier 1 capital[2,5,6], EURbn	28.0	27.6	26.5	25.6	24.4
Risk exposure amount, excluding Basel I floor[2,5,6], EURbn	126	133	143	146	155
Number of employees (full-time equivalents)[2]	30,399	31,596	29,815	29,643	29,429
Economic capital[2,5], EURbn – Total operations	26.7	26.3	25.0	24.3	23.5
ROCAR[3],%	11.1	13.4	14.8	14.0	13.7

1) Fore more information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/. All key ratios reflect Nordea´s continuing operations.
2) End of the year.
3) Excluding items affecting comparability in 2016, 2015 and 2014.
4) In 2016 the ratio is including Loans to the public reported as assets held for sale.
5) Since 2014 ratios are reported using the Basel III (CRR/CRDIV) framework.
6) Including result for the period.

Glossary

Allowances in relation to impaired loans
Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

Basic earnings per share
Net profit for the year divided by the weighted average number of outstanding shares, non-controlling interests excluded.

Cost/income ratio
Total operating expenses divided by total operating income.

Diluted earnings per share
Net profit for the year divided by the weighted average number of outstanding shares after full dilution, non-controlling interests excluded.

Economic capital (EC)
Economic Capital is Nordea's interal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business risk and Life Insurance Risk arising from activities in Nordea's various business areas.

The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

Equity per share
Equity as shown on the balance sheet after full dilution and non-controlling interests excluded divided by the number of shares after full dilution.

Impairment rate, gross
Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate, net
Individually assessed impaired loans after allowances divided by total loans before allowances.

Loan loss ratio
Net loan losses (annualised) divided by closing balance of loans to the public (lending).

Non-servicing, not impaired
Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Own funds
Own funds include the sum of the Tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the carrying amount of the shares in wholly owned insurance companies and the potential deduction for expected shortfall.

Price to Book
Nordea's stock market value relative to its book value of total equity.

Return on equity
Net profit for the year as a percentage of average equity for the year. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for ther period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity including net profit for the year and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on assets
Net profit for the year as a percentage of total assets at end of the year.

Risk exposure amount
Total assets and off-balance-sheet items valued on the basis of the credit and market risks, as well as operational risks of the Group's undertakings, in accordance with regulations governing capital adequacy, excluding assets in insurance companies, carrying amount of shares which have been deducted from the capital base and intangible assets.

ROCAR, % (Return on capital at risk)
Net profit excluding items affecting comparability, in percentage of Economic Capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic capital.

Tier 1 capital
The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution. Common Equity Tier 1 capital includes consolidated shareholders´ equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations, the full expected shortfall deduction (the negative difference between expected losses and provisions) and finally other deductions such as cash flow hedges.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk exposure amount. The Common Equity Tier 1 capital ratio is calculated as Common Equity Tier 1 capital as a percentage of risk exposure amount.

Total allowance rate
Total allowances divided by total loans before allowances.

Total allowances in relation to imparied loans (provisioning ratio)
Total allowances divided by impaired loans before allowances.

Total capital ratio
Own funds as a percentage of risk exposure amount.

Total shareholders return (TSR)
Total shareholders return measured as growth in the value of a shareholding during the year, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

G1. Accounting policies

Content for Note G1

1. Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied.

The disclosures, required in the standards, recommendations and legislation above, have been included in the notes, the Risk, Liquidity and Capital management section or in other parts of the "Financial statements".

On 6 February 2018 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 15 March 2018.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2016 Annual Report. The new accounting requirements implemented during 2017 and their effects on Nordea's financial statements are described below.

The following new and amended standards and interpretations were implemented by Nordea 1 January 2017 but have not had any significant impact on the financial statements of Nordea:

- Amendment to IAS 12: "Recognition of Deferred Tax Assets for "Unrealised Losses"
- Amendments to IAS 7: "Disclosure Initiative"

Amendments have in addition been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) which were implemented by Nordea 1 January 2017. These amendments have not had any significant impact on Nordea's financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing "RFR 1 Supplementary Accounting Rules for Groups - January 2017". These changes were implemented by Nordea 1 January 2017 but have not had any significant impact on Nordea´s financial statements.

3. Changes in IFRSs not yet applied

IFRS 9 "Financial instruments"

IASB has completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The standard is endorsed by the EU-commission. Earlier application is permitted, but Nordea has not early adopted the standard. Nordea does not either intend to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

See Note G49 "IFRS 9" for more information on the impact from IFRS 9.

Classification and measurement

The classification and measurement requirements in IFRS 9 state that financial assets should be classified as, and measured at, amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea has analysed whether the cash flows from the financial assets held per 31 December 2017 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes

G1. Accounting policies, cont.

compared to how the financial instruments are measured under IAS 39. The new requirements will not have any significant impact on the capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application.

Impairment

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Currently Nordea does not calculate collective provisions for off balance sheet exposures or the financial instruments classified into the measurement category AFS.

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. For assets held at transition, Nordea has decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets to be recognised going forward, changes to the lifetime Probability of Default (PD) will be used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due will also be transferred to stage 2.

Nordea's current model for calculating collective provisions defines a loss event as one notch deterioration in rating/scoring, while the triggering event for moving items from stage 1 to stage 2 under IFRS 9 will require several notches deterioration.

The provisions under IFRS 9 will be calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation will only be based on the coming 12 months, while it for assets in stage 2 will be based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 will require provisions equal to the lifetime expected loss.

When calculating lifetime losses under IFRS 9, including the staging assessment, the calculation will be based on probability weighted forward looking information. Nordea has decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario are recognised as provisions.

The quantitative impact from the new impairment requirements on total allowances and provisions for on- and off-balance exposures, including debt instruments accounted for at fair value through other comprehensive income (FVOCI), is an increase of EUR 203m. Equity is reduced by EUR 183m including the expected impact from companies accounted for under the equity method. The impact on the Common Equity Tier 1 capital ratio, after adjustment of the shortfall deduction and before transition rules, is insignificant. Nordea will not apply the transitional rules issued by the EU allowing a phase in of the impact on Common Equity Tier 1 capital. There is no material impact to large exposures.

Impairment calculations under IFRS 9 will require more experienced credit judgement by the reporting entities than is required by IAS 39 today and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward looking scenarios.

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally uses macro (portfolio) hedge accounting Nordea's assessment is that the new requirements will not have any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application. Nordea will continue to use the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented.

IFRS 15 "Revenue from Contracts with Customers"

The IASB published the new standard, IFRS 15 "Revenue from Contracts with Customers" in 2014. Clarifications to the standard were published in April 2016. The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The standard does not apply to financial instruments, insurance contracts or lease contracts. The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The standard and its clarifications have been endorsed by the EU-commission. Nordea has not early adopted the standard.

The standard will be implemented using the modified retrospective approach, meaning that the cumulative effect of the change will be recognised as an adjustment to equity in the opening balance 2018. Comparable figures for 2017 are not restated.

The new standard will have an impact on Nordea's accounting policies for loan origination fees, as such fees will be amortised as part of the effective interest of the underlying exposures to a larger extent than today. An opening balance adjustment amounting to EUR -79m pre-tax, recognised directly in equity (after tax), will be recognised at transition 1 January 2018. IFRS 15 will consequently not have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contributions of assets between an investor and its associated undertaking or joint venture due to inconsistent treatment of gains and losses of such transactions in those

G1. Accounting policies, cont.

standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

IFRS 16 "Leases"

The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The standard was endorsed by the EU-commission in 2017. Nordea does not intend to early adopt the standard.

The main impact on Nordea's financial statements is expected to come from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than today. No significant impact is currently expected on the income statement or equity, although the presentation is expected to change in the income statement. It is too early to comment on the impact on large exposures and capital adequacy as the relevant requirements are not yet final.

IFRS 17 "Insurance contracts"

The IASB has published the new standard IFRS 17 "Insurance contracts". The new standard will change the accounting requirements for recognition, measurement, presentation and disclosure of insurance contracts.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on the three measurement models Building Block Approach (BBA), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with variable fee or short term). The three measurement models include consistent definitions of the contractual cash-flows, risk adjustment margin and discounting. These definitions are based on the similar principles as the measurement principles for technical provisions in the Solvency II capital requirement directives. Unearned future premiums will be recognised as a provision on the balance sheet and released to revenue when the insurance service is provided. Any unprofitable contracts will be recognized in the income statement at the time when the contract is signed and approved.

The new standard is effective for the annual period beginning on or after 1 January 2021 and earlier application is permitted. The standard is not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

Other changes in IFRS

The IASB has published the following new or amended standards that are assessed to have no significant impact on Nordea's financial statement, capital adequacy or large exposures in the period of initial application:

- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendments to IFRS 2: "Classification and Measurement of Share based Payment Transactions
- Amendments to IAS 40: "Transfers of Investment Property"
- Amendments to IFRS 9: "Prepayment Features with Negative Compensation"
- Amendments to IAS 28: "Long-term Interest in Associates and Joint Ventures"
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- Annual Improvements to IFRS Standards 2015-2017 Cycle

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:

- the sources of estimation uncertainty at the end of the reportingperiod, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  - goodwill and
  - loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the actuarial calculations of insurance contracts
- the valuation of investment properties
- the classification of leases
- the classification of additional tier 1 instruments
- assessing control for consolidation purposes
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G40 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

G1. Accounting policies, cont.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was EUR 189,157m (EUR 208,371m) and EUR 141,819m (EUR 129,441m) respectively at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note G40 "Assets and liabilities at fair value".

Estimation uncertainty also arises at initial recognition of financial instruments that are part of larger structural transactions. Although subsequently not necessarily held at fair value such instruments are initially recognised at fair value and as there is normally no separate transaction price or active market for such individual instruments the fair value has to be estimated.

Impairment testing of goodwill

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G20 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 1,994m (EUR 2,247m) at the end of the year.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (generally 3-5 years) and to the estimated sector growth rate for the period beyond 3-5 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

The rates used to discount future expected cash flows are based on the long-term risk free interest rate plus a risk premium (post tax). The risk premium is based on external information of overall risk premiums in relevant countries.

For information on the sensitivity to changes in relevant parameters, see Note G20 "Intangible assets".

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 14 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. Nordea's total lending before impairment allowances was EUR 325,879m (EUR 340,376m) at the end of the year. For more information, see Note G13 "Loans and impairment".

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. Nordea monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Effectiveness testing of cash flow hedges

Nordea's accounting policies for cash flow hedges are described in section 10 "Hedge accounting".

One important judgement in connection to cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 23 "Employee benefits".
The defined benefit obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G32 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,454m (EUR 3,434m) at the end of the year.

Actuarial calculations of insurance contracts

Nordea's accounting policy for insurance contracts is described in section 19 "Liabilities to policyholders".

A valuation of insurance liabilities includes estimations and assumptions, both financial and actuarial. One of the important financial assumptions is the interest rate used for discounting future cash flows. Important actuarial assumptions are those on mortality and disability, which affect the size and timing of the future cash flows. The financial and actuarial assumptions are, to a large extent, stipulated in local legislation and therefore not under Nordea's discretion. Also assumptions about future administrative and tax expenses have an impact on the calculation of policyholder liabilities.

The insurance liability was EUR 15,931m (EUR 37,682m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G27 "Liabilities to policyholders".

Valuation of investment properties

Nordea's accounting policies for investment properties are described in section 18 "Investment properties".

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents,

G1. Accounting policies, cont.

vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amounts of investment properties were EUR 1,448m (EUR 3,119m) at the end of the year. See Note G22 "Investment properties" for more information on amounts and parameters used in these models.

Classification of leases

Nordea's accounting policies for leases are described in section 15 "Leasing".

Critical judgement has to be exercised when classifying lease contracts. A lease is classified as a finance lease if it transfers substantially all the risks and rewards related to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards related to ownership.

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the assets by the end of the lease term, nor any economic benefit from appreciation in value of the leased properties. In addition, the lease term is not for the major part of the assets' economic life. As a result, Nordea has classified these leases as operating leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement. The carrying amount of these properties at the time of disposal was EUR 1.5bn.

More information on lease contracts can be found in Note G21 "Leasing".

Classification of additional tier 1 instruments

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of these instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

Assessing control for consolidation purposes

One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns. Nordea's critical judgement is that Nordea is normally exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea also is the investment manager and thus have influence over the return produced by the structured entity.

Another judgement relating to control is whether Nordea acts as an agent or as a principal. For unit linked and other contracts where the policyholder/depositor decides both the amount and which assets to invest in, Nordea is considered to act as an agent and thus does not have control.

Judgement also has to be exercised when assessing if a holding of a significant, but less than majority, share of voting rights constitute a so called de facto control and to what extent potential voting rights need to be considered in the control assessment. Nordea's assessment is that Nordea does currently not control any entities where the share of voting rights is below 50%.

Translation of assets and liabilities denominated in foreign currencies

Nordea's accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 9 "Translation of assets and liabilities denominated in foreign currencies".

When reporting consolidated financial statements, the parent company Nordea Bank AB (publ) has been assessed to have two functional currencies, SEK and EUR, based on the different activities. The functional currency of the normal banking operations is SEK and the functional currency of the entity holding equity, shares in group undertakings and the funding of those shares is EUR. It is Nordea's assessment that one legal entity can consist of different entities with different functional currencies.

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 21 "Taxes" and Note G11 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation. The carrying amount of deferred tax assets was EUR 118m (EUR 60m) at the end of the year.

Claims in civil lawsuits

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note G31 "Provisions" and Note G36 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company Nordea Bank AB (publ), and those entities that the parent company controls. Control exists when Nordea is exposed to variability in returns from its investments in another entity and has the ability to affect those returns through its power over the other entity. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent of the voting rights. For entities where voting rights does not decide control, see section "Structured entities" below.

All group undertakings are consolidated using the acquisition method, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was consolidated using the pooling method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

G1. Accounting policies, cont.

As at the acquisition date Nordea recognises the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

For each business combination Nordea measures the non-controlling interest in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income.

Intra-group transactions and balances between the consolidated group undertakings are eliminated.

The group undertakings are included in the consolidated accounts as from the date on which control is transferred to Nordea and are no longer consolidated as from the date on which control ceases.

In the consolidation process the reporting from the group undertakings is adjusted to ensure consistency with the IFRS principles applied by Nordea.

Note P20 "Investments in group undertakings" lists the major group undertakings in the Nordea Group.

Investments in associated undertakings and joint ventures

The equity method of accounting is used for associated undertakings where the share of voting rights is between 20 and 50 per cent and/or where Nordea has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The equity method of accounting is also used for joint ventures where Nordea has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments within Nordea's investment activities, which are classified as a venture capital organisation within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IAS 39. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

Profits from companies accounted for under the equity method are reported post-taxes in the income statement. Consequently, the tax expense related to these profits is not included in the income tax expense for Nordea.

Nordea does generally not have any sales or contribution of assets to or from associated undertakings or joint ventures. Other transactions between Nordea and its associated undertaking or joint ventures are not eliminated.

Note G19 "Investments in associated undertakings and joint ventures" lists the major associated undertakings in the Nordea Group.

Structured entities

A structured entity is an entity created to accomplish a narrow and well defined objective where voting rights are not the dominant factor in determining control. Often legal arrangements impose strict limits on the decision making powers of the management over the on-going activities of a structured entity. The same consolidation requirements apply to these entities, but as voting rights do not decide whether control exists, other factors are used to determine control.

Power can exist due to agreements or other types of influence over a structured entity. Nordea normally has power over entities sponsored or established by Nordea. Nordea has created a number of structured entities to allow clients to invest in assets invested in by the structured entity. Some structured entities invest in tradable financial instruments, such as shares and bonds (mutual funds). Structured entities can also invest in structured credit products or acquire assets from customers of Nordea, although only one such structured entity currently exists. Nordea is generally the investment manager and has sole discretion about investments and other administrative decisions and thus has power over these entities.

Typically, Nordea will receive service and commission fees in connection with the creation of the structured entity, or because it acts as investment manager, custodian or in some other function. Such income is normally not significant enough to expose Nordea to variability in returns and will thus not trigger consolidation. In some structured entities Nordea has also supplied substantial parts of the funding in the form of fund units, loans or credit commitments. In these structured entities Nordea is exposed to variability in returns and as the power over these entities affects the return, these structured entities are consolidated. Nordea normally considers a share of more than 30% of the return produced by a structured entity to give rise to variability and thus give control. Variability is measured as the sum of fees received and revaluation of assets held. For unit linked and other contracts where the policyholder/depositor decide both the amount and which assets to invest in, Nordea is considered to act as an agent and does thus not have control.

Further information about consolidated and unconsolidated structured entities is disclosed in Note G47 "Interests in structured entities".

Currency translation of foreign entities

The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank AB (publ). The current method is used when translating the financial statements of foreign entities into EUR from their functional currency. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income statement and statement of comprehensive income are translated at the average exchange rate for the year. The average exchange rates are calculated based on daily exchange rates divided by the number of banking days in the period. Translation differences are accounted for in other comprehensive income and are accumulated in the translation reserve in equity.

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as items in the same functional currency as the cash generating unit to which they belong and are also translated at the closing rate.

Information on the most important exchange rates is disclosed in the separate section 29 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the estimated future cash flows to the net carrying amount of the financial asset or financial liability.

Interest income and expenses from financial instruments are, with the exceptions described below, classified as "Net interest income".

G1. Accounting policies, cont.

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value" in the income statement. Also the interest on the net funding of the operations in Markets is recognised on this line.

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, is classified as "Net result from items at fair value", apart for derivatives used for hedging, including economical hedges of Nordea's funding, where such components are classified as "Net interest income".

Net fee and commission income

Nordea earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan, as well as other fees received as payments for certain acts, are recognised as revenue when the act has been completed, i.e. when the syndication has been finalised.

Commission expenses are normally transaction based and recognised in the period when the services are received.

Income from issued financial guarantees and expenses from bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively.

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments and investment properties measured at fair value through profit or loss are recognised in the item "Net result from items at fair value". Realised and unrealised gains and losses derive from:

- Shares/participations and other share-related instruments
- Interest-bearing securities and other interest-related instruments
- Other financial instruments, including credit derivatives as well as commodity instruments/derivatives
- Foreign exchange gains/losses
- Investment properties, which include realised and unrealised income, for instance revaluation gains and losses. This line also includes realised results from disposals as well as the running property yield stemming from the holding of investment properties.

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value" in the income statement. Also the interest on the net funding of the operations in Markets is recognised on this line.

Also the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Available for sale are recognised in "Net result from items at fair value".

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt.

"Net result from items at fair value" includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale. However, the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". Impairment losses from instruments within other categories are recognised in the items "Net loan losses" or "Impairment of securities held as financial non-current assets" (see also the sub-sections "Net loan losses" and "Impairment of securities held as financial non-current assets" below).

Dividends received are recognised in the income statement as "Net result from items at fair value" and classified as "Shares/participations and other share-related instruments" in the note. Income is recognised in the period in which the right to receive payment is established.

The income recognition and descriptions of the lines relating to life insurance are described in section 7 "Income recognition life insurance" below.

Profit from companies accounted for under the equity method

The profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea's share of net assets in the associated undertakings and the joint ventures. Nordea's share of items accounted for in other comprehensive income in the associated undertakings and the joint ventures is accounted for in other comprehensive income in Nordea. Profits from companies accounted for under the equity method are, as stated in section 5 "Principles of consolidation", reported in the income statement post-taxes. Consequently the tax expense related to these profits is excluded from the income tax expense for Nordea.

Fair values are, at acquisition, allocated to the associated undertaking's and the joint venture's identifiable assets, liabilities and contingent liabilities. Any difference between Nordea's share of the fair values of the acquired identifiable net assets and the purchase price is goodwill or negative goodwill. Goodwill is included in the carrying amount of the associated undertaking and the joint venture. Subsequently the investment in the associated undertaking and the joint venture increases/decreases with Nordea's share of the post-acquisition change in net assets in the associated undertaking and the joint venture and decreases through received dividends and impairment. An impairment charge can be reversed in a subsequent period.

The change in Nordea's share of the net assets is generally based on monthly reporting from the associated undertakings. For some associated undertakings and joint ventures not individually significant the change in Nordea's share of the net assets is based on the external reporting of the associated undertakings and the joint ventures and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings and the joint ventures is, if applicable, adjusted to comply with Nordea's accounting policies.

Other operating income

Net gains from divestments of shares in group undertakings, associated undertakings and joint ventures and net gains on sale of tangible assets as well as other operating income, not related to any other income line, are generally recognised when it is probable that the benefits associated with the transaction will flow to Nordea and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 13 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions" and "Loans to the public" on the balance

G1. Accounting policies, cont.

sheet, are reported as "Net loan losses" together with losses from financial guarantees. Also the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". Losses are reported net of any collateral and other credit enhancements. Nordea's accounting policies for the calculation of impairment losses on loans can be found in section 14 "Loans to the public/credit institutions".

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but excluding loans held at fair value as described above, as well as impairment on financial assets classified into the category Available for sale are reported under "Net result from items at fair value".

Impairment of securities held as financial non-current assets

Impairment on investments in interest-bearings securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings and joint ventures are classified as "Impairment of securities held as financial non-current assets" in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 13 "Financial instruments" and section 14 "Loans to the public/credit institutions".

If observable indicators (loss events) indicate that an associated undertaking or the joint ventures is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associated undertaking or the joint venture is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

7. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the saving part of the life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 "Liabilities to policyholders". The total income from life insurance mainly consists of the following components:

- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

The result from these components is, except for the cost result and the risk and performance margin relating to Unit Linked and Investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income", together with the risk and performance margin relating to Unit Linked and Investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholder's part of a positive or negative cost result (profit sharing) is included in the note line "Change in technical provisions, Life insurance" within Note G5 "Net result from items at fair value".

The insurance risk result consists of income from individual risk products and from unbundled life insurance contracts as well as Health and personal accident insurance. The risk premiums are amortised over the coverage period as the provisions are reduced when insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive a part of a net income or a net deficit. The risk income and the risk expenses are presented gross on the lines "Insurance risk income, Life insurance" and "Insurance risk expense, Life insurance" in Note G5 "Net result from items at fair value". The policyholder's part of the result is included in the line "Change in technical provisions, Life insurance" in the note.

Gains and losses derived from investments in Nordea Life & Pensions are split on the relevant lines in Note G5 "Net result from items at fair value" as for any other investment in Nordea. The lines include investment return on assets held to cover liabilities to policyholders and return on the additional capital allocated to Nordea Life & Pensions (Shareholders capital in the Nordea Life & Pensions group).
The note line "Change in technical provisions, Life insurance" in Note G5 "Net result from items at fair value" includes:

- Investment returns on assets held to cover liabilities to policyholders (including liabilities from traditional life insurance, unit linked insurance and investment contracts), individually transferred to policyholders' accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to the policyholders.
- Risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit linked contracts.

The note line "Change in collective bonus potential, Life insurance" in Note G5 "Net result from items at fair value" relates only to traditional life insurance contracts. The line includes policyholders' share of investment returns not yet individualised. The line includes also additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

8. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (and an asset or a liability is recognised as "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred

G1. Accounting policies, cont.

when the counterpart has performed by e.g. repaying a loan to Nordea, i.e. on settlement date.

Loans where cash flows are modified or part of a restructuring are derecognised, and a new loan recognised, if the terms and conditions of the new loan is substantially different from the old loan. This is normally the case if the present value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities.

In some cases, Nordea enters into transactions where it transfers assets that are recognised on the balance sheet, but retains either all or a portion of risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea's counterpart can sell or repledge the transferred assets, the assets are reclassified to the item "Financial instruments pledged as collateral" on the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. securities lending agreements and repurchase agreements.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognized as "Other liabilities" on the balance sheet on trade date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 13 "Financial instruments", as well as Note G43 "Transferred assets and obtained collaterals".

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. The parent company Nordea Bank AB (publ) uses two functional currencies (in addition to the functional currencies of the branches), SEK and EUR for reporting in consolidated accounts, based on the different activities in the underlying business.

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

10. Hedge accounting

Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations. There are three forms of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result is close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

Fair value hedge accounting in Nordea is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

Hedged items

A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in Nordea consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in Nordea are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value. Cash instruments are only used as hedging instruments when hedging currency risk.

Cash flow hedge accounting

Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or

G1. Accounting policies, cont.

loss, normally in the period that interest income or interest expense is recognised.

Hedged items

A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or liabilities or from future assets or liabilities. Nordea uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency and when hedging interest rate risk in lending with floating interest rates.

Hedging instruments

The hedging instruments used in Nordea are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. When hedging the interest rate risk in lending with floating interest rates Nordea uses interest rate swaps as hedging instruments, which are always held at fair value.

Hedges of net investments

See separate section 9 "Translation of assets and liabilities denominated in foreign currencies".

Hedge effectiveness

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent. When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

In cash flow hedges, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

11. Determination of fair value of financial instruments

Financial assets and liabilities classified into the categories Financial assets/liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net result from items at fair value".

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchanges, the counterparty´s valuations, price data from consensus services etc.

Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

G1. Accounting policies, cont.

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note G40 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

The valuation models applied by Nordea are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by the Model Risk Committee and all models are reviewed on a regular basis.

For further information, see Note G40 "Assets and liabilities at fair value".

12. Cash and balances with central banks

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:

- The central bank or the postal giro system is domiciled in the country where the institutions is established
- The balance is readily available at any time

13. Financial instruments

Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:

- Financial assets at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (fair value option)
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities:

- Financial liabilities at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (fair value option)
- Other financial liabilities

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note G39 "Classification of financial instruments" the classification of the financial instruments on Nordea's balance sheet into different categories is presented.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

The category consists of two sub-categories; Held for trading and Designated at fair value through profit or loss (fair value option).

The sub-category Held for trading mainly contains derivative instruments that are held for trading purposes, interest-bearing securities and shares within Markets and Treasury. It also contains trading liabilities such as short-selling positions and Market lending in reverse repurchase agreements and borrowing in repurchase agreements.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are mortgage loans and related issued bonds in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and interest-bearing securities, shares and investment contracts in Nordea Life & Pensions.

Assets and liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. If the loans and bonds were measured at amortised cost such buy-backs of bonds would give rise to an accounting mismatch as any gains or losses would have to be recognised immediately in the income statement. If such bonds are subsequently sold in the market any premium or discount would be amortised over the expected maturity, which would also create an accounting mismatch. To avoid such an accounting mismatch Nordea measures both the loans and bonds at fair value through profit or loss.

Interest-bearing securities, shares and investment contracts (defined in section 19 "Liabilities to policyholders") in Nordea Life & Pensions are generally also classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. This applies also to assets held under insurance contracts (defined in section 19 "Liabilities to policyholders"), which are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also assets held under so called "pooled schemes", which is a product similar to unit-linked insurance, are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits that are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss.

Nordea also applies the fair value option on certain financial assets and financial liabilities related to Markets. The

G1. Accounting policies, cont.

classification stems from that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/ Financial liabilities at fair value through profit or loss. Nordea also applies the fair value option on issued structured bonds in Markets as these instruments includes embedded derivatives not closely related to the host contract.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 14 "Loans to the public/ credit institutions".

Held to maturity
Financial assets that Nordea has chosen to classify into the category Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that Nordea has the positive intent and ability to hold to maturity. Financial assets classified into the category Held to maturity are initially recognised on the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred the Held to maturity category is tainted, except for if the sale or transfer either occur close to maturity, after substantially all of the original principal is already collected, or due to an isolated non-recurring event beyond the control of Nordea.

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as "Impairment of securities held as financial non-current assets" in the income statement. See section 14 "Loans to the public/credit institutions" for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearings securities classified into the category Held to maturity.

Available for sale
Financial instruments classified into the category Available for sale are measured at fair value. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income" and foreign exchange effects and impairment losses in the item "Net result from items at fair value" in the income statement.

When an instrument classified into the category Available for sale is disposed of, the fair value changes that previously have been accumulated in the fair value reserve (related to Available for sale investments) in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value".

Financial assets classified into the category Available for sale are assessed in order to determine any need for impairment losses. If there is objective evidence of impairment, the accumulated loss that has been recognised in other comprehensive income is removed from equity and recognised as "Net result from items at fair value" in the income statement.

The amount of the accumulated loss that is recycled from equity is the difference between the asset's acquisition cost and current fair value. For equity investments a prolonged or significant decline in the fair value, compared to the acquisition cost, is considered to be objective evidence of impairment. Objective evidence of impairment for a debt instrument is rather connected to a loss event, such as an issuer's financial difficulty.

Other financial liabilities
Financial liabilities, other than those classified into the category Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest on Other financial liabilities is recognised in the item "Interest expense" in the income statement.

Hybrid (combined) financial instruments
Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from items at fair value".

For index-linked bonds issued by Markets Nordea applies the fair value option and the entire combined instrument, host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item "Net result from items at fair value" and presented as "Debt securities in issue" on the balance sheet.

Securities borrowing and lending agreements
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item "Financial instruments pledged as collateral".

Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the

G1. Accounting policies, cont.

balance sheet line “Financial instruments pledged as collateral”.

Securities delivered under repurchase agreements are also disclosed in the item “Assets pledged as security for own liabilities”.

Cash received under repurchase agreements is recognised on the balance sheet as “Deposits by credit institutions” or as “Deposits and borrowings from the public”. Cash delivered under reverse repurchase agreements is recognised on the balance sheet as “Loans to central banks”, “Loans to credit institutions” or as “Loans to the public”.

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

Derivatives

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item “Derivatives” on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item “Derivatives” on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item “Net result from items at fair value”.

Offsetting of financial assets and liabilities

Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that Nordea has agreements with.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms. Derivative assets and liabilities against central counterparty clearing houses are, as mentioned above, generally set off on the balance sheet, but net cash collateral received or paid is generally accounted for separately as cash collateral paid (asset) or received (liability), which is also the case for cash collateral paid or received in bilateral OTC derivative transactions. Cash collateral paid or received in bilateral OTC derivative transactions are consequently not offset against the fair value of the derivatives.

Issued debt and equity instruments

A financial instrument issued by Nordea is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea having a present obligation to either deliver cash or another financial asset, or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

14. Loans to the public/credit institutions

Financial instruments classified as “Loans to the public/credit institutions” (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 8 “Recognition and derecognition of financial instruments on the balance sheet” as well as Note G39 ”Classification of financial instruments”).

Nordea monitors loans as described in the separate section on Risk, Liquidity and Capital management. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment.

Also interest-bearings securities classified into the categories Loans and receivables and Held to maturity are held at amortised cost and the description below is valid also for the identification and measurement of impairment on these assets. Possible impairment losses on interest-bearing securities classified into the categories Loans and receivables and Held to maturity are recognised as “Impairment of securities held as non-current financial assets” in the income statement.

Impairment test of individually assessed loans

Nordea tests all loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators of impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans

Loans not impaired on an individual basis are collectively tested for impairment.

These loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called “Emergence period”. The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

For corporate customers and bank counterparts, Nordea uses the existing rating system as a basis when assessing the credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc.

Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

Impairment loss

If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows (discounted with the original effective interest rate), including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

For significant loans that have been individually identified as

G1. Accounting policies, cont.

impaired the measurement of the impairment loss is made on an individual basis.

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis the measurement of the impairment loss is measured using a portfolio based expectation of the future cash flows.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as "Net loan losses" in the income statement (see also section 6 "Recognition of operating income and impairment").

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as loan losses unless Nordea retains the possibility to regain the loan losses incurred. In the event of a recovery the payment is reported as a recovery of loan losses.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Available for sale or Designated at fair value through profit or loss (fair value option) (see section 13 "Financial instruments") and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

15. Leasing

Nordea as lessor

Finance leases

Nordea's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee in the balance sheet item "Loans to the public" at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as properties and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as "Net interest income". The depreciation of the leased assets is calculated on the basis of Nordea's depreciation policy for similar assets and reported as "Depreciation, amortisation and impairment charges of tangible and intangible assets" in the income statement.

Nordea as lessee

Finance leases

Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

Operating leases are not recognised on Nordea's balance sheet. For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit. The original lease terms normally range between 3 to 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased properties. In addition, the lease term is not for the major part of

G1. Accounting policies, cont.

the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is amortised using the effective interest method which differs from the straight-line basis and better resembles an ordinary rental arrangement.

Embedded leases

Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

16. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea's control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea mainly consist of goodwill, IT-development/computer software and customer related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset, but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately, but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software includes also acquired software licenses not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 10 years.

Customer related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment

Goodwill and IT-development not yet taken into use is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT-development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. For goodwill and IT-development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G20 "Intangible assets" for more information on the impairment testing.

17. Properties and equipment

Properties and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties and equipment comprise its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Properties and equipment is depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follows the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any impairment loss is recognised.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

G1. Accounting policies, cont.

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-Linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts

Contracts classified as investment contracts are contracts with policyholders which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-contracts (Collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

G1. Accounting policies, cont.

20. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders.

Unit-Linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 "Financial instrument" above.

21. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank AB (publ) by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long term incentive programmes.

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

23. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 26 "Share-based payment".

More information can be found in Note G7 "Staff costs".

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit pension plans are predominantly sponsored in Sweden, Norway and Finland. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit liabilities"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit liabilities ".

Most pensions in Denmark, but also plans in other countries, are based on defined contribution arrangements that hold no pension liability for Nordea. All defined benefit pension plans are closed for new employees. Nordea also contributes to public pension systems.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and finan-

G1. Accounting policies, cont.

cial assumptions (as disclosed in Note G32 "Retirement benefit obligations").

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve is derived from the most liquid long dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G7 "Staff costs".

24. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank AB (publ).

For each business combination, Nordea measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Share premium reserve

The share premium reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue. Transaction costs in connection to the rights issue have been deducted.

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges, financial assets classified into the category Available for sale and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

Retained earnings

Apart from undistributed profits from previous years, retained earnings include the equity portion of untaxed reserves. Untaxed reserves according to national rules are accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

In addition, Nordea's share of the earnings in associated undertakings and joint ventures, after the acquisition date, that have not been distributed is included in retained earnings.

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

25. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 6 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, financial guarantees in the item "Contingent liabilities" and irrevocable credit commitments in the item "Commitments".

26. Share-based payment

Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the

G1. Accounting policies, cont.

vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period, in accordance with statement UFR 7 issued by the Swedish Financial Reporting Board: "IFRS 2 and social security contributions for listed enterprises". The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G7 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

For more information see Note G7 "Staff costs".

27. Related party transactions

Nordea defines related parties as:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings and joint ventures
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis,apart from loans granted to employees, see Note G7 "Staff costs".

Shareholders with significant influence

Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

Group undertakings

For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note P20 "Investments in group undertakings".

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

Associated undertakings and joint ventures

For the definition of associated undertakings and joint ventures, see section 5 "Principles of consolidation".
Further information on the associated undertakings and the joint ventures included in the Nordea Group is found in Note G19 "Investments in associated undertakings and joint ventures".

Key management personnel

Key management personnel includes the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "Staff costs".

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

28. Presentation of disposal groups held for sale

Assets and liabilities related to disposal groups are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale" respectively as from the classification date. Financial instruments continue to be measured under IAS 39, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

29. Exchange rates

	Jan–Dec 2017	Jan–Dec 2016
EUR 1 = SEK		
Income statement (average)	9.6378	9.4675
Balance sheet (at end of year)	9.8438	9.5525
EUR 1 = DKK		
Income statement (average)	7.4387	7.4453
Balance sheet (at end of year)	7.4449	7.4344
EUR 1 = NOK		
Income statement (average)	9.3317	9.2943
Balance sheet (at end of year)	9.8403	9.0863
EUR 1 = RUB		
Income statement (average)	65.9190	74.1913
Balance sheet (at end of year)	69.3920	64.3000

G2. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business area results" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Basis of segmentation

Compared with the 2016 Annual Report changes in the basis of segmentation were made following the decision to move Baltic operations out of Personal Banking and to move Treasury out of Group Corporate Centre. The Baltic operations are as from the fourth quarter reported as part of Other operating segments and Group Finance & Treasury is reported as a separate reportable operating segment instead of Group Corporate Centre. As from the fourth quarter the changes are reflected in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note G2. Comparative figures have been restated accordingly.

Financial results are presented for the four main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management, with further breakdown on operating segments, and for the operating segment Group Finance & Treasury. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items

Reportable Operating segments

Personal Banking serves Nordea's household customers in the Nordic markets, through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets.

Commercial Banking service large corporate customers and Business Banking service small and medium-sized corporate customers. Commercial & Business Banking works with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The Commercial & Business Banking area also consists of Transaction Banking, which services both personal and corporate customers across the Nordea Group. The unit includes Cards, Trade Finance, Nordea Finance, and Cash Management.

Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. The division Shipping, Offshore & Oil Services is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailor made solutions and syndicated loan transactions. Nordea Bank Russia offers a full range of bank services to corporate and private customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas.

Wealth management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The division Asset Management is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions which is not allocated to the main business areas.

Group Finance & Treasury's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Finance and Treasury originates from Group Treasury & ALM.

G2. Segment reporting, cont.

Income statement 2017

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Manage-ment	Group Finance & Treasury	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,100	1,137	749	106	476	130	4,698	–32	4,666
Net fee and commission income	1,198	549	575	1,679	–10	28	4,019	–650	3,369
Net result from items at fair value	65	241	625	301	84	11	1,327	1	1,328
Profit from associated undertakings accounted for under the equity method	1	13	0	0	0	1	15	8	23
Other income	7	32	5	18	1	6	69	14	83
Total operating income	**3,371**	**1,972**	**1,954**	**2,104**	**551**	**176**	**10,128**	**–659**	**9,469**
- of which internal transactions[1]	–640	–373	–438	–29	1,489	–9	0	–	–
Staff costs	–812	–516	–620	–523	–100	–47	–2,618	–594	–3,212
Other expenses	–926	–651	–292	–398	–44	–100	–2,411	789	–1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	–112	–14	–22	–19	0	0	–167	–101	–268
Total operating expenses	**–1,850**	**–1,181**	**–934**	**–940**	**–144**	**–147**	**–5,196**	**94**	**–5,102**
Profit before loan losses	**1,521**	**791**	**1,020**	**1,164**	**407**	**29**	**4,932**	**–565**	**4,367**
Net loan losses	–39	–88	–235	1	0	–11	–372	3	–369
Operating profit	**1,482**	**703**	**785**	**1,165**	**407**	**18**	**4,560**	**–562**	**3,998**
Income tax expense	–356	–169	–189	–280	–97	–4	–1,095	145	–950
Net profit for the year	**1,126**	**534**	**596**	**885**	**310**	**14**	**3,465**	**–417**	**3,048**

Balance sheet 31 Dec 2017, EURbn									
Loans to the public[2]	141	81	50	10	–	2	284	26	310
Deposits and borrowings from the public[2]	68	39	41	12	–	2	162	10	172

Income statement 2016

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Manage-ment	Group Finance & Treasury	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	1,955	1,115	846	110	504	164	4,694	33	4,727
Net fee and commission income	1,143	503	624	1,516	–16	37	3,807	–569	3,238
Net result from items at fair value	77	278	806	363	227	17	1,768	–53	1,715
Profit from associated undertakings accounted for under the equity method	0	13	0	0	–2	97	108	4	112
Other income	4	20	1	13	1	89	128	7	135
Total operating income	**3,179**	**1,929**	**2,277**	**2,002**	**714**	**404**	**10,505**	**–578**	**9,927**
- of which internal transactions[1]	–722	–405	–395	–28	1,550	0	0	–	–
Staff costs	–804	–472	–622	–502	–101	55	–2,446	–480	–2,926
Other expenses	–881	–634	–320	–330	–36	–128	–2,329	683	–1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	–87	–20	–20	–19	0	–2	–148	–80	–228
Total operating expenses	**–1,772**	**–1,126**	**–962**	**–851**	**–137**	**–75**	**–4,923**	**123**	**–4,800**
Profit before loan losses	**1,407**	**803**	**1,315**	**1,151**	**577**	**329**	**5,582**	**–455**	**5,127**
Net loan losses	–38	–163	–281	0	0	–21	–503	1	–502
Operating profit	**1,369**	**640**	**1,034**	**1,151**	**577**	**308**	**5,079**	**–454**	**4,625**
Income tax expense	–315	–147	–238	–265	–169	–71	–1,205	346	–859
Net profit for the year	**1,054**	**493**	**796**	**886**	**408**	**237**	**3,874**	**–108**	**3,766**

Balance sheet 31 Dec 2016, EURbn									
Loans to the public[2]	139	79	54	11	–	13	296	22	318
Deposits and borrowings from the public[2]	67	39	42	13	–	13	174	0	174

1) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined inter-segment revenues as interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.

2) The volumes are only disclosed separate for operating segments if separately reported to the Chief Operating Decision Maker.

G2. Segment reporting, cont.

Break-down of Personal Banking

Income statement, EURm	Personal Banking Denmark 2017	Personal Banking Denmark 2016	Personal Banking Finland 2017	Personal Banking Finland 2016	Personal Banking Norway 2017	Personal Banking Norway 2016	Personal Banking Sweden 2017	Personal Banking Sweden 2016	Personal Banking Other[1] 2017	Personal Banking Other[1] 2016	Total Personal Banking 2017	Total Personal Banking 2016
Net interest income	615	632	389	384	379	319	730	682	–13	–62	2,100	1,955
Net fee and commission income	491	463	396	375	134	127	475	443	–298	–265	1,198	1,143
Net result from items at fair value	17	16	21	27	12	14	26	35	–11	–15	65	77
Profit from associated undertakings accounted for under the equity method	0	0	0	0	0	0	0	0	1	0	1	0
Other income	–2	–2	4	0	1	2	1	1	3	3	7	4
Total operating income	**1,121**	**1,109**	**810**	**786**	**526**	**462**	**1,232**	**1,161**	**–318**	**–339**	**3,371**	**3,179**
- of which internal transactions	–132	–129	–98	–101	–218	–233	–153	–174	–39	–85	–640	–722
Staff costs	–202	–209	–152	–145	–85	–86	–165	–166	–208	–198	–812	–804
Other expenses	–467	–471	–307	–316	–166	–168	–404	–394	418	468	–926	–881
Depreciation, amortisation and impairment charges of tangible and intangible assets	–14	–12	–7	–8	–3	–4	–5	–8	–83	–55	–112	–87
Total operating expenses	**–683**	**–692**	**–466**	**–469**	**–254**	**–258**	**–574**	**–568**	**127**	**215**	**–1,850**	**–1,772**
Profit before loan losses	**438**	**417**	**344**	**317**	**272**	**204**	**658**	**593**	**–191**	**–124**	**1,521**	**1,407**
Net loan losses	–4	–1	–7	–13	–4	–5	–11	–9	–13	–10	–39	–38
Operating profit	**434**	**416**	**337**	**304**	**268**	**199**	**647**	**584**	**–204**	**–134**	**1,482**	**1,369**
Income tax expense	–104	–96	–81	–70	–64	–46	–155	–135	48	32	–356	–315
Net profit for the year	**330**	**320**	**256**	**234**	**204**	**153**	**492**	**449**	**–156**	**–102**	**1,126**	**1,054**
Balance sheet 31 Dec, EURbn												
Loans to the public	39	39	32	31	30	29	45	45	–5	–5	141	139
Deposits and borrowings from the public	19	19	21	21	9	9	23	22	–4	–4	68	67

1) Personal Banking Other includes the areas COO, Products and HR.

Break-down of Commercial & Business Banking

Income statement, EURm	Business Banking 2017	Business Banking 2016	Commercial Banking 2017	Commercial Banking 2016	Commercial & Business Banking Other[1] 2017	Commercial & Business Banking Other[1] 2016	Total Commercial & Business Banking 2017	Total Commercial & Business Banking 2016
Net interest income	621	613	527	488	–11	14	1,137	1,115
Net fee and commission income	417	393	323	295	–191	–185	549	503
Net result from items at fair value	78	83	203	232	–40	–37	241	278
Profit from associated undertakings accounted for under the equity method	0	0	9	8	4	5	13	13
Other income	0	0	11	1	21	19	32	20
Total operating income	**1,116**	**1,089**	**1,073**	**1,024**	**–217**	**–184**	**1,972**	**1,929**
- of which internal transactions	–109	–121	–280	–305	16	21	–373	–405
Staff costs	–156	–157	–97	–107	–263	–208	–516	–472
Other expenses	–493	–483	–454	–426	296	275	–651	–634
Depreciation, amortisation and impairment charges of tangible and intangible assets	–4	–5	–2	–3	–8	–12	–14	–20
Total operating expenses	**–653**	**–645**	**–553**	**–536**	**25**	**55**	**–1,181**	**–1,126**
Profit before loan losses	**463**	**444**	**520**	**488**	**–192**	**–129**	**791**	**803**
Net loan losses	8	–87	–90	–71	–6	–5	–88	–163
Operating profit	**471**	**357**	**430**	**417**	**–198**	**–134**	**703**	**640**
Income tax expense	–113	–82	–103	–96	47	31	–169	–147
Net profit for the year	**358**	**275**	**327**	**321**	**–151**	**–103**	**534**	**493**
Balance sheet 31 Dec, EURbn								
Loans to the public	37	37	45	44	–1	–2	81	79
Deposits and borrowings from the public	23	23	19	19	–3	–3	39	39

1) Commercial & Business Banking Other includes the areas COO, Transaction Banking, Digital Banking and HR.

G2. Segment reporting, cont.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking 2017	Corporate & Institutional Banking 2016	Shipping, Offshore & Oil Services 2017	Shipping, Offshore & Oil Services 2016	Banking Russia 2017	Banking Russia 2016	Capital Markets unallocated 2017	Capital Markets unallocated 2016	Wholesale Banking Other[1] 2017	Wholesale Banking Other[1] 2016	Total Wholesale Banking 2017	Total Wholesale Banking 2016
Net interest income	520	517	243	256	93	185	–28	–8	–79	–104	749	846
Net fee and commission income	529	571	41	59	16	14	–61	–56	50	36	575	624
Net result from items at fair value	305	310	–34	31	14	17	346	429	–6	19	625	806
Other income	0	0	0	0	0	0	1	0	4	1	5	1
Total operating income	**1,354**	**1,398**	**250**	**346**	**123**	**216**	**258**	**365**	**–31**	**–48**	**1,954**	**2,277**
- of which internal transactions	–180	–200	–159	–134	–70	–73	55	111	–84	–99	–438	–395
Staff costs	–27	–27	–13	–15	–32	–38	–268	–283	–280	–259	–620	–622
Other expenses	–499	–545	–51	–50	–16	–19	116	137	158	157	–292	–320
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–3	–4	0	0	–19	–16	–22	–20
Total operating expenses	**–526**	**–572**	**–64**	**–65**	**–51**	**–61**	**–152**	**–146**	**–141**	**–118**	**–934**	**–962**
Profit before loan losses	**828**	**826**	**186**	**281**	**72**	**155**	**106**	**219**	**–172**	**–166**	**1,020**	**1,315**
Net loan losses	–72	–101	–142	–150	–20	–32	0	0	–1	2	–235	–281
Operating profit	**756**	**725**	**44**	**131**	**52**	**123**	**106**	**219**	**–173**	**–164**	**785**	**1,034**
Income tax expense	–182	–167	–10	–30	–13	–28	–25	–50	41	37	–189	–238
Net profit for the year	**574**	**558**	**34**	**101**	**39**	**95**	**81**	**169**	**–132**	**–127**	**596**	**796**
Balance sheet 31 Dec, EURbn												
Loans to the public	37	38	10	12	3	4	–	–	–	–	50	54
Deposits and borrowings from the public	36	36	4	5	1	1	–	–	–	–	41	42

1) Wholesale Banking Other includes the areas International Divisions, COO and HR.

Break-down of Wealth Management

Income statement, EURm	Private Banking 2017	Private Banking 2016	Asset Management 2017	Asset Management 2016	Life & Pensions unallocated 2017	Life & Pensions unallocated 2016	Wealth Management Other[1] 2017	Wealth Management Other[1] 2016	Total Wealth Management 2017	Total Wealth Management 2016
Net interest income	107	110	0	0	0	0	–1	0	106	110
Net fee and commission income	683	627	975	849	374	347	–353	–307	1,679	1,516
Net result from items at fair value	63	86	0	1	238	276	0	0	301	363
Other income	5	11	10	7	12	7	–9	–12	18	13
Total operating income	**858**	**834**	**985**	**857**	**624**	**630**	**–363**	**–319**	**2,104**	**2,002**
- of which internal transactions	–31	–30	2	1	0	0	0	1	–29	–28
Staff costs	–165	–162	–166	–146	–120	–115	–72	–79	–523	–502
Other expenses	–352	–284	–113	–108	–85	–76	152	138	–398	–330
Depreciation, amortisation and impairment charges of tangible and intangible assets	–9	–9	0	0	–4	–7	–6	–3	–19	–19
Total operating expenses	**–526**	**–455**	**–279**	**–254**	**–209**	**–198**	**74**	**56**	**–940**	**–851**
Profit before loan losses	**332**	**379**	**706**	**603**	**415**	**432**	**–289**	**–263**	**1,164**	**1,151**
Net loan losses	1	0	0	0	0	0	0	0	1	0
Operating profit	**333**	**379**	**706**	**603**	**415**	**432**	**–289**	**–263**	**1,165**	**1,151**
Income tax expense	–80	–87	–169	–139	–100	–99	69	60	–280	–265
Net profit for the year	**253**	**292**	**537**	**464**	**315**	**333**	**–220**	**–203**	**885**	**886**
Balance sheet 31 Dec, EURbn										
Loans to the public	10	11	–	–	–	–	–	–	10	11
Deposits and borrowings from the public	12	13	–	–	–	–	–	–	12	13

1) Wealth Management Other includes the areas Savings, COO and HR.

G2. Segment reporting, cont.

Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2017	2016	2017	2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Total Operating segments	10,128	10,505	4,560	5,079	284	296	162	174
Group functions[1]	24	20	–140	–12	–	–	–	–
Unallocated items	21	4	87	10	32	20	14	–1
Eliminations	–13	–18	–	–	–	–	–	–
Differences in accounting policies[2]	–691	–584	–509	–452	–6	2	–4	1
Total	**9,469**	**9,927**	**3,998**	**4,625**	**310**	**318**	**172**	**174**

1) Consists of Group Risk Management and Control, Group Internal Audit, Chief of staff office, Group Corporate Centre and Group Compliance.
2) Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

Total operating income split on product groups

EURm	2017	2016
Banking products	5,742	5,996
Capital Markets products	1,354	1,731
Savings products & Asset management	1,542	1,369
Life & Pensions	622	631
Other	209	200
Total	**9,469**	**9,927**

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company invests in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advise is a service provided to support the customers' investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2017	2016	31 Dec 2017	31 Dec 2016
Sweden	2,062	2,487	167	168
Finland	1,963	1,855	104	92
Norway	1,688	1,582	103	87
Denmark	2,789	2,839	174	217
Baltic	177	336	0	3
Luxembourg	385	280	2	10
Russia	98	158	1	2
Other	307	390	30	37
Total	**9,469**	**9,927**	**581**	**616**

Nordea's main geographical markets comprise the Nordic countries, the Baltic countries, Luxembourg and Russia. Revenues and assets are distributed to geographical areas based on the location of the customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G3. Net interest income

Interest income

EURm	2017	2016
Loans to credit institutions	303	56
Loans to the public	6,230	6,630
Interest-bearing securities	418	433
Other interest income	624	628
Interest income[1]	**7,575**	**7,747**

1) Of which contingent leasing income amounts to EUR 65m (EUR 83m). Contingent leasing income in Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

Interest expense

EURm	2017	2016
Deposits by credit institutions	–182	–87
Deposits and borrowings from the public	–367	–414
Debt securities in issue	–2,583	–3,014
Subordinated liabilities	–337	–372
Other interest expenses[1]	560	867
Interest expense	**–2,909**	**–3,020**
Net interest income	**4,666**	**4,727**

1) The net interest income from derivatives, measured at fair value, related to Nordea´s funding. This can have both a positive and negative impact on other interest expense, for further information see Note G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit or loss amounts to EUR 5,835m (EUR 5,927m). Interest expenses from financial instruments not measured at fair value through profit or loss amounts to EUR –2,859m (EUR –3,056m).

Interest on impaired loans amounted to an insignificant portion of interest income.

G4. Net fee and commission income

EURm	2017	2016
Asset management commissions	1,543	1,369
- of which income	1,883	1,681
- of which expense	–340	–312
Life & Pension	313	306
- of which income	372	371
- of which expense	–59	–65
Deposit Products	27	30
- of which income	27	30
Brokerage, securities issues and corporate finance	224	226
- of which income	292	298
- of which expense	–68	–72
Custody and issuer services	59	59
- of which income	101	100
- of which expense	–42	–41
Payments	307	297
- of which income	434	413
- of which expense	–127	–116
Cards	228	226
- of which income	363	360
- of which expense	–135	–134
Lending Products	465	531
- of which income	487	552
- of which expense	–22	–21
Guarantees	143	161
- of which income	150	168
- of which expense	–7	–7
Other	60	33
- of which income	123	126
- of which expense	–63	–93
Total	**3,369**	**3,238**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 450m (EUR 510m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 2,547m (EUR 2,349m). The corresponding amounts for fee expenses is EUR –59m (EUR –65m).

G5. Net result from items at fair value

EURm	2017	2016
Equity related instruments	370	–141
Interest related instruments and foreign exchange gains/losses	712	1,833
Other financial instruments (including credit and commodities)	20	–251
Investment properties	–3	–1
Life insurance[1]	229	275
Total	**1,328**	**1,715**

1) Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.

G5. Net result from items at fair value, cont.

Break-down of life insurance

EURm	2017	2016
Equity related instruments	1,344	1,338
Interest related instruments and foreign exchange gains/losses	715	970
Other financial instruments	4	–
Investment properties	195	221
Change in technical provisions	–2,056	–2,491
Change in collective bonus potential	7	177
Insurance risk income	177	168
Insurance risk expense	–157	–108
Total	**229**	**275**

Net result from categories of financial instruments[1]

EURm	2017	2016
Available for sale assets, realised	0	69
Financial instruments designated at fair value through profit or loss	33	26
Financial instruments held for trading[2]	434	249
Financial instruments under fair value hedge accounting	43	–11
- of which net result on hedging instruments	–906	–106
- of which net result on hedged items	949	95
Financial assets measured at amortised cost[3]	–2	18
Financial liabilities measured at amortised cost	–39	–28
Foreign exchange gains/losses excluding currency hedges	635	1,069
Other	–5	48
Financial risk income, net Life insurance[4]	209	215
Insurance risk income, net Life insurance	20	60
Total	**1,328**	**1,715**

1) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, i.e. before eliminations of intra-group transactions.
2) Of which amortised deferred day one profits amounts to EUR 54m (EUR 30m).
3) Of which EUR –2m (EUR 18m) related to instruments classified into the category "Loans and receivables" and EUR –m (EUR 0m) related to instruments classified into the category "Held to maturity".
4) Premium income amounts to EUR 2,883m (EUR 2,571m).

G6. Other operating income

EURm	2017	2016
Divestments of shares	7	–
Income from real estate	2	2
Sale of tangible and intangible assets	9	10
Other[1]	65	123
Total	**83**	**135**

1) Gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 76m in 2016.

G7. Staff costs

EURm	2017	2016
Salaries and remuneration (specification below)[1]	–2,508	–2,352
Pension costs (specification below)	–302	–197
Social security contributions	–496	–427
Other staff costs[2]	94	50
Total	**–3,212**	**–2,926**

Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	–24	–24
- Performance-related compensation	–11	–8
- Allocation to profit-sharing	0	0
Total	**–35**	**–32**
To other employees	–2,473	–2,320
Total	**–2,508**	**–2,352**

1) Of which allocation to profit-sharing 2017 EUR 27m (EUR 33m) consisting of a new allocation of EUR 29m (EUR 35m) and an adjustment related to prior years of EUR –2m (EUR –2m).
2) Including capitalisation of IT-project with EUR 211m (EUR 164m).
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are also included. Executives amount to 150 (189) individuals.

Pension costs[1]

EURm	2017	2016
Defined benefits plans (Note G32)[2]	–44	31
Defined contribution plans	–258	–228
Total	**–302**	**–197**

1) Pension cost for executives as defined in footnote 3 above, amounts to EUR 3m (EUR 4m) and pension obligations to EUR 14m (EUR 18m).
2) Excluding social security contributions. Including social security contributions EUR –51m (EUR –31m).

Remuneration to the Board of Directors, CEO and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2017 decided to increase the remuneration to the Board of Directors (the Board). The remuneration was decided to be EUR 294,600 for the chairman, EUR 141,300 for the vice chairman and EUR 91,950 for other members.

The annual remuneration for members of the Board Operations and Compliance Committee, the Board Audit Committee and the Board Risk Committee was decided to be EUR 48,650 for the Committee Chairman and EUR 29,600 for other committee members.

For the Board Remuneration Committee, the Chairman's remuneration was decided to be EUR 36,050 and for members EUR 25,750.

Board members employed by Nordea do not receive separate remuneration for their Board membership.

There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for a pension commitment to one Board member previously employed by Nordea

Salary and benefits

Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO 1 November 2015. The remuneration to the CEO consists of three components: Fixed salary, GEM Executive Incentive Programme (GEM EIP) and benefits.

The annual fixed base salary as CEO was decided to be SEK 13,054,000 (EUR 1,354,462).

GEM EIP 2017 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2017 the outcome of the GEM EIP amounted to EUR 735,925.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2017 will be paid out in 2018, 30% will be deferred to 2021 and 30% to 2023.

The benefits for 2017 amounted to EUR 24,744 and include primarily car benefits and tax consultation.

The total earned remuneration for 2017, as CEO, based on the three components (excluding pensions) amounted to EUR 2,115,131.

The CEO took part of the previous LTIPs. For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The fixed salary, GEM EIP and contract terms for the CEO are proposed by the Board Remuneration Committee (BRC) and approved by the Board in accordance with Nordea's remuneration guidelines approved by AGM 2017.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO 1 November 2015. The remuneration to the Group COO and Deputy CEO consists of three components: Fixed salary, GEM EIP and benefits.

The annual fixed base salary as Group COO and Deputy CEO was decided to be DKK 8,560,000 (EUR 1,150,746).

GEM EIP 2017 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2017 the outcome of the GEM EIP amounted to EUR 818,181.

In accordance with remuneration regulations from the

G7. Staff costs, cont.

Remuneration to the Board of Directors[1]

EUR	2017	2016
Chairman of the Board:		
Björn Wahlroos	320,009	311,056
Vice Chairman of the Board:		
Marie Ehrling[3]	42,682	171,395
Lars G Nordström	157,742	113,837
Other Board members[2]:		
Tom Knutzen[3]	30,896	124,068
Robin Lawther	125,264	113,837
Sarah Russell	134,804	113,837
Silvija Seres	120,379	113,837
Kari Stadigh	137,351	124,068
Birger Steen	134,804	107,689
Pernille Erenbjerg[4]	93,965	–
Lars Wollung[4]	92,031	–
Maria Varsellona[4]	93,965	–
Total	**1,483,892**	**1,293,624**

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in SEK quarterly in four equal instalments. For accounting purposes, it is converted back into EUR, using the average exchange rate each year.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2017.
4) New member of the Board as from the AGM 2017.

G7. Staff costs, cont.

Swedish FSA 40% of GEM EIP 2017 will be paid out in 2018, 30% will be deferred to 2021 and 30% to 2023.

The benefits for 2017 amounted to EUR 16,387 and include primarily housing benefits.

The total earned remuneration for 2017, as Group COO and Deputy CEO, based on the three components (excluding pensions) amounted to EUR 2,063,139.

The Group COO and Deputy CEO took part of the previous LTIPs. For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for the Group COO and Deputy CEO, for resolution by the Board.

Group Executive Management (GEM)

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for members of GEM, for resolution by the Board. GEM EIP 2017, which is based on agreed, specific targets, can be a maximum of 100% of the fixed salary.

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

	Fixed salary[1]		GEM Executive Incentive Programme[2]		Benefits[1]		Total	
EUR	2017	2016	2017	2016	2017	2016	2017	2016
Chief Executive Officer (CEO):								
Casper von Koskull[3]	1,354,462	1,292,312	735,925	749,204	24,744	29,499	2,115,131	2,071,015
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):								
Torsten Hagen Jørgensen[4]	1,228,571	1,158,389	818,181	624,715	16,387	13,264	2,063,139	1,796,368
Group Executive Management (GEM):								
8 (8) individuals excluding CEO and Deputy CEO[5]	5,273,893	4,554,196	3,625,087	2,443,852	99,802	60,690	8,998,782	7,058,738
Total	**7,856,926**	**7,004,897**	**5,179,193**	**3,817,771**	**140,933**	**103,453**	**13,177,052**	**10,926,121**
Former Chief Executive Officer (Former CEO):								
Christian Clausen[6]	–	1,230,216	–	–	–	7,327	–	1,237,543
Total	**7,856,926**	**8,235,113**	**5,179,193**	**3,817,771**	**140,933**	**110,780**	**13,177,052**	**12,163,664**

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes also holiday pay and car allowance where applicable. Benefits are included at taxable values after salary deductions (if any).
2) The CEO and members of GEM were until end 2012 offered a Variable Salary Part (VSP) and a share based Long Term Incentive Programme (LTIP). Instead of these two programmes the Board in 2013 decided to, in order to reduce complexity, offer a GEM Executive Incentive Programme (GEM EIP). The outcome from GEM Executive Incentive Programme (GEM EIP) 2017 has been expensed in full in 2017 but will be paid out over a five-year deferral period with forfeiture clauses in order to comply with the remuneration regulations from the Swedish FSA. The GEM EIP 2017 is indexed with Nordea's total shareholder return (TSR) excluding dividends during the deferral period. The GEM EIP is further described in the separate section on remuneration in the Board of Directors' report and below.
3) The annual fixed base salary as CEO is in 2017 SEK 13,054,000 (EUR 1,354,462).
4) The annual fixed base salary as Group COO and Deputy CEO is in 2017 DKK 8,560,000 (EUR 1,150,746), excluding car and holiday allowance amounting to EUR 77,825.
5) Remuneration to GEM members is included for the period they have been appointed. During 2017 one GEM member has given notice to leave Nordea in 2018 and one new GEM member was appointed on 1 January 2017.
6) Remuneration as former CEO and as senior executive advisor is included for the period 1 January to 31 December 2016. In 2016, the former CEO was a strategic partner and advisor to the CEO and GEM.

Long Term Incentive Programmes (LTIP) 2010–2012

	Number of outstanding shares[1]			
	LTIP 2012	LTIP 2011	LTIP 2010	Total
Chief Executive Officer (CEO):				
Casper von Koskull	26,853	13,908	2,699	43,460
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen	24,912	12,446	2,121	39,479
Group Executive Management (GEM):				
8 (8) individuals excluding CEO and Deputy CEO	4,089	–	–	4,089
Total	**55,854**	**26,354**	**4,820**	**87,028**
Former Chief Executive Officer (Former CEO):				
Christian Clausen	38,119	19,210	2,679	60,008
Total	**93,973**	**45,564**	**7,499**	**147,036**

1) The LTIP programs were fully expensed in May 2015. All shares in LTIP programs are fully vested and consequently not conditional. 60% of the vested shares are deferred with forfeiture clauses due to remuneration regulations from the Swedish FSA and allotted over a five-year period, for LTIP 2010 starting May 2013, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. See also the separate Remuneration section on page 69 and below for more details. The numbers of outstanding shares are presented as of 31 December 2017.

G7. Staff costs, cont.

Benefits include primarily car and/or housing. Similar to the CEO and Group COO and Deputy CEO, some GEM members took part of the previous LTIPs.

Pension

Chief Executive Officer (CEO)

The CEO has a defined contribution plan in accordance with the Swedish collective agreement BTP1, with a complementing defined contribution plan on top of the collective agreement. The pension contribution in total is 30% of the fixed salary.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed salary.

Group Executive Management (GEM)

The pension agreements vary due to local country practices.

Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

Three members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution is in total 30% of the fixed salary. Two members have pensions in accordance with the local country statutory pension system in Finland. Two members have a defined contribution plan in accordance with local practises in Denmark. The pension contribution is in total up to 30% of the fixed salary. One member does not have a pension agreement with Nordea.

Fixed salary is pensionable income for all GEM-members and part of GEM EIP is included in the pensionable income for two members according to statutory pension rules.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has a severance pay equal to 12 months' salary to be reduced by the salary he receives from another employment during these 12 months.

The Group COO and Deputy CEO and eight GEM members have a notice period of 6 months and Nordea a notice period of 12 months. Normally, a severance pay up to 12 months' salary is provided to be reduced by the salary the executive receives from another employment during the severance pay period.

Pension expense and pension obligation

	2017		2016	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Board members[3]:				
Lars G Nordström	–	324,843	–	330,380
Chief Executive Officer (CEO):				
Casper von Koskull[4]	406,339	336,341	386,513	306,358
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen[5]	345,224	–	322,351	–
Group Executive Management (GEM):				
8 (8) individuals excluding CEO and Deputy CEO[6]	870,088	649,295	1,188,910	3,922,800
Total	**1,621,651**	**1,310,479**	**1,897,774**	**4,559,538**
Former Chairman of the Board and CEOs:				
Vesa Vainio[7]	–	5,215,266	–	5,375,054
Christian Clausen[8]	–	–	338,280	–
Total	**1,621,651**	**6,525,745**	**2,236,054**	**9,934,592**

1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during the year in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 1,593,736 (EUR 1,868,269) relates to defined contribution agreements.

2) The pension obligation is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.

3) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.

4) The pension agreement is a defined contribution plan. The contribution is 30% of fixed salary, consisting of the collective agreement BTP1 and a complementary additional contribution. The pension obligation is in accordance with the collective pension agreement BTP2 and earned as a member of GEM.

5) The Group COO and Deputy CEO's pension agreement is a defined contribution plan and the contribution is 30% of fixed salary.

6) Members of GEM included for the period they are appointed. The pension obligation is the obligation towards the members of GEM as of 31 December.

7) The pension obligation for Vesa Vainio is mainly due to pension rights earned in, and funded by, banks forming Nordea. The decrease in the pension obligation is mainly due to pension payments in 2017.

8) The pension expense as Former CEO amounting to 30% of fixed salary for the period 1 January to 31 December 2016 where he acted as strategic partner and advisor.

G7. Staff costs, cont.

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 69.

Additional disclosures for all Nordea employees will be published in a separate report on www.Nordea.com no later than one week before the Annual General Meeting 15 March 2018 in accordance with Regulation 575/2013 (CRR) Article 450 supplemented by Guidelines on Sound Remuneration Policies EBA/GL/2015/22.

Loans to key management personnel

Loans to key management personnel, as defined in Note G1 section 27, amount to EUR 4m (EUR 5m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees, except for key management personnel in Denmark whose loans are granted on terms based on market conditions. In Norway the employee interest rate for loans is variable and was at 31 December 2017 1.8% for loans up to NOK 5m and 2.15% for loans above NOK 5m. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 40 basis points up to EUR 0.4m, and 60 basis points on the part that exceeds EUR 0.4m. For consumption credits the margin is 60 basis points. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans above the defined caps is set on market terms. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose

Long Term Incentive Programmes

	2017			2016		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the year	221,561	664,683	221,561	280,628	841,884	280,628
Granted[1]	13,209	39,627	13,209	20,363	61,089	20,363
Forfeited	–4,521	–13,563	–4,521	–	–	–
Alloted	–82,998	–248,994	–82,998	–79,430	–238,290	–79,430
Outstanding at end of year [2]	**147,251**	**441,753**	**147,251**	**221,561**	**664,683**	**221,561**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	151,138	252,526	68,011	212,541	355,118	95,641
Granted[1]	8,923	14,909	4,015	15,422	25,768	6,940
Forfeited	–4,517	–7,548	–2,033	–	–	–
Alloted	–79,902	–133,502	–35,955	–76,825	–128,360	–34,570
Outstanding at end of year [2]	**75,642**	**126,385**	**34,038**	**151,138**	**252,526**	**68,011**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	41,311	43,640	18,585	86,955	91,858	39,119
Forfeited	–2,926	–3,091	–1,317	–	–	–
Alloted	–19,192	–20,274	–8,634	–45,644	–48,218	–20,534
Outstanding at end of year [2]	**19,193**	**20,275**	**8,634**	**41,311**	**43,640**	**18,585**
- of which currently exercisable	–	–	–	–	–	–

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no execise price for the deferred rights.

G7. Staff costs, cont.

efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2016 is paid no earlier than autumn 2020. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2016 is decided during spring 2017, and a reservation of EUR 36m excl. social costs is made 2016. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals	
EURm	2017	2016
Opening balance	110	67
Reclassification[1]	–1	–1
Deferred/earned during the year	49	50
TSR indexation during the year	1	19
Payments during the year	–48	–25
Translation differences	–2	0
Closing balance	**109**	**110**

1) Relates to a reclassification to liabilities held for sale.

Gender distribution

In the parent company´s Board of Directors 50% (56%) were men and 50% (44%) were women. In the Board of Directors of the Nordea Group companies, 73% (77%) were men and 27% (23%) were women. The corresponding numbers for Other executives were 73% (76%) men and 27% (24%) women. Internal Boards consist mainly of management in Nordea, employee representatives excluded.

Average number of employees, Full-time equivalents

	Total		Men		Women	
	2017	2016	2017	2016	2017	2016
Denmark	9,136	8,717	5,417	4,789	3,719	3,928
Sweden	7,462	7,276	3,851	3,502	3,611	3,774
Finland	7,032	7,104	2,622	2,329	4,410	4,775
Norway	3,127	3,140	1,758	1,692	1,369	1,448
Poland	2,060	1,571	1,044	765	1,016	806
Russia	606	829	207	261	399	568
Estonia	502	559	116	121	386	438
Latvia	364	457	161	141	203	316
Luxembourg	451	426	254	265	197	161
Lithuania	305	378	117	147	188	231
United States	123	120	61	61	62	59
Singapore	81	85	37	38	44	47
United Kingdom	68	77	39	48	29	29
Germany	43	55	23	31	20	24
China	31	30	13	12	18	18
Switzerland	22	29	14	20	8	9
Italy	9	7	6	6	3	1
Spain	7	5	5	3	2	2
Brazil	5	5	5	5	0	0
France	3	3	3	3	0	0
Total average	**31,437**	**30,873**	**15,753**	**14,239**	**15,684**	**16,634**
Total number of employees (FTEs), end of period	**30,399**	**31,596**				

G8. Other expenses

EURm	2017	2016
Information technology	−565	−573
Marketing and representation	−66	−79
Postage, transportation, telephone and office expenses	−101	−125
Rents, premises and real estate	−309	−309
Other	−581	−560
Total	**−1,622**	**−1,646**

Auditors' fees

EURm	2017	2016
PricewaterhouseCoopers[1]		
Auditing assignments	−7	−7
Audit-related services	−1	−1
Tax advisory services	−1	−1
Other assignments	−2	−5
Total	**−11**	**−14**

1) Of which Tax services EUR 0,1m and Other assignments EUR 0,4m refers to Öhrlings PricewaterhouseCoopers AB.

G9. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2017	2016
Depreciation/amortisation		
Properties and equipment	−106	−106
Intangible assets	−157	−115
Total	**−263**	**−221**
Impairment charges		
Intangible assets	−5	−7
Total	**−5**	**−7**
Total	**−268**	**−228**

G10. Net loan losses

EURm	2017	2016
Loan losses divided by class		
Provisions	−1	−1
Reversals of previous provisions	1	1
Loans to credit institutions[1]	**0**	**0**
Realised loan losses	−426	−600
Allowances to cover realised loan losses	300	474
Recoveries on previous realised loan losses	54	57
Provisions	−908	−1,056
Reversals of previous provisions	642	639
Loans to the public[1]	**−338**	**−486**
Realised loan losses	−9	−9
Allowances to cover realised loan losses	9	9
Provisions	−92	−96
Reversals of previous provisions	61	80
Off-balance sheet items[2]	**−31**	**−16**
Net loan losses	**−369**	**−502**

1) See Note G13 "Loans and impairment".
2) Included in Note G31 "Provisons" as "Guarantees/commitments".

G11. Taxes

Income tax expense

EURm	2017	2016
Current tax	−1,022	−1,015
Deferred tax	72	156
Total	**−950**	**−859**

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2017	2016
Profit before tax	3,998	4,625
Tax calculated at a tax rate of 22.0%	−880	−1,017
Effect of different tax rates in other countries	−23	−7
Interest on subordinated debt	−55	–
Income from associated undertakings	0	21
Tax-exempt income	21	132
Non-deductible expenses	−3	−19
Adjustments relating to prior years	−12	32
Utilization of non-capitalized tax losses carry-forwards from previous periods	2	1
Change of tax rate	–	3
Not creditable foreign taxes	–	−5
Tax charge	**−950**	**−859**
Average effective tax rate	24%	19%

G11. Taxes, cont.

Deferred tax

EURm	Deferred tax assets 2017	Deferred tax assets 2016	Deferred tax liabilities 2017	Deferred tax liabilities 2016
Deferred tax related to:				
Tax losses carry-forward	11	93	–	–
Loans to the public	29	28	367	397
Derivatives	16	17	238	285
Intangible assets	5	5	37	50
Investment properties	0	0	91	132
Retirement benefit assets/obligations	22	45	43	77
Liabilities/provisions	83	72	24	58
Foreign tax credits	61	–	–	–
Other	4	3	35	34
Netting between deferred tax assets and liabilities	–113	–203	–113	–203
Total	**118**	**60**	**722**	**830**

EURm	2017	2016
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	44	43
Total	**44**	**43**

G12. Earnings per share

	2017	2016
Earnings:		
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	3 031	3,766
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–12	–15
Weighted average number of basic shares outstanding	**4,038**	**4,035**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	1	2
Weighted average number of diluted shares outstanding	**4,039**	**4,037**
Basic earnings per share, EUR	0.75	0.93
Diluted earnings per share, EUR	0.75	0.93

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 "Accounting policies" section 22.

G13. Loans and impairment

EURm	Central banks and credit institutions		The public[1]		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Loans, not impaired	13,389	20,254	306,422	314,572	319,811	334,826
Impaired loans	0	9	6,068	5,541	6,068	5,550
- of which servicing	0	9	3,593	3,235	3,593	3,244
- of which non-servicing	–	–	2,475	2,306	2,475	2,306
Loans before allowances	**13,389**	**20,263**	**312,490**	**320,113**	**325,879**	**340,376**
Allowances for individually assessed impaired loans	0	0	–1,936	–1,913	–1,936	–1,913
- of which servicing	0	0	–1,103	–1,054	–1,103	–1,054
- of which non-servicing	–	–	–833	–859	–833	–859
Allowances for collectively assessed impaired loans	–1	–2	–396	–511	–397	–513
Allowances	**–1**	**–2**	**–2,332**	**–2,424**	**–2,333**	**–2,426**
Loans, carrying amount	**13,388**	**20,261**	**310,158**	**317,689**	**323,546**	**337,950**

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G21 “Leasing”.

Movements of allowance accounts for impaired loans

EURm	Central banks and credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2017	**0**	**–2**	**–2**	**–1,913**	**–511**	**–2,424**	**–1,913**	**–513**	**–2,426**
Provisions	–	–1	–1	–751	–157	–908	–751	–158	–909
Reversals of previous provisions	–	1	1	385	257	642	385	258	643
Changes through the income statement	**–**	**0**	**0**	**–366**	**100**	**–266**	**–366**	**100**	**–266**
Allowances used to cover realised loan losses	–	–	–	300	–	300	300	–	300
Reclassification	–	–	–	11	2	13	11	2	13
Translation differences	0	2	2	32	12	44	32	14	46
Closing balance at 31 Dec 2017	**0**	**0**	**0**	**–1,936**	**–397**	**–2,333**	**–1,936**	**–397**	**–2,333**
Opening balance at 1 Jan 2016	**0**	**–2**	**–2**	**–2,213**	**–449**	**–2,662**	**–2,213**	**–451**	**–2,664**
Provisions	0	–1	–1	–729	–327	–1,056	–729	–328	–1,057
Reversals of previous provisions	0	1	1	408	231	639	408	232	640
Changes through the income statement	**0**	**0**	**0**	**–321**	**–96**	**–417**	**–321**	**–96**	**–417**
Allowances used to cover realised loan losses	–	–	–	474	–	474	474	–	474
Reclassification	–	–	–	151	42	193	151	42	193
Translation differences	0	0	0	–4	–8	–12	–4	–8	–12
Closing balance at 31 Dec 2016	**0**	**–2**	**–2**	**–1,913**	**–511**	**–2,424**	**–1,913**	**–513**	**–2,426**

Allowances and provisions[1]

EURm	Central banks and credit institutions		The public		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Allowances for items on the balance sheet	–1	–2	–2,332	–2,424	–2,333	–2,426
Provisions for off balance sheet items	–	–	–91	–71	–91	–71
Total allowances and provisions	**–1**	**–2**	**–2,423**	**–2,495**	**–2,424**	**–2,497**

1) Included in Note G31 “Provisions” as “Guarantees/commitments”.

G13. Loans and impairment, cont.

Key ratios[1]

	31 Dec 2017	31 Dec 2016
Impairment rate, gross, basis points	186	163
Impairment rate, net, basis points	127	107
Total allowance rate, basis points	72	71
Allowances in relation to impaired loans, %	32	34
Total allowances in relation to impaired loans, %	38	44
Non-servicing loans, not impaired, EURm	253	248

1) For definitions, see "Glossary" on page 85.

G14. Interest-bearing securities

EURm	31 Dec 2017	31 Dec 2016
State, municipalities and other public bodies	16,833	26,603
Mortgage institutions	27,214	25,893
Other credit institutions	26,107	28,474
Corporates	5,140	4,667
Other	–	2,064
Total	**75,294**	**87,701**

G15. Financial instruments pledged as collateral

Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2017	31 Dec 2016
Interest-bearing securities	6,489	5,108
Total	**6,489**	**5,108**

For information on transferred assets and reverse repos, see Note G41 "Financial instruments set off on balance or subject to netting agreements".

G16. Shares

EURm	31 Dec 2017	31 Dec 2016
Shares	8,599	9,598
Fund units, equity related	5,954	9,090
Fund units, interest related	2,627	2,836
Total	**17,180**	**21,524**
- of which Financial instruments pledged as collateral (Note G15)	–	–
Total	**17,180**	**21,524**

G17. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2017	31 Dec 2016
Assets		
Interest-bearing securities	1,705	1,674
Shares and fund units	23,639	21,019
Properties	151	139
Other assets	384	270
Total	**25,879**	**23,102**
Liabilities		
Pooled schemes	4,317	4,340
Unit linked investment contracts	22,016	19,240
Total	**26,333**	**23,580**

The Life Group and Nordea Denmark, branch of Nordea Bank AB, have assets and liabilities included on their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included on the Group's balance sheet.

G18. Derivatives and Hedge accounting

Derivatives held for trading

31 Dec 2017, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	23,589	19,804	4,827,481
FRAs	39	18	984,287
Futures and forwards	32	48	148,995
Options	6,421	6,285	324,604
Other	4	2	4,009
Total	**30,085**	**26,157**	**6,289,376**
Equity derivatives			
Equity swaps	113	150	11,301
Futures and forwards	3	6	1,147
Options	355	642	13,845
Total	**471**	**798**	**26,293**
Foreign exchange derivatives			
Currency and interest rate swaps	6,203	7,816	352,287
Currency forwards	5,465	4,748	605,787
Options	150	107	23,485
Total	**11,818**	**12,671**	**981,559**
Other derivatives			
Credit Default Swaps (CDS)	2,009	1,975	78,650
Commodity derivatives	3	3	235
Other derivatives	29	3	324
Total	**2,041**	**1,981**	**79,209**
Total derivatives held for trading	**44,415**	**41,607**	**7,376,437**

Derivatives used for hedge accounting

31 Dec 2017, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	828	472	89,349
Foreign exchange derivatives	868	634	29,574
Total derivatives used for hedge accounting	**1,696**	**1,106**	**118,923**
- of which cash flow hedges	670	595	20,355[1]
- of which fair value hedges	973	478	89,349[1]
- of which net investment hedges	53	33	9,219
Total derivatives	**46,111**	**42,713**	**7,495,360**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2017, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	1,433	8,194	5,099	2,437	794
Net cash outflows	**1,433**	**8,194**	**5,099**	**2,437**	**794**

G18. Derivatives and Hedge accounting, cont.

Derivatives held for trading

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	37,392	32,707	5,055,477
FRAs	69	85	776,539
Futures and forwards	28	27	121,618
Options	10,223	9,323	370,301
Other	51	246	707
Total	**47,763**	**42,388**	**6,324,642**
Equity derivatives			
Equity swaps	83	105	5,574
Futures and forwards	5	2	875
Options	317	623	18,242
Total	**405**	**730**	**24,691**
Foreign exchange derivatives			
Currency and interest rate swaps	16,244	21,209	942,503
Currency forwards	954	659	70,464
Options	428	324	42,357
Other	10	9	4,162
Total	**17,636**	**22,201**	**1,059,486**
Other derivatives			
Credit Default Swaps (CDS)	1,599	1,647	75,316
Commodity derivatives	6	4	313
Other derivatives	29	25	3,482
Total	**1,634**	**1,676**	**79,111**
Total derivatives held for trading	**67,438**	**66,995**	**7,487,930**

Derivatives used for hedge accounting

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	1,461	638	92,479
Foreign exchange derivatives	1,060	992	32,237
Other derivatives	–	11	1,830
Total derivatives used for hedge accounting	**2,521**	**1,641**	**126,546**
- of which cash flow hedges	804	886	18,290[1]
- of which fair value hedges	1,660	648	96,944[1]
- of which net investment hedges	57	107	15,766
Total derivatives	**69,959**	**68,636**	**7,614,476**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2016, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	4,741	4,053	4,560	2,262	643[1]
Net cash outflows	**4,741**	**4,053**	**4,560**	**2,262**	**643**

1) The comparative figure has been restated.

G19. Investments in associated undertakings and joint ventures

EURm	31 Dec 2017	31 Dec 2016
Acquisition value at beginning of year	590	517
Acquisitions during the year	972	5
Sales during the year	–9	–145
Share in earnings[1]	61	120
Dividend received	–93	–32
Reclassification	–267	114
Translation differences	–17	11
Acquisition value at end of year	**1,237**	**590**
Accumulated impairment charges at beginning of year	–2	–2
Translation differences	0	0
Accumulated impairment charges at end of year	**–2**	**–2**
Total	**1,235**	**588**

1) See table Share in earnings.

Share in earnings

EURm	31 Dec 2017	31 Dec 2016
Profit from companies accounted for under the equity method[1]	23	112
Portfolio hedge, Eksportfinans ASA	–3	–4
Associated undertakings in Life insurance, reported as Net result from items at fair value	41	12
Share in earnings	**61**	**120**

1) The gain related to VISA Inc's acquisition of VISA Europe in 2016 amounted to EUR 97m net of tax.

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2017	31 Dec 2016
Total assets	2,226	3,252
Net profit for the year	3	96
Other comprehensive income	0	–
Total comprehensive income	3	96

Nordea has issued contingent liabilities of EUR 1m (EUR 175m) on behalf of associated undertakings.

Associated undertakings

31 Dec 2017	Registration number	Domicile	Carrying amount 2017, EURm	Carrying amount 2016, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	172	191	23
Ejendomspartnerskabet af 1/7 2003[1]	27134971	Ballerup	–	206	49
Suomen Luotto-osuuskunta	0201646-0	Helsinki	2	12	27
LR Realkredit A/S	26045304	Copenhagen	9	6	39
Samajet Nymøllevej 59–91[1]	24247961	Ballerup	–	20	25
E-nettet Holding A/S	28308019	Copenhagen	3	2	20
Hovedbanegårdens Forretningscenter K/S[1]	16301671	Ballerup	–	2	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	–	8	33
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	8	9	33
Samejet Lautruphøj I/S[1]	50857859	Ballerup	–	6	50
NF Techfleet AB	556967-5423	Stockholm	2	2	20
NF Fleet Oy	2006935-5	Espoo	9	8	20
NF Fleet AB	556692-3271	Stockholm	5	5	20
NF Fleet A/S	29185263	Copenhagen	5	4	20
NF Fleet AS	988906808	Oslo	2	2	20
Upplysningscentralen UC AB	556137-5113	Stockholm	3	3	26
Bankomat AB	556817-9716	Stockholm	8	8	20
Visa Sweden	801020-5097	Stockholm	29	88	–
Other			5	1	–
Total			**262**	**583**	

1) Reclassified to Assets held for sale.

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2017	31 Dec 2016
Total assets	8,488	537
Net profit for the year	2	24
Other comprehensive income	1	–
Total comprehensive income	3	24

G19. Investments in associated undertakings and joint ventures, cont.

Joint ventures

31 Dec 2017	Registration number	Domicile	Carrying amount 2017, EURm	Carrying amount 2016, EURm	Voting power of holding %
Dansk ejendoms Fond I[1]	12601840	Ballerup	–	0	56
Ejendomsselskabet af 1. marts 2006 P/S[1]	29405069	Ballerup	–	0	50
DNP Ejendomme P/S[1]	28865147	Ballerup	–	0	50
Luminor Group AB	559072-8316	Stockholm	973	5	50
Relacom Management AB	556746-3103	Stockholm	–	–	61
Total			**973**	**5**	
Total associated undertakings and joint ventures			**1,235**	**588**	

1) Reclassified to Assets held for sale.

G20. Intangible assets

Goodwill allocated to cash generating units[1]		
Personal Banking Norway	263	283
Personal Banking Denmark	448	449
Personal Banking Sweden	128	131
Commercial & Business Banking Norway	466	501
Commercial & Business Banking Denmark	141	142
Commercial & Business Banking Sweden	85	87
Life & Pensions, Denmark	–	128
Life & Pensions, Norway	128	128
Life & Pensions, Poland	–	40
Banking Russia	161	174
Shipping, Offshore & Oil services	174	184
Total goodwill	**1,994**	**2,247**
Computer software	1,917	1,447
Other intangible assets	72	98
Total intangible assets	**3,983**	**3,792**
Movements in goodwill		
Acquisition value at beginning of year	2,248	2,171
Transfers/reclassifications during the year	–169	–
Translation differences	–84	77
Acquisition value at end of year	**1,995**	**2,248**
Accumulated impairment charges at beginning of year	–1	–1
Accumulated impairment charges at end of year	**–1**	**–1**
Total	**1,994**	**2,247**
Movements in computer software		
Acquisition value at beginning of year	1,802	1,200
Acquisitions during the year	645	617
Transfers/reclassifications during the year	–23	–
Translation differences	–47	–15
Acquisition value at end of year	**2,377**	**1,802**
Accumulated amortisation at beginning of year	–315	–229
Amortisation according to plan for the year	–123	–85
Transfers/reclassifications during the year	8	–
Translation differences	13	–1
Accumulated amortisation at end of year	**–417**	**–315**

G20. Intangible assets, cont.

EURm	31 Dec 2017	31 Dec 2016
Accumulated impairment charges at beginning of year	–40	–33
Impairment charges during the year	–5	–7
Translation differences	2	0
Accumulated impairment charges at end of year	**–43**	**–40**
Total	**1,917**	**1,447**

1) Excluding goodwill in associated undertakings.

Impairment testing of goodwill and computer software

A cash generating unit, defined as the operating segment, is the basis for the impairment test. For Life & Pensions, the cash generating units for which goodwill is tested, are the operations in each country.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows in the coming three years are based on financial forecasts. The forecasts are based on the Nordea macro economic outlook, including information on GDP growth, inflation and benchmark rates for relevant countries. Based on these macro forecasts, business areas project how margins, volumes, sales and costs will develop the coming years. Credit losses are estimated using the long term average for the different business areas. This results in an income statement for each year. The projected cash flow for each year is the forecasted net result in these income statements, reduced by the capital needed to grow the business in accordance with the long term growth assumptions. The projections take into consideration the major projects initiated in Nordea, e.g. moving domicile and the transformation program. There is also an allocation of central costs to business areas to make sure the cash flows for the CGUs include all indirect costs. Tax costs are estimated based on the standrard tax rate. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. Growth rates are based on historical data, updated to reflect the current situation.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The following growth rates and discount rates have been used:

G20. Intangible assets, cont.

	Discount rate[1]		Growth rate	
EURm	2017	2016	2017	2016
Sweden	7.1	7.0	1.8	1.3
Denmark	6.6	7.0	1.3	1.3
Finland	6.6	7.0	1.3	1.3
Norway	7.1	7.5	1.8	1.8
Russia	9.5	11.0	0.0	1.3
Poland	N.A.	8.4	N.A.	1.3

1) Post-tax

The impairment tests conducted in 2017 did not indicate any need for goodwill impairment. See Note G1 "Accounting policies" section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such a change would result in the following impairment for the below cash generating units:

EURm	Growth rate −1%	Discount rate +1%
Life & Pensions, Norway	58	73

For Life & Pensions, Norway the break-even point for impairment is a decrease in growth rate of 0.5% points or an increase in the discount rate of 0.5% points.

G21. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G13) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

Reconciliation of gross investments and present value of future minimum lease payments:

EURm	31 Dec 2017	31 Dec 2016
Gross investments	6,547	6,306
Less unearned finance income	−815	−407
Net investments in finance leases	**5,732**	**5,899**
Less unguaranteed residual values accruing to the benefit of the lessor	−14	−16
Present value of future minimum lease payments receivable	**5,718**	**5,883**
Accumulated allowance for uncollectible minimum lease payments receivable	3	7

G21. Leasing, cont.

As of 31 December 2017 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2017	
EURm	Gross investment	Net investment
2018	1,465	1,201
2019	1,593	1,335
2020	1,432	1,255
2021	750	697
2022	663	625
Later years	644	619
Total	**6,547**	**5,732**

Operating leases

Assets subject to operating leases mainly comprise real estate, vehicles, aeroplanes and other equipment. On the balance sheet they are reported as tangible assets.

Under non-cancellable operating leases, the future minimum lease payments receivable are distributed as follows:

EURm	31 Dec 2017
2018	2
2019	1
2020	1
2021	1
2022	0
Later years	0
Total	**5**

Nordea as a lessee

Finance leases

Nordea has only to a minor extent entered into finance lease agreements.

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment.

Leasing expenses during the year

EURm	31 Dec 2017	31 Dec 2016
Leasing expenses during the year	−204	−207
- of which minimum lease payments	−197	−206
- of which contingent rents	−7	−1
Leasing income during the year regarding sublease payments	4	4

G21. Leasing, cont.

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	31 Dec 2017
2018	163
2019	135
2020	121
2021	104
2022	94
Later years	361
Total	**978**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 13m.

G22. Investment properties

EURm	31 Dec 2017	31 Dec 2016
Carrying amount at beginning of year	3,119	3,054
Acquisitions during the year	425	376
Sales during the year	–179	–248
Fair value adjustments	39	55
Transfers/reclassifications during the year	–2,043	–159
Translation differences	87	41
Carrying amount at end of year	**1,448**	**3,119**

Amounts recognised in the income statement[1]

EURm	2017	2016
Fair value adjustments	72	87
Rental income	159	157
Direct operating expenses that generate rental income	–29	–16
Direct operating expenses that did not generate rental income	–10	–8
Total	**192**	**220**

1) Included in Net result from items at fair value.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see Note G40 "Assets and liabilities at fair value".

G23. Other assets

EURm	31 Dec 2017	31 Dec 2016
Claims on securities settlement proceeds	924	1,944
Cash/margin receivables	9,007	15,154
Other	2,510	1,875
Total	**12,441**	**18,973**

G24. Prepaid expenses and accrued income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest income	297	313
Other accrued income	464	483
Prepaid expenses	702	653
Total	**1,463**	**1,449**

G25. Deposits by credit institutions

EURm	31 Dec 2017	31 Dec 2016
Central banks	13,751	10,006
Banks	18,401	14,454
Other credit institutions	7,831	13,676
Total	**39,983**	**38,136**

G26. Deposits and borrowings from the public

EURm	31 Dec 2017	31 Dec 2016
Deposits[1]	165,418	170,030
Repurchase agreements	7,016	3,998
Total	**172,434**	**174,028**

1) Deposits related to individual pension savings (IPS) are also included.

G27. Liabilities to policyholders

EURm	31 Dec 2017	31 Dec 2016
Traditional life insurance provisions	6,264	19,124
- of which guaranteed provisions	6,178	19,023
- of which non-guaranteed provisions	86	101
Collective bonus potential	2,249	3,606
Unit-linked insurance provisions	6,922	14,240
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	6,922	14,240
Insurance claims provision	422	460
Provisions, Health & personal accident	74	252
Total Insurance contracts	**15,931**	**37,682**
Investment contracts	3,481	3,528
- of which guaranteed provisions	3,481	3,528
- of which non-guaranteed provisions	–	–
Total	**19,412**	**41,210**

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies.

G27. Liabilities to policyholders, cont.

31 Dec 2017, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,124**	**3,606**	**14,240**	**460**	**252**	**3,528**	**41,210**
Gross premiums written	612	–	2,591	–	–	137	3,340
Transfers/reclassification[1]	–12,299	–1,179	–9,637	–44	–173	5	–23,327
Addition of interest/investment return	517	–	1,072	–	–	284	1,873
Claims and benefits	–1,262	–	–1,241	–16	–7	–271	–2,797
Expense loading including addition of expense bonus	–91	–	–95	–	–	–31	–217
Change in provisions/bonus potential	42	–121	79	26	6	–	32
Other	20	–	–47	–	–	–25	–52
Translation differences	–399	–57	–40	–4	–4	–146	–650
Provisions/bonus potentials, end of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Provision relating to bonus schemes/ discretionary participation feature:	99%					72%	

1) EUR 23,316m is related to a reclassification to "Assets held for sale". See Note G42 for further information.

31 Dec 2016, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,081**	**3,229**	**12,236**	**395**	**249**	**3,517**	**38,707**
Gross premiums written	681	–	2,265	–	–	147	3,093
Transfers	–152	–	111	–	–	0	–41
Addition of interest/investment return	415	–	386	–	–	119	920
Claims and benefits	–1,368	–	–1,081	63	3	–282	–2,665
Expense loading including addition of expense bonus	–96	–	–90	–	–	–31	–217
Change in provisions/bonus potential	–152	404	–242	–	–2	0	8
Other	406	–	611	–	–	120	1,137
Translation differences	309	–27	44	2	2	–62	268
Provisions/bonus potentials, end of year	**19,124**	**3,606**	**14,240**	**460**	**252**	**3,528**	**41,210**
Provision relating to bonus schemes/ discretionary participation feature:	95%					75%	

Insurance risks

Insurance risk is described in the "Risk, Liquidity and Capital management" section of the Board of Directors' Report. Additional quantitative information is found below

Life insurance risk and market risks in the Life insurance operations, Sensitivites

EURm	31 Dec 2017 Effect on policyholders liabilities[1]	31 Dec 2017 Effect on Nordeas Equity[2]	31 Dec 2016 Effect on policyholders liabilities[1]	31 Dec 2016 Effect on Nordeas Equity[2]
Mortality – increased living with 1 year	23.4	–18.7	28.0	–21.5
Mortality – decreased living with 1 year	–0.5	0.4	–5.8	4.5
Disability – 10% increase	9.4	–7.5	12.3	–9.5
Disability – 10% decrease	–6.4	5.1	–8.5	6.5
50 bp increase in interest rates	–266.1	–2.9	–713.3	–3.2
50 bp decrease in interest rates	266.9	2.9	701.6	2.7
12% decrease in all share prices	–724.1	–1.3	–1,274.5	–2.6
8% decrease in property value	–106.3	–0.6	–204.6	–1.1
8% loss on counterparts	–4.7	0.0	–7.5	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decrease.

G27. Liabilities to policyholders, cont.

Liabilities to policyholders divided in guarantee levels (technical interest rate)

31 Dec 2017, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,006	1,502	2,924	2,185	2,225	825	16,667

31 Dec 2016, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	14,341	2,373	8,966	3,518	4,041	3,653	36,892

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guarantees	Yes
Unit-Link	Mortality	Yes
	Disability	Yes
	Return guarantees	No
Health and personal accident	Mortality	No
	Disability	Yes
	Return guarantees	No
Financial contract	Mortality	No
	Disability	No
	Return guarantees	Yes

G28. Debt securities in issue

EURm	31 Dec 2017	31 Dec 2016
Certificates of deposit	10,743	19,089
Commercial papers	24,441	17,805
Covered bonds	111,701	109,477
Other bonds	32,186	45,319
Other	43	60
Total	**179,114**	**191,750**

G29. Other liabilities

EURm	31 Dec 2017	31 Dec 2016
Liabilities on securities settlement proceeds	3,055	2,127
Sold, not held, securities	13,400	8,024
Accounts payable	161	195
Cash/margin payables	8,857	9,697
Other	3,042	4,370
Total	**28,515**	**24,413**

G30. Accrued expenses and prepaid income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest	8	7
Other accrued expenses	1,357	1,468
Prepaid income	238	283
Total	**1,603**	**1,758**

G31. Provisions

EURm	31 Dec 2017	31 Dec 2016
Restructuring	225	223
Guarantees/commitments	91	71
Other	13	12
Total	**329**	**306**

Provisions for restructuring costs have been utilised by EUR 92m during 2017. The majority of the remaining restructuring provision was recognised in the fourth quarter 2017, and is related to the transformational change (EUR 77m remains from the opening balance). For further information see Board of Directors' report. Provisions are mainly expected to be used during 2018. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Loan loss provisions for individually assessed guarantees and other commitments amounts to EUR 91m. Other provision amounts to EUR 13m (EUR 11m expected to be settled 2018).

EURm	Restructuring	Guarantees/commitments	Other	Total
At beginning of year	223	71	12	306
New provisions made	148	92	7	247
Provisions utilised	–92	–9	–4	–105
Reversals	–56	–61	0	–117
Reclassifications	7	–	0	7
Translation differences	–5	–2	–2	–9
At end of year	**225**	**91**	**13**	**329**

G32. Retirement benefit obligations

EURm	31 Dec 2017	31 Dec 2016
Retirement benefit assets	250	306
Retirement benefit obligations	281	302
Net liability (–)/asset (+)	**–31**	**4**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplus. Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to secure the level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

Due to recent changes in Norwegian social security and pension legislation, on 25 October 2016 Nordea decided to amend the pension agreement with all employees in Norway born in 1958 or later from a defined benefit plan to a defined contribution plan. As the assumption about future salary increases has been removed, the change decreases the obligation. This led to an upfront gain in 2016 of EUR 86m including social charges.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on different actuarial assumptions.

Assumptions[1]

	Swe	Nor	Fin	Den	UK
2017					
Discount rate[2]	2.49%	2.60%	1.41%	1.70%	2.31%
Salary increase	2.75%	2.75%	1.75%	2.25%[3]	–
Inflation	1.75%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
2016					
Discount rate[2]	2.67%	2.75%	1.50%	1.92%	2.14%
Salary increase	2.25%	2.75%	1.75%	2.25%[3]	–
Inflation	1.25%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	GAP07/I73	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 2017 have an impact on the liability calculation by year-end 2017, while the assumptions disclosed for 2016 are used for calculating the pension expense in 2017.

2) More information on the discount rate can be found in Note G1 "Accounting policies", section 22. The sensitivities to changes in the discount rate can be found below.

3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.

4) With CMI_2016 projections in 2017 and with CMI_2015 projections in 2016.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den	UK
Discount rate - Increase 50bps	–8.2%	–7.1%	–6.3%	–5.1%	–11.1%
Discount rate - Decrease 50bps	9.5%	8.0%	7.1%	5.6%	12.8%
Salary increase - Increase 50bps	3.2%	0.6%	0.4%	5.0%	–
Salary increase - Decrease 50bps	–2.2%	–0.5%	–0.4%	–4.7%	–
Inflation - Increase 50bps	8.1%	7.7%	6.4%	–	2.1%
Inflation - Decrease 50bps	–7.2%	–6.9%	–5.8%	–	–1.9%
Mortality - Increase 1 year	3.6%	1.2%	4.4%	5.4%	4.6%
Mortality - Decrease 1 year	–3.6%	–1.2%	–4.3%	–5.3%	–4.5%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it gives the possibility to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2016 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

As all pensions in Denmark are salary indexed, the inflation has no impact on the DBO in Denmark.

G32. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2017	Nor 2017	Fin 2017	Den 2017	UK 2017	Total 2017	Total 2016
Obligations	1,704	764	776	101	109	3,454	3,434
Plan assets	1,634	666	865	127	131	3,423	3,438
Net liability(−)/asset(+)	**−70**	**−98**	**89**	**26**	**22**	**−31**	**4**
- of which retirement benefit liabilities	128	149	3	1	–	281	302
- of which retirement benefit assets	58	51	92	27	22	250	306

Movements in the obligation

EURm	Swe	Nor	Fin	Den	UK	Total
2017						
Opening balance	1,524	869	800	103	138	3,434
Current service cost	25	6	3	–	–	34
Interest cost	41	22	12	2	3	80
Pensions paid	−70	−35	−40	−6	−17	−168
Past service cost and settlements	14	−5	0	–	–	9
Remeasurement from changes in demographic assumptions	–	45	–	–	−5	40
Remeasurement from changes in financial assumptions	194	−70	10	4	−6	132
Remeasurement from experience adjustments	3	8	−9	−1	–	1
Translation differences	−52	−66	–	−1	−4	−123
Change in provision for SWT/SSC[2]	25	−10	–	–	0	15
Closing balance	**1,704**	**764**	**776**	**101**	**109**	**3,454**
- of which relates to the active population	27%	14%	15%	–	–	20%
2016						
Opening balance	1,421	843	764	100	143	3,271
Current service cost	23	16	3	–	–	42
Interest cost	43	24	16	3	3	89
Pensions paid	−71	−35	−38	−6	−5	−155
Past service cost and settlements[1]	3	−84	−2	–	–	−83
Remeasurement from changes in demographic assumptions	54	–	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	69	7	18	228
Remeasurement from experience adjustments	1	15	−12	−1	–	3
Translation differences	−56	48	–	0	−21	−29
Change in provision for SWT/SSC[2]	13	1	–	–	–	14
Closing balance	**1,524**	**869**	**800**	**103**	**138**	**3,434**
- of which relates to the active population	27%	35%	14%	–	–	25%

1) Includes gain in Norway from transition to DCP.
2) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 18 (16) years in Sweden, 15 (15) years in Norway, 15 (13) years in Finland, 11 (11) years in Denmark and 24 (23) years in UK based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to lower duration. The increase in average duration during the year is due to changed assumptions.

G32. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

EURm	Swe	Nor	Fin	Den	UK	Total
2017						
Opening balance	1,591	703	861	131	152	3,438
Interest income (calculated using the discount rate)	42	18	13	3	3	79
Pensions paid	–	–20	–40	–6	–17	–83
Contributions by employer	–	7	0	3	–	10
Remeasurement (actual return less interest income)	49	15	31	–4	–3	88
Translation differences	–48	–57	–	0	–4	–109
Closing balance	**1,634**	**666**	**865**	**127**	**131**	**3,423**
2016						
Opening balance	1,554	644	843	129	149	3,319
Interest income (calculated using the discount rate)	46	19	17	3	4	89
Pensions paid	–	–17	–38	–6	–5	–66
Settlements	–	–10	–	–	–	–10
Contributions by employer	6	24	1	–	2	33
Remeasurement (actual return less interest income)	44	7	38	5	25	119
Translation differences	–59	36	–	0	–23	–46
Closing balance	**1,591**	**703**	**861**	**131**	**152**	**3,438**

Asset composition

The combined return on assets in 2017 was 4.9% (6.3%). All asset classes generated positive return with equities as the main driver. At the end of the year the equity exposure in Nordea´s pension funds/foundations represented 28% (27%) of total assets.

The Group expects to contribute EUR 8m to its defined benefit plans in 2018.

Asset composition in funded schemes

%	Swe 2017	Nor 2017	Fin 2017	Den 2017	UK 2017	Total 2017	Total 2016
Bonds	**69%**	**52%**	**55%**	**86%**	**81%**	**63%**	**64%**
- sovereign	34%	31%	29%	35%	81%	34%	38%
- covered bonds	17%	9%	5%	50%	–	13%	10%
- corporate bonds	15%	10%	21%	–	–	15%	15%
- issued by Nordea entities	2%	1%	–	–	–	1%	1%
- with quoted market price in an active market	69%	52%	55%	86%	81%	63%	64%
Equity	**29%**	**31%**	**29%**	**13%**	**19%**	**28%**	**27%**
- domestic	7%	7%	7%	13%	6%	7%	7%
- European	8%	10%	7%	–	6%	8%	7%
- US	8%	9%	8%	–	6%	8%	8%
- emerging	5%	6%	6%	–	1%	5%	5%
- Nordea shares	1%	–	0%	–	–	0%	0%
- with quoted market price in an active market	29%	31%	29%	13%	19%	28%	27%
Real estate[1]	–	**15%**	**14%**	–	–	**7%**	**6%**
- occupied by Nordea	–	–	4%	–	–	1%	1%
Cash and cash equivalents	**2%**	**2%**	**2%**	**1%**	–	**2%**	**3%**

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

G32. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 51m (EUR –31m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7 "Staff costs").

Recognised in the income statement

2017, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	25	6	3	–	–	34
Net interest	–1	4	–1	–1	0	1
Past service cost and settlements	14	–5	0	–	–	9
SWT/SSC[1]	7	0	–	–	–	7
Pension cost on defined benefit plans (expense+/ income–)	**45**	**5**	**2**	**–1**	**0**	**51**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2016, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	23	16	3	–	–	42
Net interest	–3	5	–2	0	0	0
Past service cost and settlements[1]	3	–74	–2	–	–	–73
SWT/SSC[2]	7	–7	–	–	–	0
Pension cost on defined benefit plans (expense+/ income–)	**30**	**–60**	**–1**	**0**	**0**	**–31**

1) Past service cost 2016 includes the gain in Norway from transition to DCP.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2016, excluding past service cost and related SWT and SSC, the pension cost has decreased in 2017 mainly as a consequence of the transition to DCP in Norway and change of actuarial assumptions at the end of 2016.

Recognised in other comprehensive income

2017, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Remeasurement of plan assets (actual return less interest income)	–49	–15	–31	4	3	–88
SWT/SSC[1]	36	–6	–	–	–	30
Pension cost on defined benefit plans (expense+/income–)	**184**	**–38**	**–30**	**7**	**–8**	**115**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2016, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	54	–	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	69	7	18	228
Remeasurement from experience adjustments	1	15	–12	–1	–	3
Remeasurement of plan assets (actual return less interest income)	–44	–7	–39	–5	–24	–119
SWT/SSC[1]	25	14	–	–	–	39
Pension cost on defined benefit plans (expense+/income–)	**129**	**63**	**18**	**1**	**–6**	**205**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway. Includes the effect from changed assumption on SSC rate in Norway, increased from 14.1% to 19.1% in 2016.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation

G32. Retirement benefit obligations, cont.

between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover on-going pension expenses as well as to provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2017 was 7.0% of the employees' wages below 7.1 average base amounts and 18.0% of the employees' wages above 7.1 average base amounts. Average base amounts are defined in the Norwegian National Insurance Act. The premium is calculated based on the average wages and base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2017 amount to EUR 15m. Payments to the plan during 2017 covered 2,475 employees. The premium rate for 2018 will be on the same level as for 2017. The expected premium in 2018 amounts to EUR 18m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 7m (EUR 10m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2017 were EUR 2m (EUR 2m). Complete information concerning key management personnel is disclosed in Note G7 "Staff costs".

G33. Subordinated liabilities

EURm	31 Dec 2017	31 Dec 2016
Dated subordinated debenture loans	5,947	6,997
Undated subordinated debenture loans	242	272
Hybrid capital loans	2,798	3,190
Total	**8,987**	**10,459**

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

G34. Assets pledged as security for own liabilities

EURm	31 Dec 2017	31 Dec 2016
Assets pledged for own liabilities		
Securities etc[1]	25,881	16,416
Loans to the public	138,882	138,613
Other assets pledged	34,210	34,412
Total	**198,973**	**189,441**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	14,575	5,822
Deposits and borrowings from the public	5,646	7,047
Derivatives	8,978	13,928
Debt securities in issue	106,379	108,717
Other liabilities and commitments	24,408	22,436
Total	**159,986**	**157,950**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G43 "Transferred assets and obtained collaterals".

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

G35. Other Assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions (EUR 4,923m (EUR 8,310m)). The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

G36. Contingent liabilities

EURm	31 Dec 2017	31 Dec 2016
Guarantees		
- Loan guarantees	4,443	5,018
- Other guarantees	12,892	16,016
Documentary credits	1,639	1,937
Other contingent liabilities	46	118
Total	**19,020**	**23,089**

In the normal business Nordea issues various forms of guarantees in favour of the Nordea's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the Nordea's customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received. The table above includes all issued guarantees, also those where the possibility of an outflow of resources are considered to be remote.

Nordea has during the year received a dividend payment from Visa Sweden Förening ek. för. amounting to EUR 64m. This payment has been recognised as a decrease of "Investments in associated undertakings and joint ventures" on the balance sheet. Nordea can, if Visa Sweden Förening ek. för. so demands, be required to repay the full amount which will be followed by a reallocation between owners of Visa Sweden Förening ek. för. and a subsequent redistribution to Nordea. It is Nordeas's assessment that any reallocation would not have a significant impact on Nordea.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board members in group undertakings to Nordea Bank AB (publ), provided that such liability has arisen before 31 March 2017.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on the Group or its financial position.

G37. Commitments

EURm	31 Dec 2017	31 Dec 2016
Unutilised overdraft facilities	29,956	30,703
Loan commitments	44,589	47,302
Future payment obligations	1,441	1,107
Other commitments	1,046	322
Total	**77,032**	**79,434**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2017 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2017. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments, see Note G1 "Accounting policies", section 25, about derivatives, see Note G18 "Derivatives and Hedge accounting" and about reverse repos, see Note G43 "Transferred assets and obtained collaterals".

G38. Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is a worldwide capital adequacy standard (Basel III) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR).

CRD IV was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries on the 1 January 2014.

The Basel III framework is built on three Pillars:
- **Pillar I** – requirements for the calculation of REA and Capital
- **Pillar II** – rules for the Supervisory Review Evaluation Process (SREP) including the Internal Capital Adequacy Assessment Process (ICAAP)
- **Pillar III** – rules for the disclosure on risk and capital management, including capital adequacy

Nordea performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirements reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

Nordea's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2018, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

The disclosures in this note cover the Nordea Group as defined on page 144.

Own funds
Own funds is the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both Common Equity Tier 1 (CET1) and additional Tier 1 capital.

Tier 1 capital
Tier 1 capital is the sum of common equity tier 1 capital and additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbing characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Additional Tier 1 capital items consist of additional Tier 1 instruments and the related share premium.

Additional Tier 1 instruments
Additional Tier 1 instruments are subordinated capital instruments that rank senior only to share capital. CRR specifies the necessary characteristics required for inclusion in additional Tier 1 capital. The instruments are loss-absorbing from a going concern perspective as coupons can be cancelled at any time at the full discretion of the issuer and the principal will be written down if the Common Equity Tier 1 capital ratio would fall below a pre-defined trigger level. The instruments are perpetual and can only be repaid with the permission from the Swedish FSA and not earlier than five years after original issuance of the instrument. Additional Tier 1 instruments that fulfil the CRR requirements are fully included whereas remaining instruments are phased out according to transitional rules. During 2017, Nordea issued one additional Tier 1 instrument of EUR 750m. At year-end, Nordea held EUR 3.5bn in undated subordinated instruments.

Tier 2 capital
Tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-á-vis depositors and other bank creditors.

Tier 2 instruments
Tier 2 instruments are subordinated instruments. The basic principle for subordinated instruments in own funds is the order of priority in case of a default or bankruptcy situation.

Under such conditions, the holder of the subordinated instrument would be repaid after other creditors, but before shareholders. Tier 2 instruments have an original maturity of at least five years. According to the regulation, Tier 2 instruments that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The inclusion of outstanding Tier 2 instruments in the Tier 2 capital is reduced if the remaining maturity is less than five years. As of year-end, Nordea held EUR 4.7bn in dated subordinated instruments and EUR 0.2bn in undated subordinated instruments.

The tables below shows the main features of outstanding-Common Equity Tier 1, additional Tier 1 and Tier 2 instruments.

G38. Capital adequacy, cont.

Common Equity Tier 1 capital: instruments and reserves

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	–
	of which: Share capital	4,050	–
2	Retained earnings	23,625	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–319	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	661	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments[1]**	**29,097**	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–244	–
8	Intangible assets (net of related tax liability) (negative amount)	–3,835	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	–0	–
11	Fair value reserves related to gains or losses on cash flow hedges	46	–
12	Negative amounts resulting from the calculation of expected loss amounts	–291	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–73	–
15	Defined-benefit pension fund assets (negative amount)	–152	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–32	–
25	of which: deferred tax assets arising from temporary differences	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	217
	Of which: ... filter for unrealised loss 1	–	39
	Of which: ... filter for unrealised gain 1	–	177
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–4,581**	–
29	**Common Equity Tier 1 (CET1) capital**	**24,515**	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,806	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	722	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments[1]**	**3,528**	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–35	–
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–35**	–
44	**Additional Tier 1 (AT1) capital**	**3,493**	–
45	**Tier 1 capital (T1 = CET1 + AT1)**	**28,008**	–
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	4,669	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	241	–
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	–

G38. Capital adequacy, cont.

Common Equity Tier 1 capital: instruments and reserves, cont.

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
49	of which: instruments issued by subsidiaries subject to phase out	–	–
50	**Credit risk adjustments**	**95**	–
51	**Tier 2 (T2) capital before regulatory adjustments**[1]	**5,005**	–
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	−61	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	−1,205	–
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**−1,266**	–
58	**Tier 2 (T2) capital**	**3,739**	–
59	**Total capital (TC = T1 + T2)**	**31,747**	–
60	**Total risk weighted assets**	**125,779**	–
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	19.5%	–
62	Tier 1 (as a percentage of risk exposure amount)	22.3%	–
63	Total capital (as a percentage of risk exposure amount)	25.2%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G–SII or O–SII buffer), expressed as a percentage of risk exposure amount)	6.3%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.8%	–
67	of which: systemic risk buffer requirement	3.0%	–
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	2.0%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	15.0%	–
	Amounts below the threshold for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	211	–
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	946	–
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	–	–
	Applicable caps to the inclusion of provisions in Tier 2		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	95	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	533	–
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)		
82	Current cap on AT1 instruments subject to phase out arrangements	788	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase out arrangements	443	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

1) Prior to deduction of direct holdings.

G38. Capital adequacy, cont.

Minimum capital requirement and REA

EURm	31 Dec 2017 Minimum Capital requirement	31 Dec 2017 REA	31 Dec 2016 Minimum Capital requirement	31 Dec 2016 REA
Credit risk	**8,219**	**102,743**	**8,601**	**107,512**
- of which counterparty credit risk	488	6,096	759	9,489
IRB	7,104	88,808	7,517	93,958
- sovereign	149	1,869	–	–
- corporate	4,560	57,004	4,977	62,212
- advanced	3,774	47,173	3,887	48,585
- foundation	786	9,831	1,090	13,627
- institutions	493	6,163	572	7,144
- retail	1,671	20,888	1,755	21,933
- secured by immovable property collateral	934	11,678	1,001	12,505
- other retail	737	9,210	754	9,428
- items representing securitisation positions	68	850	66	828
- other	163	2,034	147	1,841
Standardised	1,115	13,935	1,084	13,554
- central governments or central banks	22	281	26	320
- regional governments or local authorities	1	7	21	266
- public sector entities	0	3	3	39
- multilateral development banks	–	–	2	32
- international organisations	–	–	–	–
- institutions	14	171	40	498
- corporate	261	3,264	173	2,159
- retail	258	3,225	258	3,223
- secured by mortgages on immovable properties	197	2,458	229	2,863
- in default	47	592	9	114
- associated with particularly high risk	60	754	56	701
- covered bonds	–	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	208	2,598	221	2,760
- other items	47	582	46	579
Credit Value Adjustment Risk	**96**	**1,207**	**144**	**1,798**
Market risk	**282**	**3,520**	**358**	**4,474**
- trading book, Internal Approach	196	2,444	236	2,942
- trading book, Standardised Approach	86	1,076	74	928
- banking book, Standardised Approach	–	–	48	604
Operational risk	**1,345**	**16,809**	**1,350**	**16,873**
Standardised	1,345	16,809	1,350	16,873
Additional risk exposure amount, Article 3 CRR	**120**	**1,500**	**200**	**2,500**
Sub total	**10,062**	**125,779**	**10,653**	**133,157**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	6,132	76,645	6,612	82,655
Total	**16,194**	**202,424**	**17,265**	**215,812**

G38. Capital adequacy, cont.

Leverage ratio

	31 Dec 2017	31 Dec 2016
Tier 1 capital, transitional definition, EURm[1]	28,008	27.555
Leverage ratio exposure, EURm	538,338	555.688
Leverage ratio, percentage	5.2	5.0

1) Including profit for the period.

Capital requirements for market risk

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	557	45	918	73	–	–	1,475	118
Equity risk	150	12	109	9	–	–	259	21
Foreign exchange risk	281	23	–	–	–	–	281	23
Commodity risk	–	–	49	4	–	–	49	4
Settlement risk	–	–	0	0	–	–	0	0
Diversification effect	–475	–38	–	–	–	–	–475	–38
Stressed Value-at-Risk	1,043	83	–	–	–	–	1,043	83
Incremental Risk Measure	477	38	–	–	–	–	477	38
Comprehensive Risk Measure	411	33	–	–	–	–	411	33
Total	**2,444**	**196**	**1,076**	**86**	**–**	**–**	**3,520**	**282**

1) Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of Nordea's entities. Such approval has to be applied and authorised by the local FSA for internal subordinated loans as prescribed by Article 77 in the CRR.

Table A3–A5 include disclosure of capital instruments' main features in accordance with §6.4 in FFFS 2014:18 and using the template in Annex II in article 3 in Commission implementing regulation (EU) No 1423/2013. Template items are excluded if not applicable.

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons/dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

G38. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument									
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947	XS1725580465
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
	Regulatory treatment									
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 148m	EUR 74m	EUR 831m	EUR 414m	EUR 228m	EUR 127m	EUR 457m	EUR 750m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 148m	JPY 10,000m / EUR 74m	USD 1,000m / EUR 834m	USD 500m / EUR 417m	SEK 2,250m / EUR 229m	NOK 1,250m / EUR 127m	USD 550m / EUR 459m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Equity
11	Original date of issuance	17-Sep-2004	04-Mar-2005	12-Oct-2005	23-Sep-2014	23-Sep-2014	12-Mar-2015	12-Mar-2015	12-Mar-2015	28-Nov-2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17-Sep-2009 In addition tax/ regulatory call 100 per cent of nominal amount	4-Mar-2035 In addition tax/ regulatory call 100 per cent of nominal amount	12-Oct-2035 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2019 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2024 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	13-Sep-2021 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2025 In addition tax/ regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar and 17-Sep each year after first call date	4-Mar and 4-Sep each year after first call date	12-Apr and 12-Oct each year after first call date	23-Mar and 23-Sep each year after first call date	23-Mar and 23-Sep each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	13-Sep each year after first call date	12-Mar each year after first call date
	Coupons/dividends									
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed	Fixed

G38. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1, cont

Additional Tier 1 instrument									
18 Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum	Fixed 3.5 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.003 per cent per annum
19 Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No	No
20a Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21 Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No	No
22 Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23 Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30 Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31 If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32 If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33 If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34 If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36 Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No	No
37 If yes, specify non-compliant features	No specified trigger level, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	N/A	N/A	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

Tier 2 instruments							
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB0001961928	N/A	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Norwegian law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 167m	EUR 74m	EUR 446m (44.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 485m (64.7 per cent of Nominal amount, <5 yrs to maturity)	EUR 699m (67.1 per cent of Nominal amount, <5 yrs to maturity)	EUR 783m (93.9 per cent of Nominal amount, <5 yrs to maturity)
9	Nominal amount of instrument	USD 200m / EUR 167m	JPY 10,000m / EUR 74m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,042m	USD 1,000m / EUR 834m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	04-Nov-1986	22-Aug-2001	26-Mar-2010	29-Sep-2010	13-May-2011	21-Sep-2012
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26-Mar-2020	29-Mar-2021	13-May-2021	21-Sep-2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	18-Nov-1991 In addition tax call 100 per cent of nominal amount	26-Feb-2029 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	18-May and 18-Nov each year after first call date	26-Feb and 26-Aug each year after first call date	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments						
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 173m	EUR 233m	EUR 111m	EUR 746m	EUR 993m
9	Nominal amount of instrument	SEK 1,700m / EUR 173m	SEK 2,300m / EUR 234m	JPY 15,000m / EUR 111m	EUR 750m	EUR 1,000m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent	99.391 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	17-Sep-2015	17-Sep-2015	06-Oct-2015	10-Nov-2015	07-Sep-2016
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	17-Sep-2025	17-Sep-2025	06-Oct-2025	10-Nov-2025	07-Sep-2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10-Nov-2020 In addition tax/regulatory call 100 per cent of nominal amount	07-Sep-2021 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar, 17-Jun, 17-Sep and 17-Dec each year after first call date	17-Sep each year after first call date	N/A	10-Nov each year after first call date	7-Sep each year after first call date

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

	Tier 2 instruments						
	Coupons/dividends						
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 6-month USD +0.1875 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +2.00 per cent per annum	4.50%	4.00%	4.875%	4.250%
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend pusher	Partially discretionary Dividend pusher	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	Yes	Yes	No	No	No	No
37	If yes, specify non-compliant features	No explicit language requesting FSA approval for redemption	Step-up	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments						
Coupons/dividends						
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1.160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

Specification of group undertakings 31 December 2017

Owner	Company name	Voting power of holding, %	Domicile	Accounting Consolidation method
Nordea Bank AB (publ)	**Nordea Finance Finland Ltd**	**100**	**Finland**	**Acquisition method**
	Nordea Mortgage Bank Plc	100	Finland	Acquisition method
	Nordea Funds Ltd	100	Finland	Acquisition method
	Automatia Pankkiautomaatit Oy	33	Finland	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Finland	Acquisition method
Nordea Bank AB (publ)	**Nordea Eiendomskreditt AS**	**100**	**Norway**	**Acquisition method**
	Nordea Finans Norge AS	100	Norway	Acquisition method
	Eksportfinans ASA	23	Norway	Equity method
	Nordea Utvikling AS	100	Norway	Acquisition method
Nordea Utvikling AS	Tomteutvikling Norge AS	100	Norway	Acquisition method
Nordea Bank AB (publ)	**Nordea Finans Danmark A/S**	**100**	**Denmark**	**Acquisition method**
	Nordea Kredit Realkreditaktieselskab	100	Denmark	Acquisition method
	LR-Realkredit A/S	39	Denmark	Equity method
	Fionia Asset Company A/S	100	Denmark	Acquisition method

G38. Capital adequacy, cont.

Owner	Company name	Voting power of holding, %	Domicile	Accounting Consolidation method
Nordea Finans Danmark A/S	BH Finance K/S	100	Denmark	Acquisition method
	NAMIT 10 K/S	100	Denmark	Acquisition method
	UL Transfer ApS	100	Denmark	Acquisition method
	DT Finance K/S	100	Denmark	Acquisition method
	Tide Leasing 2012 K/S	100	Denmark	Acquisition method
	BAAS 2012 K/S	100	Denmark	Acquisition method
Fiona Asset Company A/S	Ejendomsselskabet Vestre Stationsvej 7, Odense A/S	100	Denmark	Acquisition method
Nordea Bank AB (publ)	**LLC Promyshlennaya Kompaniya Vestkon**	**100**	**Russia**	**Acquisition method**
Promyshlennaya Kompaniya Vestkon / Nordea Bank AB (publ)	Joint Stock Company Nordea Bank	100	Russia	Acquisition method
Joint Stock Company Nordea Bank	Nordea Leasing LLC	100	Russia	Acquisition method
Nordea Bank AB (publ)	**Nordea Hypotek AB (publ)**	**100**	**Sweden**	**Acquisition method**
	Nordea Finans Sverige AB (publ)	100	Sweden	Acquisition method
	Nordea Asset Management Holding AB	100	Sweden	Acquisition method
	Bankomat AB	20	Sweden	Equity method
	Getswish AB	20	Sweden	Equity method
	Luminor Group AB	49.9	Sweden	Equity method
Nordea Asset Management Holding AB	Nordea Investment Management AB	100	Sweden	Acquisition method
	Nordea Investment Funds S.A.	100	Luxembourg	Acquisition method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	USA	Acquisition method
	Nordea Investment Management AG	100	Germany	Acquisition method
Nordea Finans Sweden, Finland, Norway and Denmark	NF Techfleet AB	20	Sweden	Equity method
Nordea Bank AB (publ)	**Nordea Bank S.A.**	**100**	**Luxembourg**	**Acquisition method**

G39. Classification of financial instruments

Assets

31 Dec 2017, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings / joint ventures	Assets held for sale	Total
Cash and balances with central banks	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: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
Deposits by credit institutions	5,905	–	–	34,078	–	–	39,983
Deposits and borrowings from the public	9,075	29	–	163,330	–	–	172,434
Deposits in pooled schemes and unit-linked investment contracts	–	26,333	–	–	–	–	26,333
Liabilities to policyholders	–	3,486	–	–	15,926	–	19,412
Debt securities in issue[1]		56,603	–	122,511	–	–	179,114
Derivatives[1]	41,607	–	1,106	–	–	–	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,450	–	–	1,450
Current tax liabilities	–	–	–	–	389	–	389
Other liabilities	24,421	–	–	2,833	1,261	–	28,515
Accrued expenses and prepaid income	–	–	–	246	1,357	–	1,603
Deferred tax liabilities	–	–	–	–	722	–	722
Provisions	–	–	–	–	329	–	329
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	–	–	–	8,987	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total	**81,008**	**86,451**	**1,106**	**333,435**	**20,265**	**26,031**	**548,296**

1) During the year Nordea has reclassified issued structured bonds classified as Debt securities in issue on the balance sheet of EUR 4,986m from Held for trading to Designated at fair value through profit or loss within Financial liabilities at fair value through profit or loss. The reclassification has been made in order to better reflect the purpose of the instruments. There is no change in measurement. As from 2017 embedded derivatives are presented together with the host bonds as Debt securities in issue.

G39. Classification of financial instruments, cont.

Assets

31 Dec 2016, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings / joint ventures	Assets held for sale	Total
Cash and balances with central banks	32,099	–	–	–	–	–	–	–	32,099
Loans to central banks	11,135	–	100	–	–	–	–	–	11,235
Loans to credit institutions	6,371	–	2,655	–	–	–	–	–	9,026
Loans to the public	241,341	–	23,712	52,636	–	–	–	–	317,689
Interest-bearing securities	–	3,095	34,842	17,469	–	32,295	–	–	87,701
Financial instruments pledged as collateral	–	–	5,108	–	–	–	–	–	5,108
Shares	–	–	1,904	19,620	–	–	–	–	21,524
Assets in pooled schemes and unit-linked investment contracts	–	–	–	22,963	–	–	139	–	23,102
Derivatives	–	–	67,438	–	2,521	–	–	–	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk	178	–	–	–	–	–	–	–	178
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	588	–	588
Intangible assets	–	–	–	–	–	–	3,792	–	3,792
Properties and equipment	–	–	–	–	–	–	566	–	566
Investment properties	–	–	–	–	–	–	3,119	–	3,119
Deferred tax assets	–	–	–	–	–	–	60	–	60
Current tax assets	–	–	–	–	–	–	288	–	288
Retirement benefit assets	–	–	–	–	–	–	306	–	306
Other assets	2,833	–	15,153	–	–	–	987	–	18,973
Prepaid expenses and accrued income	966	–	–	–	–	–	483	–	1,449
Assets held for sale	–	–	–	–	–	–	–	8,897	8,897
Total	**294,923**	**3,095**	**150,912**	**112,688**	**2,521**	**32,295**	**10,328**	**8,897**	**615,659**

Liabilities

31 Dec 2016, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
Deposits by credit institutions	8,145	53	–	29,938	–	–	38,136
Deposits and borrowings from the public	5,985	2,022	–	166,021	–	–	174,028
Deposits in pooled schemes and unit-linked investment contracts	–	23,580	–	–	–	–	23,580
Liabilities to policyholders	–	3,527	–	–	37,683	–	41,210
Debt securities in issue	6,340	48,849	–	136,561	–	–	191,750
Derivatives	66,995	–	1,641	–	–	–	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	2,466	–	–	2,466
Current tax liabilities	–	–	–	–	487	–	487
Other liabilities	17,721	–	–	4,678	2,014	–	24,413
Accrued expenses and prepaid income	–	–	–	290	1,468	–	1,758
Deferred tax liabilities	–	–	–	–	830	–	830
Provisions	–	–	–	–	306	–	306
Retirement benefit liabilities	–	–	–	–	302	–	302
Subordinated liabilities	–	–	–	10,459	–	–	10,459
Liabilities held for sale	–	–	–	–	–	4,888	4,888
Total	**105,186**	**78,031**	**1,641**	**350,413**	**43,090**	**4,888**	**583,249**

G39. Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2017	31 Dec 2016
Carrying amount	52,781	52,636
Maximum exposure to credit risk	52,781	52,636
Carrying amount of credit derivatives used to mitigate the credit risk	–	–

Financial assets and liabilities designated at fair value through profit or loss

Changes in fair values of financial liabilities attributable to changes in credit risk

The financial liabilities designated at fair value through profit or loss exposed to changes in credit risk are issued bonds in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 51,616m (EUR 48,849m), the funding of the Markets operation, EUR 5,016m (EUR 2,075m) deposits linked to the investment return of separate assets, EUR 4,317m (EUR 4,340m) and investment contracts and pooled schemes in Life, EUR 25,502m (EUR 22,767m). The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant. The value of the investment contracts in Life and assets linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

The fair value of bonds issued by Nordea Kredit Realkreditaktieselskab increased by EUR 78m (decreased EUR 119m) in 2017 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 496m (decrease EUR 574m). The method used to estimate the amount of changes in fair value attributable to changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds.

For the issued mortgage bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loans. The reason is that a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loan.

Changes in fair values of financial assets attributable to changes in credit risk

Lending designated at fair value through profit or loss exposed to changes in credit risk consist of lending in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 52,641m (EUR 52,501m) and lending in the Markets operation, EUR 140m (EUR 135m). The fair value of lending in Nordea Kredit Realkreditaktieselskab increased by EUR 22m (increased EUR 24m) in 2017 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 125m (decrease EUR 148m). The method used to estimate the amount of change in the fair value attributable to changes in credit risk is similar to the incurred loss impairment model for amortised cost assets under IAS 39. The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant. Also instruments classified as "Other assets" and "Prepaid expenses and accrued income" are of such a short-term nature that the impact from changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

EURm	Carrying amount	Amount to be paid at maturity
2017		
Financial liabilities designated at fair value through profit or loss	86,451	99,567
2016		
Financial liabilities designated at fair value through profit or loss	78,031	76,699

Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. The amount disclosed to be paid at maturity has been set to the carrying amount.

G40. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2017		31 Dec 2016	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	43,081	43,081	32,099	32,099
Loans	323,709	325,372	338,128	337,442
Interest-bearing securities	75,294	75,473	87,701	87,892
Financial instruments pledged as collateral	6,489	6,489	5,108	5,108
Shares	17,180	17,180	21,524	21,524
Assets in pooled schemes and unit-linked investment contracts	25,728	25,728	22,963	22,963
Derivatives	46,111	46,111	69,959	69,959
Other assets	11,795	11,795	17,986	17,986
Prepaid expenses and accrued income	999	999	966	966
Total	**550,386**	**552,228**	**596,434**	**595,939**
Financial liabilities				
Deposits and debt instruments	401,968	403,488	416,839	417,528
Deposits in pooled schemes and unit-linked investment contracts	26,333	26,333	3,527	3,527
Liabilities to policyholders	3,486	3,486	23,580	23,580
Derivatives	42,713	42,713	68,636	68,636
Other liabilities	27,254	27,254	22,399	22,399
Accrued expenses and prepaid income	246	246	290	290
Total	**502,000**	**503,520**	**535,271**	**535,960**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" below.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2017, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	309	–	–	–	309
Loans to credit institutions	–	–	1,824	–	–	–	1,824
Loans to the public	–	–	74,633	–	–	–	74,633
Interest-bearing securities[2]	27,889	3,469	50,633	4,555	168	5	78,690
Shares	13,629	8,986	1,967	1,965	1,584	927	17,180
Assets in pooled schemes and unit-linked investment contracts	24,016	20,120	1,521	1,521	342	342	25,879
Derivatives	56	–	44,544	242	1,511	–	46,111
Investment properties	–	–	–	–	1,448	1,437	1,448
Other assets	–	–	10,272	–	–	–	10,272
Total	**65,590**	**32,575**	**185,703**	**8,283**	**5,053**	**2,711**	**256,346**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	5,905	14	–	–	5,905
Deposits and borrowings from the public	–	–	9,104	–	–	–	9,104
Deposits in pooled schemes and unit-linked investment contracts	–	–	26,333	22,016	–	–	26,333
Liabilities to policyholders	–	–	3,486	3,486	–	–	3,486
Debt securities in issue	18,004	–	34,590	–	4,009	–	56,603
Derivatives	41	–	41,614	3	1,058	–	42,713
Other liabilities	8,701	–	15,720	–	–	–	24,421
Total	**26,746**	**–**	**136,752**	**25,519**	**5,067**	**–**	**168,565**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 6,489m relates to the balance sheet item Financial instruments pledged as collateral.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet
Categorisation into the fair value hierarchy

31 Dec 2016, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	100	–	–	–	100
Loans to credit institutions	–	–	2,655	–	–	–	2,655
Loans to the public	–	–	76,348	–	–	–	76,348
Interest-bearing securities[2]	51,384	12,376	38,120	6,231	210	38	89,714
Shares	17,278	15,904	461	431	3,785	3,185	21,524
Assets in pooled schemes and unit-linked investment contracts	21,314	17,409	1,633	1,633	155	155	23,102
Derivatives	69	–	68,207	807	1,683	–	69,959
Investment properties	–	–	–	–	3,119	3,104	3,119
Other assets	–	–	15,153	83	–	–	15,153
Total	**90,045**	**45,689**	**202,677**	**9,185**	**8,952**	**6,482**	**301,674**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,198	996	–	–	8,198
Deposits and borrowings from the public	–	–	8,007	–	–	–	8,007
Deposits in pooled schemes and unit-linked investment contracts	–	–	23,580	19,240	–	–	23,580
Liabilities to policyholders	–	–	3,527	3,527	–	–	3,527
Debt securities in issue[3]	48,849	–	6,340	–	–	–	55,189
Derivatives[3]	95	8	67,258	805	1,283	–	68,636
Other liabilities	6,473	–	11,248	83	–	–	17,721
Total	**55,417**	**8**	**128,158**	**24,651**	**1,283**	**–**	**184,858**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 5,108m relates to the balance sheet item Financial instruments pledged as collateral.
3) For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as Debt securities in issue and the embedded derivative as Derivatives. The total fair value of the structured bonds is EUR 6,371m, of which EUR 6,404m is categorised into Level 2 and a net negative fair value of EUR 33m into Level 3 in the fair value hierarchy.

Determination of fair value for items measured at fair value on the balance sheet

Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input have a significant impact on the fair values, certain complex or structured financial instruments and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For most non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. Volatilities and correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the

G40. Assets and liabilities at fair value, cont.

sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels is based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). Level 3 bonds are characterised by illiquidity.

For OTC derivatives valuation models are used for establishing fair value. For vanilla derivatives standard models such as Black-Scholes are used for valuation. For more exotic OTC derivatives, more complex valuation models are used. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model parameters are observable in active markets.

Valuations of Private Equity Funds (PEF) and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by Invest Europe (formerly known as EVCA). The Invest Europe guidelines are considered as best practice in the PEF industry. For US based funds, similar methods are applied.

Nordea furthermore holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower. The credit risk adjustment is calculated based on an incurred loss model.

Fair value of financial assets and liabilities is generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value of the counterparty´s credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, probabilities of defaults (PDs) and recovery rates are sourced from the CDS markets. For counterparties where this information is not directly available, PDs and recovery rates are estimated using a cross sectional approach where the illiquid counterparties are mapped to comparable liquid CDS names.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). When calculating FFVA, Nordea uses an estimated funding curve which reflects the market cost of funding.

Another important part of the portfolio adjustments serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

Significant changes to valuation methodologies during the year relate mainly to changes to the CVA/DVA methodology including modelling of the joint probability of default for highly correlated counterparts and a development of the FFVA methodology to better reflect the market price of funding.

The fair value measurement of the investment properties takes into account a market participant´s ability to generate economic benefits by using the investment properties in its highest and best use, i.e. taking into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The current use of the investment properties in Nordea is in accordance with the highest and best use. The valuation of the investment properties is carried out taking into account the purpose and the nature of the property by using the most appropriate valuation methods. The primary valuation approach is a discounted cash flow model using current cash flows, market interest rates and the current yield requirements.

Transfers between Level 1 and 2

During the year, Nordea transferred debt securities in issue of EUR 33,613m and interest-bearing securities of EUR 1,046m from Level 1 to Level 2 of the fair value hierarchy. The reason for the reclassification is an alignment of the classification processes for the government bonds and mortgage bonds across different business areas within Nordea.

During the year, Nordea also transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 2,129m (EUR 674m) from Level 1 to Level 2 and EUR 1,937m (EUR 191m) from Level 2 to Level 1 of the fair value hierarchy. Nordea has also transferred derivative assets of EUR 24m (EUR 36m) and derivatives liabilities of EUR 14m (EUR 44m) from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

G40. Assets and liabilities at fair value, cont.

Movements in Level 3

2017, EURm	1 Jan 2017	Fair value gains/ losses recognised in the income statement during the year: Realised	Fair value gains/ losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2017
Interest-bearing securities	210	1	7	–	28	–24	–1	–	–32	–20	–1	168
- of which Life	38	–	–	–	20	–	–	–	–32	–20	–1	5
Shares	3,785	9	–78	2	878	–692	–39	243	–47	–2,449	–28	1,584
- of which Life	3,185	7	–141	–	711	–521	–38	243	–47	–2,449	–23	927
Assets in pooled schemes and unit-linked investment contracts	155	–	6	–	37	–2	–2	152	–4	–	–	342
- of which Life	155	–	6	–	37	–2	–2	152	–4	–	–	342
Derivatives (net)	400	–152	–45	–	–	–	152	98	–1	–	1	453
Investment properties	3,119	–4	–7		425	–148			–6	–1,879	–52	1,448
- of which Life	3,104		–6		420	–145			–6	–1,879	–51	1,437
Debt securities in issue	–	–	–	–	–	–	–	4,009	–	–	–	4,009

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer avaliable. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G5). Assets and liabilities related to derivatives are presented net. As from 2017 embedded derivatives in issued structured bonds are presented together with the host bonds as Debt securities in issue. The combined instruments are generally classified as Level 3. Up unil 2016 the host bonds and embedded derivatives were presented separately on the balance sheet and in the fair value hierachy the host bonds in Level 2 and embedded derivatives generally in Level 3. The change in classification of the host bonds is presented as a transfer into Level 3.

2016, EURm	1 Jan 2016	Fair value gains/ losses recognised in the income statement during the year: Realised	Fair value gains/ losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2016
Interest-bearing securities	250	1	–18	–	4	–5	–1	1	– 21	–	–1	210
- of which Life	45	–	–2	–	–	–3	–	–		–	–2	38
Shares	4,854	67	–52	–	2,799	–1,793	–80	541	–2,565	–	14	3,785
- of which Life	4,188	9	–54	–	2,703	–1,573	–78	541	–2,565	–	14	3,185
Assets in pooled schemes and unit-linked investment contracts	135	–	21	–	6	–7	–	–	–	–	–	155
- of which Life	135	–	21	–	6	–7	–	–	–	–	–	155
Derivatives (net)	131	32	133	–	–	–	–32	8	127	–	1	400
Investment properties	3,054	0	60	–	378	–350	–	–	1	–64	40	3,119
- of which Life	2,974	–	60	–	365	–336	–	–	1	–	40	3,104

The valuation processes for fair value measurements Financial instruments

The valuation process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by separate control units. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by using independently sourced data that best reflects the market. Finally the results of valuation testing and valuations are analysed and any findings are escalated with the Group Valuation Committee as decision making body.

G40. Assets and liabilities at fair value, cont.

The verification of the correctness of prices and other paramenters is for most products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality assessment is used in the measurement of the valuation uncertainty.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continous basis.

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the business areas. These teams are responsible for 2nd line of defence oversight for valuations with independent reporting responsibilities towards the CRO and the BAC.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which are in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC report quarterly to the Nordea Group Valuation Committee.

Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G40. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2017, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	162	–	Discounted cash flows	Credit spread	–1/1
Corporates	6	5	Discounted cash flows	Credit spread	–0/0
Total	**168**	**5**			**–1/1**
Shares					
Private equity funds	714	450	Net asset value[3]		–80/80
Hedge funds	118	88	Net asset value[3]		–10/10
Credit Funds	405	202	Net asset value/market consensus[3]		–28/28
Other funds	245	152	Net asset value/fund prices[3]		–21/21
Other[4]	293	226	–		–13/13
Total	**1,775**	**1,118**			**–152/152**
Derivatives					
Interest rate derivatives	332	–	Option model	Correlations	–13/14
				Volatilities	
Equity derivatives	76	–	Option model	Correlations	–14/7
				Volatilities	
				Dividend	
Foreign exchange derivatives	–2	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	25	–	Credit derivative model	Correlations	–14/12
				Recovery rates	
				Volatilities	
Other	22	–	Option model	Correlations	–0/0
				Volatilities	
Total	**453**	**–**			**–41/33**
Debt securities in issue					
Issued structured bonds	4,009	–	Credit derivative model	Correlations	–20/20
				Recovery rates	
				Volatilities	
Total	**4,009**	**–**			**–20/20**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.
2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.
3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 31% to 100% compared to the values received from suppliers/custodians.
4) Of which EUR 191m related to assets in pooled schemes and unit-linked investment.

The table above shows, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

The column "range of fair value" in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments only the net impact is disclosed in the table. The ranges disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a total range of 2–10 percentage units depending of the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

G40. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2016, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	171	–	Discounted cash flows	Credit spread	–2/2
Corporates	39	38	Discounted cash flows	Credit spread	–2/2
Total	**210**	**38**			**–4/4**
Shares					
Private equity funds	1,955	1,729	Net asset value[3]		–230/230
Hedge funds	390	311	Net asset value[3]		–32/32
Credit Funds	1,224	1,047	Net asset value/market consensus[3]		–77/77
Other funds	99	64	Net asset value/fund prices[3]		–13/13
Other[4]	133	50	–		–11/11
Total	**3,801**	**3,201**			**–363/363**
Derivatives					
Interest rate derivatives	332	–	Option model	Correlations	–20/17
				Volatilities	
Equity derivatives	74	–	Option model	Correlations	–18/11
				Volatilities	
				Dividend	
Foreign exchange derivatives	–6	–	Option model	Correlations	+/–0
				Volatilities	
Credit derivatives	–32	–	Credit derivative model	Correlations	–13/10
				Recovery rates	
				Volatilities	
Other	32	–	Option model	Correlations	+/–0
				Volatilities	
Total	**400**				**–51/38**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Less than 15% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 36% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 16m related to assets in pooled schemes and unit-linked investment.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2017, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	530	530	Discounted cash flows	Market rent		
				Commercial	273 EUR/m^2	273 EUR/m^2
				Office	194–737 EUR/m^2	283 EUR/m^2
				Apartment	206 EUR/m^2	206 EUR/m^2
				Other	128 EUR/m^2	128 EUR/m^2
				Yield requirement		
				Commercial	5.7% – 5.7%	5.7%
				Office	3.9% – 6.4%	5.1%
				Apartment	4.5% – 4.5%	4.5%
				Other	6.0% – 9.5%	7.0%
Finland[3]	839	839	Discounted cash flows[2]	Market rent		
				Commercial	150–240 EUR/m^2	195 EUR/m^2
				Office	98–300 EUR/m^2	199 EUR/m^2
				Apartment	189–297 EUR/m^2	243 EUR/m^2
				Other	225–279 EUR/m^2	252 EUR/m^2
				Yield requirement		
				Commercial	5.8% – 7.0%	6.4%
				Office	4.5% – 8.3%	6.4%
				Apartment	3.3% – 4.8%	4.0%
				Other	4.5% – 6.3%	5.4%
Sweden	219	219	Discounted cash flows[2]	Market rent		
				Commercial	114–213 EUR/m$_2$	149 EUR/m^2
				Office	238–239 EUR/m^2	239 EUR/m^2
				Apartment	167–172 EUR/m^2	169 EUR/m^2
				Other	67–82 EUR/m^2	69 EUR/m^2
				Yield requirement		
				Commercial	5.5% – 6.5%	6.0%
				Office	4.8% – 5.1%	4.9%
				Apartment	3.8% – 4.8%	4.3%
				Other	5.8% – 7.3%	6.1%
Other	11		Discounted cash flows	–	–	–
Total	**1,599**	**1,588**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 151m related to investment properties in pooled schemes and unit-linked investments in Life.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2016, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,761	1,751	Discounted cash flows	Market rent		
				Commercial	75–320 EUR/m²	179 EUR/m²
				Office	32–332 EUR/m²	111 EUR/m²
				Apartment	88–250 EUR/m²	174 EUR/m²
				Yield requirement		
				Commercial	4.9% – 9.5%	7.5%
				Office	3.9% – 9.3%	6.0%
				Apartment	3.5% – 6.0%	4.2%
Norway	568	567	Discounted cash flows	Market rent		
				Commercial	47–294 EUR/m²	163 EUR/m²
				Office	156–792 EUR/m²	293 EUR/m²
				Apartment	187 EUR/m²	187 EUR/m²
				Other	29–190 EUR/m²	122 EUR/m²
				Yield requirement		
				Commercial	5.6% – 6.0%	5.8%
				Office	4.0% – 7.5%	5.3%
				Apartment	4.6% – 4.6%	4.6%
				Other	5.3% – 8.5%	7.3%
Finland[3]	725	725	Discounted cash flows[2]	Market rent		
				Commercial	136–324 EUR/m²	210 EUR/m²
				Office	126–300 EUR/m²	187 EUR/m²
				Apartment	182–300 EUR/m²	240 EUR/m²
				Other	94–117 EUR/m²	97 EUR/m²
				Yield requirement		
				Commercial	4.8% – 6.9%	5.8%
				Office	4.8% – 8.0%	6.4%
				Apartment	3.5% – 5.0%	4.3%
				Other	6.2% – 8.0%	7.1%
Sweden	200	200	Discounted cash flows[2]	Market rent		
				Commercial	112–190 EUR/m²	157 EUR/m²
				Office	237 EUR/m²	237 EUR/m²
				Apartment	144–169 EUR/m²	151 EUR/m²
				Other	69 EUR/m²	69 EUR/m²
				Yield requirement		
				Commercial	5.7% – 6.8%	6.0%
				Office	4.9% – 5.0%	4.9%
				Apartment	3.2% – 4.0%	3.5%
				Other	7.0% – 7.3%	7.1%
Other	4	–	Discounted cash flows	–	–	–
Total	**3,258**	**3,243**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 139m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the trans-

G40. Assets and liabilities at fair value, cont.

action price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see, Note G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

Deferred day 1 profit – derivatives, net

EURm	2017	2016
Amount at beginning of year	23	34
Deferred profit/loss on new transactions	89	19
Recognised in the income statement during the year[1]	–54	–30
Amount at end of year	**58**	**23**

1) Of which EUR –2m (EUR –14m) due to transfers of derivatives from Level 3 to Level 2.

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2017		31 Dec 2016		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	43,081	43,081	32,099	32,099	3
Loans	246,943	248,606	259,025	258,339	3
Interest-bearing securities	3,093	3,272	3,095	3,286	1,2
Other assets	1,523	1,523	2,833	2,833	3
Prepaid expenses and accrued income	999	999	966	966	3
Total	**295,639**	**297,481**	**298,018**	**297,523**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	330,356	331,876	345,445	346,134	3
Other liabilities	2,833	2,833	4,678	4,678	3
Accrued expenses and prepaid income	246	246	290	290	3
Total	**333,435**	**334,955**	**350,413**	**351,102**	

Cash and balances with central banks

The fair value of "Cash and balances with central banks" is, due to its short term nature, assumed to equal the carrying amount and is thus categorised into Level 3 in the fair value hierarchy.

Loans

The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Commercial & Business Banking and Wholesale Banking respectively.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest-bearing securities

The fair value is EUR 3,272m (EUR 3,286m), of which EUR 92m (EUR 0m) is categorised in Level 1 and EUR 3,180m (EUR 3,286m) in Level 2. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income

The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments

The fair value of "Deposits by credit institutions", "Deposits and borrowings from the public", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income

The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

G41. Financial instruments set off on balance or subject to netting agreements

				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	–	–
Securities borrowing agreements	5,781	–	5,781	–	–5,781	–	–
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.

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2016, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	242,279	–172,626	69,653	–49,528	–	–7,547	12,578
Reverse repurchase agreements	31,772	–9,991	21,781	–	–21,781	–	–
Securities borrowing agreements	4,547	–	4,547	–	–4,547	–	–
Total	**278,598**	**–182,617**	**95,981**	**–49,528**	**–26,328**	**–7,547**	**12,578**

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2016, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	239,120	–172,626	66,494	–49,528	–	–8,031	8,935
Repurchase agreements	21,838	–9,991	11,847	–	–11,847	–	–
Securities lending agreements	2,245	–	2,245	–	–2,245	–	–
Total	**263,203**	**–182,617**	**80,586**	**–49,528**	**–14,092**	**–8,031**	**8,935**

1) All amounts are measured at fair value.

2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

G41. Financial instruments set off on balance or subject to netting agreements, cont.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea would be allowed to benefit from netting in the case of default by its counter parties, in any calculations involving counterparty credit risk.

For a description of counterparty risk see section Risk, Liquidity and Capital management, in the Board of Directors' report.

G42. Disposal groups held for sale

Balance sheet - Condensed[1]

EURm	2017	2016
Assets		
Loans to credit institutions	394	34
Loans to the public	–	8,556
Interest-bearing securities	6,051	58
Financial instruments pledged as collateral	1,477	–
Shares	10,361	0
Derivatives	1,184	2
Investments	267	5
Investment property	1,879	44
Other assets	573	198
Total assets held for sale	**22,186**	**8,897**
Liabilities		
Deposits by credit institutions	643	22
Deposits and borrowings from the public	–	4,776
Liabilities to policyholders	23,316	–
Derivativies	810	1
Current tax	921	12
Other liabilities	341	77
Total liabilities held for sale	**26,031**	**4,888**

1) Includes the external assets and liabilities held for sale.

Assets and liabilities held for sale as of 31 December 2017 relate to Nordea's earlier announced decision to sell additional 45 per cent of the shares in Danish Nordea Liv & Pension, livforsikringsselskab A/S. The sale is conditional on approval by the relevant authorities anticipated in the first quarter 2018. The individual assets and liabilities will be derecognised in Nordea's balance sheet, and an investment in an associated company recognised from Nordeas's balance sheet, when all approvals have been received and the transaction has been closed. The disposal group is included in the segment "Life & Pension unallocated" in Note G2 "Segment reporting".

Assets and liabilities held for sale as of 31 December 2016 related to Nordea's decision to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities were derecognised from Nordea's balance sheet, and an investment in an associated company was recognised, at closing in Q4 2017. The disposal group is included in the "Other operating segments" in Note G2 " Segment reporting".

On 25 January Nordea announced its intention to divest a part of its Luxembourg-based private banking business. The closing of the transaction is expected during the second half of 2018 and remain subject to applicable regulatory approvals and a number of conditions. The disposal group was not reclassified to "Assets/liabilities held for sale" in 2017 due to that the transaction was at the end of 2017 not considered highly probable. The disposal group consist of Loans to the public of EUR 1.3bn and Deposits and borrowings from the public of EUR 2.6bn. The disposal group is included in the operating segment Private Banking within Wealth Management in Note G2.

G43. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions result in that securities are returned to Nordea, all risks and rewards of the instruments transferred are retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterparts in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Interest-bearing securities	6,489	5,108
Securities lending agreements		
Shares	–	–
Total	**6,489**	**5,108**

Liabilities associated with the assets

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Deposits by credit institutions	3,670	2,475
Deposits and borrowings from the public	2,896	2,491
Securities lending agreements		
Deposits by credit institutions	–	–
Total	**6,566**	**4,966**
Net	**–77**	**142**

G43. Transferred assets and obtained collaterals, cont.

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2017	31 Dec 2016
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	28,706	30,002
- of which repledged or sold	16,263	16,129
Securities borrowing agreements		
Received collaterals which can be repledged or sold	7,138	4,552
- of which repledged or sold	–	47
Total	**35,844**	**34,554**

G44. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2017 Expected to be recovered or settled:			31 Dec 2016 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		43,081	–	43,081	32,099	–	32,099
Loans to central banks	G13	4,796	–	4,796	11,235	–	11,235
Loans to credit institutions	G13	7,143	1,449	8,592	4,236	4,790	9,026
Loans to the public	G13	85,059	225,099	310,158	71,245	246,444	317,689
Interest-bearing securities	G14	22,594	52,700	75,294	19,131	68,570	87,701
Financial instruments pledged as collateral	G15	3,496	2,993	6,489	1,194	3,914	5,108
Shares	G16	6,680	10,500	17,180	1,410	20,114	21,524
Assets in pooled schemes and unit-linked investment contracts	G17	16,832	9,047	25,879	7,775	15,327	23,102
Derivatives	G18	8,674	37,437	46,111	12,764	57,195	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk		13	150	163	31	147	178
Investments in associated undertakings and joint ventures	G19	–	1,235	1,235	0	588	588
Intangible assets	G20	89	3,894	3,983	102	3,690	3,792
Properties and equipment		81	543	624	6	560	566
Investment properties	G22	8	1,440	1,448	3	3,116	3,119
Deferred tax assets	G11	54	64	118	30	30	60
Current tax assets		121	–	121	288	–	288
Retirement benefit assets	G32	0	250	250	2	304	306
Other assets	G23	12,391	50	12,441	18,914	59	18,973
Prepaid expenses and accrued income	G24	1,121	342	1,463	1,098	351	1,449
Assets held for sale	G42	22,186	–	22,186	8,897	–	8,897
Total assets		**234,419**	**347,193**	**581,612**	**190,460**	**425,199**	**615,659**
Deposits by credit institutions	G25	35,438	4,545	39,983	35,750	2,386	38,136
Deposits and borrowings from the public	G26	148,706	23,728	172,434	169,982	4,046	174,028
Deposits in pooled schemes and unit-linked investment contracts	G17	5,632	20,701	26,333	9,327	14,253	23,580
Liabilities to policyholders	G27	2,086	17,326	19,412	2,274	38,936	41,210
Debt securities in issue	G28	64,930	114,184	179,114	64,406	127,344	191,750
Derivatives	G18	7,462	35,251	42,713	14,243	54,393	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk		571	879	1,450	1,168	1,298	2,466
Current tax liabilities		389	–	389	487	–	487
Other liabilities	G29	28,290	225	28,515	24,271	142	24,413

G44. Maturity analysis for assets and liabilities, cont.

Expected maturity, cont.

		31 Dec 2017 Expected to be recovered or settled:			31 Dec 2016 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Accrued expenses and prepaid income	G30	1,547	56	1,603	1,718	40	1,758
Deferred tax liabilities	G11	94	628	722	75	755	830
Provisions	G31	289	40	329	209	97	306
Retirement benefit liabilities	G32	11	270	281	5	297	302
Subordinated liabilities	G33	943	8,044	8,987	1,590	8,869	10,459
Liabilities held for sale	G42	26,031	–	26,031	4,888	–	4,888
Total liabilities		**322,419**	**225,877**	**548,296**	**330,393**	**252,856**	**583,249**

Contractual undiscounted cash flows

31 Dec 2017, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	55,643	75,852	47,530	145,601	222,431	547,057
Non interest-bearing financial assets	–	–	–	–	87,092	87,092
Non-financial assets	–	–	–	–	9,040	9,040
Total assets	**55,643**	**75,852**	**47,530**	**145,601**	**318,563**	**643,189**
Interest-bearing financial liabilities	142,574	95,830	42,631	103,679	41,550	426,264
Non interest-bearing financial liabilities	–	–	–	–	138,692	138,692
Non-financial liabilities and equity	–	–	–	–	53,581	53,581
Total liabilities and equity	**142,574**	**95,830**	**42,631**	**103,679**	**233,823**	**618,537**
Derivatives, cash inflow	–	551,182	142,235	241,873	15,695	950,985
Derivatives, cash outflow	–	547,892	139,470	246,203	16,221	949,786
Net exposure	**–**	**3,290**	**2,765**	**–4,330**	**–526**	**1,199**
Exposure	**–86,931**	**–16,688**	**7,664**	**37,592**	**84,214**	**25,851**
Cumulative exposure	**–86,931**	**–103,619**	**–95,955**	**–58,363**	**25,851**	**–**

31 Dec 2016, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	53,094	76,815	43,924	159,816	240,561	574,210
Non interest-bearing financial assets	–	–	–	–	74,321	74,321
Non-financial assets	–	–	–	–	10,328	10,328
Total assets	**53,094**	**76,815**	**43,924**	**159,816**	**325,210**	**658,859**
Interest-bearing financial liabilities	150,378	94,422	48,371	106,640	48,356	448,167
Non interest-bearing financial liabilities	–	–	–	–	127,851	127,851
Non-financial liabilities and equity	–	–	–	–	75,500	75,500
Total liabilities and equity	**150,378**	**94,422**	**48,371**	**106,640**	**251,707**	**651,518**
Derivatives, cash inflow	–	576,857	155,966	229,126	29,417	991,366
Derivatives, cash outflow	–	574,442	158,633	229,672	28,899	991,646
Net exposure	**–**	**2,415**	**–2,667**	**–546**	**518**	**–280**
Exposure	**–97,284**	**–15,192**	**–7,114**	**52,630**	**74,021**	**7,061**
Cumulative exposure	**–97,284**	**–112,476**	**–119,590**	**–66,960**	**7,061**	**–**

The table is based on contractual maturities for the balance sheet items. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis.
In addition to the instruments on the balance sheet items, Nordea has credit commitments amounting to EUR 74,545m (EUR 78,005m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 17,335m (EUR 21,034m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section “Risk, Liquidity and Capital management”.

G45. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Assets				
Loans	170	438	–	–
Interest-bearing securities	0	24	–	–
Derivatives	2	46	–	–
Investments in associated undertakings	1,235	588	–	–
Total assets	**1,407**	**1,096**	**–**	**–**
Liabilities				
Deposits	17	65	77	36
Derivatives	0	26	–	–
Total liabilities	**17**	**91**	**77**	**36**
Off balance[2]	**2,075**	**3,428**	**–**	**–**

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	2017	2016	2017	2016
Net interest income	1	1	–	–
Net fee and commission income	3	3	–	–
Net result from items at fair value	0	51	–	–
Profit before loan losses	**4**	**55**	**–**	**–**

1) Shareholders with significant influence and close family members to key management personell in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risk-taking, the transactions are not included in the table. Nordea has thus not disclosed any transactions with shareholders with significant influence.

2) Including nominal values on derivatives.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the accumulated negative fair value of the contract as of the balance sheet date amounts to approx EUR 23m. This agreement was terminated 31 December 2017 and the final payment of the Portfolio Performance Amount was paid 15 January 2018 including a termination fee.

G46. Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital Management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2017, which is available on www.nordea.com. Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report. The Pillar III report contains the disclosures required by the Capital Requirements Regulation (CRR). The Pillar III disclosure is aligned to how Nordea manages credit risk and is believed to be the best way to explain the credit risk exposures in Nordea. Credit risk exposures occur in different forms and are divided into the following types:

Exposure types[1]

EURm	31 Dec 2017	31 Dec 2016
On-balance sheet items	404,263	411,692
Off-balance sheet items	48,515	53,849
Securities financing	5,310	4,388
Derivatives	17,520	29,240
Exposure At Default (EAD)	**475,608**	**499,169**

1) Securitisation positions are included in the table.

Tables presented in this note, containing exposure, are presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

Link between credit risk exposure and the balance sheet

This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRR. The main differences are outlined in this section to illustrate the link between the different reporting methods. Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure, unless otherwise stated. In accordance with the CRR, credit risk exposure presented in this note is divided into exposure classes where each exposure class is divided into exposure types as follows:
- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):
- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

G46. Credit risk disclosures, cont.

The table below shows the link between the CRR credit risk exposure and items presented in the Annual Report.

On-balance sheet items

The following items are excluded from the balance sheet, when on-balance sheet exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances and intangible assets.

Off-balance sheet items

The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- "Assets pledged as security for own liabilities" and "Other assets pledged" (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives

Derivatives and securities financing

The fair value of derivatives is recognised on the balance sheet in accordance with accounting standards. However, in the CRR, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRR calculations these exposure types are determined net of the collateral.

On-balance sheet items[1]

EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items not according to CRR	Other	Balance sheet
31 Dec 2017						
Cash and balances with central banks	44,503	–	–	0	–1,422	43,081
Loans to credit institutions and central banks	9,396	2	3,951	218	–179	13,388
Loans to the public	293,240	–2	23,084	–3,059	–3,105	310,158
Interest-bearing securities and pledged instruments	52,482	18,272	–	11,028	–	81,782
Derivatives[2]	0	–	47,370	–1,259	–	46,111
Intangible assets	–	–	–	153	3,829	3,983
Other assets and prepaid expenses	5,831	20,691	–	55,968	620	83,109
Total assets	**405,452**	**38,963**	**74,405**	**63,049**	**–257**	**581,612**
Exposure at default[3]	**404,263**					
31 Dec 2016						
Cash and balances with central banks	32,192	–	–	–93	–	32,099
Loans to credit institutions and central banks	17,178	0	2,755	343	–16	20,260
Loans to the public	303,662	0	26,590	–13,031	468	317,689
Interest-bearing securities and pledged instruments	54,156	17,345	–	21,308	–	92,809
Derivatives[2]	–	–	71,147	–1,188	–	69,959
Intangible assets	0	–	–	357	3,435	3,792
Other assets and prepaid expenses	5,440	23,375	–	49,428	808	79,051
Total assets	**412,628**	**40,720**	**100,492**	**57,124**	**4,695**	**615,659**
Exposure at default[3]	**411,692**					

1) Securitisation positions are included in the table.
2) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.
3) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

G46. Credit risk disclosures, cont.

Off-balance sheet items[1]

31 Dec 2017, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	18,978	42	–	19,020
Commitments	75,553	1,479	–	77,032
Total	**94,531**	**1,521**	**–**	**96,052**

31 Dec 2017, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	39,725	4,231	43,956	51%	22,426
Checking accounts	19,333	48	19,381	53%	10,189
Loan commitments	16,485	1,064	17,549	52%	9,167
Guarantees	17,783	–	17,783	36%	6,361
Other	1,205	–	1,205	31%	372
Total	**94,531**	**5,343**	**99,874**		**48,515**

31 Dec 2016, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	23,051	38	–	23,089
Commitments	78,271	1,163	–	79,434
Total	**101,322**	**1,201**	**–**	**102,523**

31 Dec 2016, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	48,900	1,277	50,177	53%	26,365
Checking accounts	16,204	3,913	20,117	54%	10,883
Loan commitments	13,089	2,507	15,596	47%	7,291
Guarantees	21,566	–	21,566	41%	8,778
Other	1,563	14	1,577	34%	532
Total	**101,322**	**7,711**	**109,033**		**53,849**

1) Securitisation positions are included in the table.

At year-end, 95% of the total credit risk original exposure was calculated using the IRB approach compared to 79% at year end 2016. The total IRB exposures consists mainly of corporate and retail exposures. The main driver of change during 2017 was the IRB sovereign roll out which occurred in the second quarter. This was partly offset by the transfer of the Baltic exposures to Luminor Bank which Nordea proportionally consolidates under the standardised approach.

G46. Credit risk disclosures, cont.

Exposure classes split by exposure type

31 Dec 2017, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,068	1,053	1,662	3,975	84,758
Institutions	33,719	817	2,475	5,422	42,433
Corporate	109,735	27,969	1,168	8,031	146,903
Retail[1]	167,876	17,051	2	79	185,008
Securitisation	6,813	1,586	–	–	8,399
Other	8,052	39	3	13	8,107
Total exposure	**404,263**	**48,515**	**5,310**	**17,520**	**475,608**

31 Dec 2016, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,537	898	810	4,967	85,212
Institutions	30,766	962	2,014	10,272	44,014
Corporate	115,663	34,914	1,275	13,492	165,344
Retail[1]	171,122	15,368	2	198	186,690
Securitisation	6,907	1,493	–	–	8,400
Other	8,697	214	287	311	9,509
Total exposure	**411,692**	**53,849**	**4,388**	**29,240**	**499,169**

1) Includes exposures secured by real estate.

Exposure split by geography and exposure classes

31 Dec 2017, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	44,074	6,877	24,091	3,494	9,612	1,603	211	28,343	10,527	84,758
Institutions	32,515	14,795	184	6,261	11,275	48	128	525	9,217	42,433
Corporate	120,309	37,717	25,023	26,604	30,965	4,482	1,990	1,848	18,274	146,903
Retail[1]	180,117	52,072	41,651	30,566	55,828	1,322	14	213	3,342	185,008
Other	3,948	976	415	875	1,682	3,244	48	356	511	8,107
Total exposure[2]	**380,963**	**112,437**	**91,364**	**67,800**	**109,362**	**10,699**	**2,391**	**31,285**	**41,871**	**467,209**

31 Dec 2016, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	41,183	15,196	10,588	4,165	11,234	276	157	35,292	8,304	85,212
Institutions	26,855	11,693	133	5,008	10,021	8	245	685	16,221	44,014
Corporate	130,745	40,484	27,621	29,104	33,536	5,407	2,340	2,301	24,551	165,344
Retail[1]	180,536	52,401	40,129	31,530	56,476	3,476	240	4	2,434	186,690
Other	5,352	1,049	1,355	1,015	1,933	176	90	145	3,746	9,509
Total exposure[2]	**384,671**	**120,823**	**79,826**	**70,822**	**113,200**	**9,343**	**3,072**	**38,427**	**55,256**	**490,769**

1) Includes exposures secured by real estate.
2) Securitisation positions are not included in the table.

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (statistical classification codes of economic activities in the European community). The corporate portfolio is well diversified between industry groups. The real estate management and investment is the industry group which has the largest share of total corporate exposures; together with the second largest corporate exposure industry group - other financial institutions – they account for 41% of total IRB corporate exposure. The retail portfolio consists mainly of residential mortgages classified under other, public and organisations industry group, which accounts for 98% of total retail IRB exposure. Between 2016 and 2017, the corporate portfolio decareased the most within shipping and offshore industry group. In the IRB retail portfolio, the counterparties classified as other, public and organisations continue to comprise the main part of the retail exposure class and drives the total increase in IRB retail exposures.

In the standardised approach, excluding Luminor, the decreased exposures were mainly explained by an IRB roll-out of sovereign exposures during 2017.

G46. Credit risk disclosures, cont.

Exposure split by industry sector[1]

EURm	31 Dec 2017	31 Dec 2016
Construction and engineering	6,136	6,399
Consumer durables (cars, appliances etc)	2,945	3,184
Consumer staples (food, agriculture etc)	11,570	12,271
Energy (oil, gas etc)	2,923	4,202
Health care and pharmaceuticals	1,425	1,623
Industrial capital goods	3,871	4,589
Industrial commercial services	15,276	14,342
IT software, hardware and services	1,826	1,811
Media and leisure	2,403	2,644
Metals and mining materials	997	1,160
Other financial institutions	60,322	65,060
Other materials (chemical, building materials etc)	5,336	6,303
Other, public and organisations	273,007	278,222
Paper and forest material	1,559	2,542
Real estate management and investment	44,964	45,534
Retail trade	10,960	12,788
Shipping and offshore	9,500	12,595
Telecommunication equipment	209	255
Telecommunication operators	1,452	1,727
Transportation	4,279	4,583
Utilities distribution and production	6,249	8,935
Total exposure	**467,209**	**490,769**

1) Securitisation positions are not included in the table.

At the end of 2017, the share of total exposure secured by eligible collateral remained stable at 44% (44%). The corresponding figure for the IRB portfolio was 45% (56%). The decrease is mainly driven by the inclusion of sovereign exposures, that utilise relatively less collateral than retail or corporate, in the IRB portfolio. Approximately 3% (3%) of total exposure was secured by guarantees and credit derivatives.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2017, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	86,588	84,758	522	893
Institutions	45,094	42,433	205	196
Corporate	184,070	146,903	10,849	60,677
Retail[1]	194,360	185,008	2,286	143,992
Other	8,570	8,107	41	52
Total exposure[2]	**518,682**	**467,209**	**13,903**	**205,810**

31 Dec 2016, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	85,311	85,212	631	0
Institutions	45,816	44,014	121	403
Corporate	205,698	165,344	10,969	69,018
Retail[1]	198,957	186,690	1,859	148,278
Other	10,087	9,509	21	60
Total exposure[2]	**545,869**	**490,769**	**13,601**	**217,759**

1) Includes exposures secured by real estate.
2) Securitisation positions are not included in the table.

Collateral distribution

The table presents the distribution of collateral used in the capital adequacy calculation process. The table shows that real estate collateral had the major share with a stable 74% (72%) of total eligible collateral. Commerical real estate decreased somewhat to 17% (18%). For the other collateral categories, the proportions remained relatively stable in 2017.

	31 Dec 2017	31 Dec 2016
Financial Collateral	1.2%	1.4%
Receivables	0.9%	1.0%
Residential Real Estate	73.7%	71.9%
Commercial Real Estate	16.6%	17.8%
Other Physical Collateral	7.6%	7.9%
Total	**100.0%**	**100.0%**

G46. Credit risk disclosures, cont.

Loan-to-value distribution

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV bucket based on the LTV ratio. In 2017, the proportion of the lowest LTV bucket increased slightly, offset mostly by the second highest LTV bucket.

Retail mortgage exposure

	31 Dec 2017		31 Dec 2016	
	EURbn	%	EURbn	%
<50%	110.3	80	110.3	79
50–70%	20.2	15	20.8	15
70–80%	4.6	3	4.9	4
80–90%	1.4	1	1.9	1
>90%	0.7	1	0.9	1
Total	**137.2**	**100**	**138.8**	**100**

Collateralised Debt Obligations (CDO)

Nordea acts as an intermediary in the credit derivatives market, mainly in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and synthetic CDOs. When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

Credit derivative transactions create counterparty credit risk in a similar manner to other derivative transactions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements.

Forbearance

EURm	31 Dec 2017	31 Dec 2016
Forborne loans	5,357	6,063
- of which defaulted	2,896	2,696
Allowances for individually assessed impaired and forborne loans	802	887
- of which defaulted	802	887

Key ratios

%	31 Dec 2017	31 Dec 2016
Forberance ratio[1]	1.7%	1.8%
Forbearance coverage ratio[2]	15%	15%
- of which defaulted	28%	33%

1) Forborne loans / Loans before allowances.
2) Individual allowances / Forborne loans.

Assets taken over for protection of claims[1]

EURm	31 Dec 2017	31 Dec 2016
Current assets, carrying amount:		
Land and buildings	9	9
Shares and other participations	1	1
Other assets	2	3
Total	**12**	**13**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, not considered impaired, were at end of 2017 EUR 747m, up from EUR 704m one year ago, and past due loans for household customers decreased to EUR 1,286m (EUR 1,410m).

	31 Dec 2017		31 Dec 2016	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	374	802	376	939
31–60 days	133	233	134	239
61–90 days	84	84	73	94
>90 days	156	167	121	138
Total	**747**	**1,286**	**704**	**1,410**
Past due not impaired loans divided by loans to the public after allowances, %	0.51	0.81	0.46	0.88

Loans to corporate customers, by size of loans

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 68% (69%) of the corporate volume represents loans up to EUR 50m per customer.

	31 Dec 2017		31 Dec 2016	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	64.2	44	68.3	45
10–50	35.8	24	37.3	24
50–100	19.5	13	19.9	13
100–250	17.0	12	17.7	12
250–500	5.9	4	4.7	3
500–	4.6	3	5.1	3
Total	**147.0**	**100**	**153.0**	**100**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note G14 "Interest-bearing securities" where the carrying amount of interest-bearing securities is split on different types of counterparties.

G47. Interests in structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It normally has restricted activities with a narrow and well defined objective. If Nordea controls such an entity, it is consolidated.

Consolidated structured entities

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities of maximum EUR 1,060m (EUR 1,330m) and at year-end EUR 895m (EUR 861m) where utilised. Total assets in the conduit were EUR 923m (EUR 919m) as per year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from that the payments are dependent on the pace in which Viking realises its assets.

Kalmar Structured Finance A/S was established to allow customers to invest instructured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby acquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 1m (EUR 1m) at year-end. Nordea holds CLNs issued by the SPE as part of offering a secondary market for the notes. The investment amounted to EUR 1m (EUR 1m) at year-end.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities of maximum EUR 125m (EUR 125m) and at year-end EUR 113m (EUR 108m) were utilised. The entity holds assets of EUR 125m (EUR 110m) as per year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest, but do not control, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interests in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products where Nordea invests in investment funds:

a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) to hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in value on investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor stands the investment risk are reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in value on investment funds held on behalf of other policyholders are to a large extent passed on to the policyholders, but as Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value.

Investment funds acquired to hedge exposures in structured products reduce the exposures and, to the extent hedges are effective, Nordea is not exposed to changes in value. The maximum loss on these funds is estimated to EUR 6m (EUR 5m), net of hedges.

Investments in illiquid private equity and credit funds are an integrated part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated to EUR 469m (EUR 429m), equal to the investment in the funds.

Nordea's interests in unconsolidated structured entities and any related liability are disclosed in the table below.

EURm	31 Dec 2017	31 Dec 2016
Assets, carrying amount:		
Shares	9,306	16,952
Assets in pooled schemes and unit linked investment contracts	21,630	18,151
Assets held for sale	8,389	–
Total assets	**39,325**	**35,103**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit linked investment contracts	787	1,054
Liabilities to policyholders	29,937	33,682
Derivatives	0	198
Liabilities held for sale	8,389	–
Total liabilities	**39,113**	**34,934**
Off balance, nominal amount:		
Loan commitments	0	22

Nordea holds approximately 2,500 different funds which are classified as unconsolidated structured entities, of which approximately 400 are managed by Nordea. These have different investment mandates and risk appetites, ranging from low risk government bond funds to high risk leveraged equity funds. Total assets in funds managed by Nordea amount to EUR 165bn (EUR 157bn). All funds are financed by deposits from the holders of fund units. The total assets in investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and is thus not disclosed.

Nordea has not sponsored any unconsolidated structured entity in which Nordea do not currently have an interest.

G48. Country by country reporting

In accordance with the requirements under FFFS 2008:25, the table below presents for each country where Nordea is established, i.e. where Nordea has a physical presence, information about the businesses, the geografical area, average number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have physical presence in a country if Nordea has a subsidiary, associated undertaking or branch in that country. Nordea has not received any significant government subsidiaries.

			2017				2016			
Country	Business[1]	Geographical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, WB, AM, LP	Denmark	9,136	2,929	1,099	–227	8,717	2,988	1,258	–265
Finland	RB, WB, AM, LP	Finland	7,032	1,986	976	–211	7,104	1,918	978	–178
Sweden	RB, WB, AM, LP	Sweden	7,462	2,647	541	–183	7,276	3,021	961	–182
Norway	RB, WB, AM, LP	Norway	3,127	1,698	921	–211	3,140	1,595	895	–96
Russia	WB	Russia	606	98	34	–8	829	158	85	–19
Poland	Other	Poland	2,060	75	1	0	1,571	65	9	0
Estonia	RB, WB, LP	Estonia	502	82	41	–7	559	105	51	–9
Latvia	RB, WB	Latvia	364	57	29	–6	457	84	46	–7
Luxembourg	AM, LP	Luxembourg	451	386	226	–65	426	339	223	–65
Lithuania	RB, WB, LP	Lithuania	305	42	24	–3	378	55	26	–4
United States	RB, WB, AM, LP	New York	123	111	71	–21	120	145	83	–26
United Kingdom	RB, WB, AM, LP	London	68	110	–3	0	77	129	–3	–3
Singapore	WB	Singapore	81	40	31	–4	85	47	0	0
Germany	WB, AM	Frankfurt	43	25	14	–4	55	33	10	–6
Switzerland	AM	Zürich	22	7	–6	0	29	11	2	0
China	WB	Shanghai	31	7	–1	0	30	6	0	1
Italy	AM	Rome	9	5	0	0	7	4	1	0
Spain	AM	Madrid	7	2	0	0	5	2	0	0
Brazil	WB	Sao Paolo	5	2	0	0	5	2	0	0
France	AM	Paris	3	2	0	0	3	1	0	0
Eliminations[3]			–	–842	–	–	–	–781	–	–
Total			**31,437**	**9,469**	**3,998**	**–950**	**30,873**	**9,927**	**4,625**	**–859**

1) RB=Retail banking, WB=Wholesale banking, AM=Asset management, LP= Life and pension.

2) Total operating income presented in this table is split on countries based on where Nordea has a physical presence, i.e. where Nordea has a subsidiary, associated undertaking or branch, while total operating profit presented in Note G2 "Segment reporting" is split on countries based on the location of the customers´ operations.

3) Eliminations of transactions consist mainly of intra-group IT-services.

In accordance with the requirements under FFFS 2008:25 Nordea also discloses the names of the subsidiaries, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in the table below, in the table "Specification of group undertakings 31 December 2017" in Note G38 "Capital adequacy" and in the last table in Note G19" Investments in associated undertakings and joint ventures".

Denmark
Nordea Liv & Pension, Livforsikringsselskab A/S
Nordea Investment Management AB, Denmark, filial af Nordea Investment Management AB, Sverige
Nordea Fund Management, filial af Nordea funds Oy, Finland
Nordea Danmark, filial af Nordea Bank AB (publ), Sverige

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finnish Branch
Nordea Bank AB (publ) Finnish Branch
Nordea Holding Abp

Sweden
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Swedish Branch

Norway
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norway Branch
Nordea Funds Ltd, Norwegian Branch
Nordea Bank AB (publ), Norwegian Branch

Estonia
Nordea Bank AB Estonia Branch

France
Nordea Investments Funds S.A., French Branch

Italy
Nordea Investment Funds S.A., Italian Branch

Latvia
Nordea Bank AB Latvia Branch

Lithuania
Nordea Bank AB Lithuania Branch

Germany
Nordea Bank AB Frankfurt Branch
Nordea Funds Services GmbH (Germany)

China
Nordea Bank AB Shanghai Branch

Poland
Nordea Bank AB Spólka Akcyjna Oddział w Połsce

Singapore
Nordea Bank AB, Singapore Branch
Nordea Bank S.A., Singapore Branch

Switzerland
Nordea Bank S.A., Luxemburg Zwiegniederlassung Zürich

United Kingdom
Nordea Bank AB London Branch
Nordea Investment Funds S.A. UK Branch

United States
Nordea Bank AB (publ), New York Branch

Spain
Nordea Investment Funds S.A. Sucursal en España

G49. IFRS 9

Classification of assets and liabilities under IFRS 9

Assets

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL): Mandatorily	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	–	–	–	–	–	118	–	118
Current tax assets	–	–	–	–	–	121	–	121
Retirement benefit assets	–	–	–	–	–	250	–	250
Other assets	1,523	10,272	–	–	–	646	–	12,441
Prepaid expenses and accrued income	999	–	–	–	–	464	–	1,463
Assets held for sale	–	–	–	–	–	–	22,186	22,186
Total assets	**295,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,012**	**22,186**	**581,431**

Liabilities

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL): Mandatorily	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	2,833	24,421	–	–	1,261	–	28,515
Accrued expenses and prepaid income	246	–	–	–	1,357	–	1,603
Deferred tax liabilities[1]	–	–	–	–	676	–	676
Provisions	–	–	–	–	377	–	377
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	8,987	–	–	–	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total liabilities	**333,435**	**81,008**	**86,451**	**1,106**	**20,267**	**26,031**	**548,298**

1) Decrease in net tax liabilities EUR 46m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

G49. IFRS 9, cont.

Reclassification of assets and liabilities at transition

Assets, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL): Mandatorily	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
Balance at 31 Dec 2017 under IAS 39	**295,639**	**118,240**	**98,469**	**1,696**	**36,342**	**9,040**	**22,186**	**581,612**
Required reclassification from Fair value option to AC[1]	234	–	–234	–	–	–	–	–
Required reclassification from Fair value option to FVPL mandatorily[2]	–	89,904	–89,904	–	–	–	–	–
Required reclassification from AC to FVPL mandatorily[1]	–23	23	–	–	–	–	–	–
Reclassification of provisions on loans held at fair value	128	–128	–	–	–	–	–	–
Impact from companies accounted for under the equity method	–	–	–	–	–	–28	–	–28
Remeasurement[3]	–153	–	–	–	–	–	–	–153
Balance at 1 Jan 2018 under IFRS 9	**295,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,012**	**22,186**	**581,431**

Liabilities, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL): Mandatorily	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	Liabilities held for sale	Total
Balance at 31 Dec 2017 under IAS 39	**333,435**	**81,008**	**86,451**	**1,106**	**20,265**	**26,031**	**548,296**
Remeasurement[4]	–	–	–	–	2	–	2
Balance at 1 Jan 2018 under IFRS 9	**333,435**	**81,008**	**86,451**	**1,106**	**20,267**	**26,031**	**548,298**

1) The reclassification is related to Loans.
2) Interest-bearing securities of EUR 202m, shares of EUR 11,926m, loans of EUR 52,547m and assets in pooled schemes of EUR 25,229m have been reclassified from Fair value option to Fair value through profit and loss, mandatorily due to required reclassification based on classification criteria.
3) FVOCI consists of new provisions of EUR 2m and an equal but opposite fair value measurement.
4) Increase in provision for off-balance sheet items EUR 48m, offset by a decrease in net tax liabilities of EUR 46m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

Impact on equity (retained earnings) at transition

The total negative impact on equity from IFRS 9 at transition amounts to EUR 183m after tax, including the current best estimate of the impact from companies accounted for using the equity method.

Reclassification of provisions at transition

EURm	Held to maturity	Loans and receivables	Amortised cost (AC)	Available for sale	Fair value through other comprehensive income (FVOCI)	Off-balance	Total
Balance at 31 Dec 2017 under IAS 39	**–**	**2,333**	**–**	**–**	**–**	**91**	**2,424**
Reclassification to AC	–	–2,156	2,156	–	–	–	–
Reclassification to FVPL	–	–177	–	–	–	–	–177
Remasurement under IFRS 9, collective provisions	–	–	143	–	2	48	193
Remasurement under IFRS 9, individual provisions	–	–	10	–	–	–	10
Balance at 1 Jan 2018 under IFRS 9	**–**	**–**	**2,309**	**–**	**2**	**139**	**2,450**

G49. IFRS 9, cont.

Exposures measured at amortised cost and fair value through OCI, before allowances

%	
Stage 1	93.6
Stage 2	4.9
Stage 3	1.5
Total	**100.0**

Allowances for credit losses

EURm	Stage 1	Stage 2	Stage 3	Total
Loans	133	360	1,816	2,309
Interest-bearing securities	2	0	0	2
Off-balance	14	34	91	139
Total	**149**	**394**	**1,907**	**2,450**

Accounting principles under IFRS 9

Classification of financial instruments under IFRS 9

Each financial instrument has been classified into one of the following categories:

Financial assets:
- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial asset at fair value through other comprehensive income

Financial liabilities:
- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)

The classification of a financial asset is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is to both keep the instruments to collect the contractual cash flows and sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the table "Classification of assets and liabilities under IFRS 9" above the classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see Note G1 section 6, "Net interest income". For information about impairment under IFRS 9, see the Impairment section below.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income" and "Interest expense" in the income statement.

This category consists of mainly all loans and deposits, except for reversed repurchase/repurchase agreement and securities borrowing/lending agreements in Markets and the mortgage loans in Nordea Kredit Realkreditaktieselskab. This category also includes interest bearing securities mainly related to a portfolio of interest bearing securities in Life & Pension in Norway, subordinated liabilities and debt securities in issue, execpt for bonds issued in Nordea Kredit Realkreditaktieselskab and issued structured bonds in Markets.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

The category consists of two sub-categories; Mandatorily measured at fair value through profit and loss and Designated at fair value through profit or loss (fair value option).

The sub-category Mandatorily measured at fair value through profit and loss contains mainly all assets in Markets, trading liabilities in Markets, interest-bearing securities included in the liquidity buffer, derivative instruments, shares, the mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policy holders. The deposits are invested in different types of financial assets on behalf of the customer and policyholders.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are issued bonds in Nordea Kredit Realkreditaktieselskab and assets and liabilities in Nordea Life & Pensions.

G49. IFRS 9, cont.

Liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. The loans are measured at fair value through profit and loss and if the bonds were measured at amortised cost this would give rise to an accounting mismatch. To avoid such an accounting mismatch Nordea measures the bonds at fair value with all changes in fair value including changes in credit risk recognised in profit or loss.

All assets in Nordea Life & Pension held under investment contracts are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch with the liabilities to the policyholders that are measured at fair value. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. Changes in own credit risk is recognised in profit and loss as recognising this change in other comprehensive income would create an accounting mismatch. Assets held under insurance contracts (defined in Note G1 section 19 "Liabilities to policyholders"), except for a portfolio of interest bearing securities in Norway, are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. The deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss. The value of these deposits is directly linked to assets in the contacts and there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value on these issues structured bonds is recognised in profit and loss except for the changes in credit risk that is recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in the liquidity buffer. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income" and foreign exchange effects and impairment losses in the item "Net result from items at fair value" in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value". For information about impairment under IFRS 9, see the Impairment section below.

Impairment of financial instruments under IFRS 9

Scope

Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See the Classification section above for further information on the classification of financial instruments.

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction, or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as Fair value through other comprehensive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net result from items at fair value". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing of individually assessed loans

Nordea tests all exposures for impairment on an individual basis. The purpose of the impairment tests is to find out if the exposures have become credit impaired (stage 3). Nordea monitors whether there are indicators of exposures being credit impaired by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section. Exposures that are not individually assessed as credit impaired will be part of the collective impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is

G49. IFRS 9, cont.

higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the collective model described below, but based on the fact that the exposures are already in default.

Impairment testing of collectively assessed loans

For exposures not impaired on an individual basis, a collective model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 is based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12 month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2).

Nordea uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion. Assets where the relative increase in lifetime PD is more than 250 percent is considered as having a significant increase in credit risk, or if the absolute increase in lifetime PD is more than 150 basis points. For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence the customer is not in default. Such exposures will be classified as stage 2.

Nordea does not use the "low credit risk exemption" in the banking operations, but uses it for a minor portfolio of interest-bearing securities in the insurance operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea applies three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans and modifications

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial distress (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Fair value through profit or loss and measured at fair value. Changes in fair values are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

Financial statements, Parent company

Contents

Income statement

At January 2, 2017 Nordea Bank AB (NBAB) merged with Nordea bank Finland Plc (NBF), Nordea Bank ASA (NBN) and Nordea Bank Denmark A/S (NBD). At the date NBAB has recognised the assets and liabilities and income statement as of 1 January 2017 of its former subsidiaries, as they are dissolved and have become branches to NBAB. For more information see Annual Report 2016, Note P20 "Investments in group undertakings being merged".

EURm	Note	2017	2016
Operating income			
Interest income		4,155	1,403
Interest expense		–1,824	–939
Net interest income	**P3**	**2,331**	**464**
Fee and commission income		2,409	978
Fee and commission expense		–407	–138
Net fee and commission income	**P4**	**2,002**	**840**
Net result from items at fair value	P5	1,104	216
Dividends	P6	3,344	3,210
Other operating income	P7	476	712
Total operating income		**9,257**	**5,442**
Operating expenses			
General administrative expenses:			
- Staff costs	P8	–2,768	–1,113
- Other expenses	P9	–1,469	–1,008
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P22, P23	–277	–172
Total operating expenses		**–4,514**	**–2,293**
Profit before loan losses		**4,743**	**3,149**
Net loan losses	P11	–299	–193
Impairment of securities held as financial non-current assets	P20	–385	–6
Operating profit		**4,059**	**2,950**
Appropriations	P12	2	1
Income tax expense	P13	–551	–51
Net profit for the year		**3,510**	**2,900**

Statement of comprehensive income

EURm	2017	2016
Net profit for the year	**3,510**	**2,900**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	4	–7
Tax on currency translation differences during the year	3	–
Hedging of net investment in foreign operations:		
Valuation gains/losses during the year	3	–
Tax on valuation gains/losses during the year	1	–
Available for sale investments[1]:		
Valuation gains/losses during the year	33	45
Tax on valuation gains/losses during the year	–15	–10
Transferred to the income statement during the year	0	–4
Tax on transfers to the income statement during the year	7	1
Cash flow hedges:		
Valuation gains/losses during the year	109	103
Tax on valuation gains/losses during the year	–33	–23
Transferred to the income statement during the year	–146	–122
Tax on transfers to the income statement during the year	42	27
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of benefit plans during the year	62	3
Tax on remeasurement of benefit plans during the year	–8	–1
Other comprehensive income, net of tax	**62**	**12**
Total comprehensive income	**3,572**	**2,912**

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	Note	31 Dec 2017	31 Dec 2016
Assets			
Cash and balances with central banks		42,637	101
Treasury bills	P14	13,493	6,583
Loans to credit institutions	P15	59,765	88,375
Loans to the public	P15	152,739	43,726
Interest-bearing securities	P16	47,950	10,359
Financial instruments pledged as collateral	P17	12,430	–
Shares	P18	7,883	130
Derivatives	P19	47,688	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk		85	0
Investments in group undertakings	P20	12,532	5,733
Investments in group undertakings being merged		–	14,368
Investments in associated undertakings and joint ventures	P21	1,036	12
Participating interest in other companies		23	1
Intangible assets	P22	2,114	1,539
Properties and equipment	P23	385	132
Deferred tax assets	P13	84	22
Current tax assets		58	204
Retirement benefit assets	P32	196	–
Other assets	P24	15,316	4,560
Prepaid expenses and accrued income	P25	1,128	749
Total assets		**417,542**	**181,262**
Liabilities			
Deposits by credit institutions	P26	51,735	20,374
Deposits and borrowings from the public	P27	176,231	58,183
Debt securities in issue	P28	72,460	63,162
Derivatives	P19	46,118	3,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk		552	1,008
Current tax liabilities		158	0
Other liabilities	P29	28,720	3,279
Accrued expenses and prepaid income	P30	1,195	670
Deferred tax liabilities	P13	174	0
Provisions	P31	412	307
Retirement benefit liabilities	P32	262	169
Subordinated liabilities	P33	8,987	10,086
Total liabilities		**387,004**	**160,850**
Untaxed reserves	P34	**–**	**2**
Equity			
Additional Tier 1 capital holders		750	–
Share capital		4,050	4,050
Development cost reserve		1,205	569
Share premium reserve		1,080	1,080
Other reserves		166	–2
Retained earnings		23,287	14,713
Total equity		**30,538**	**20,410**
Total liabilities and equity		**417,542**	**181,262**

Statement of changes in equity

2017

EURm	Restricted equity		Unrestricted equity[1]								
				Other reserves							
	Share capital	Development cost reserve	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Additional Tier 1 capital holders	Total equity
Balance at 1 Jan 2017	**4,050**	**569**	**1,080**	**–**	**–31**	**27**	**2**	**14,713**	**20,410**	**–**	**20,410**
Through Merger	–	–	–	–	17	51	57	8,348	8,473	–	8,473
Change in accounting policy	–	–	–	–19	–	–	–	23	4	–	4
Net profit for the year	–	–	–	–	–	–	–	3,510	3,510	–	3,510
Items that may be reclassified subsequently to the income statement											
Currency translation differences during the year	–	–	–	7	–	–	–	–	7	–	7
Hedging of net investments in foreign operations:											
Valuation gains/losses during the year	–	–	–	3	–	–	–	–	3	–	3
Tax on valuation gains/losses during the year	–	–	–	1	–	–	–	–	1	–	1
Available for sale investments:											
Valuation gains/losses during the year	–	–	–	–	–	33	–	–	33	–	33
Tax on valuation gains/losses during the year	–	–	–	–	–	–15	–	–	–15	–	–15
Transferred to the income statement during the year	–	–	–	–	–	0	–	–	0	–	0
Tax on transfers to the income statement during the year	–	–	–	–	–	7	–	–	7	–	7
Cash flow hedges:											
Valuation gains/losses during the year	–	–	–	–	109	–	–	–	109	–	109
Tax on valuation gains/losses during the year	–	–	–	–	–33	–	–	–	–33	–	–33
Transferred to the income statement during the year	–	–	–	–	–146	–	–	–	–146	–	–146
Tax on transfers to the income statement during the year	–	–	–	–	42	–	–	–	42	–	42
Items that may not be reclassified subsequently to the income statement											
Defined benefit plans:											
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–	62	–	62	–	62
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–	–8	–	–8	–	–8
Other comprehensive income, net of tax	**–**	**–**	**–**	**11**	**–28**	**25**	**54**	**–**	**62**	**–**	**62**
Total comprehensive income	**–**	**–**	**–**	**11**	**–28**	**25**	**54**	**3,510**	**3,572**	**–**	**3,572**
Issuance of additional Tier 1 capital								–6	–6	750	744
Dividend for 2016	–	–	–	–	–	–	–	–2,625	–2,625	–	–2,625
Disposal/Purchase of own shares[2]	–	–	–	–	–	–	–	–40	–40	–	–40
Development cost reserve	–	636	–	–	–	–	–	–636	0	–	0
Balance at 31 Dec 2017	**4,050**	**1,205**	**1,080**	**–8**	**–42**	**103**	**113**	**23,287**	**29,788**	**750**	**30,538**

1) A free fund amounting to EUR 2,762m is recognised in Retained earnings.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme and trading portfolio. The number of own shares were 13.7 million. The total holdings of own shares related to LTIP is 10.2 million.

Statement of changes in equity, cont.

2016

EURm	Restricted equity		Unrestricted equity[1]					
				Other reserves				
	Share capital	Development cost reserve	Share premium reserve	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2016	**4,050**	**–**	**1,080**	**–16**	**–5**	**0**	**14,969**	**20,078**
Net profit for the year	–	–	–	–	–	–	2,900	2,900
Items that may be reclassified subsequently to the income statement								
Currency translation differences during the year	–	–	–	–	–	–	–7	-7
Available for sale investments:								
Valuation gains/losses during the year	–	–	–	–	45	–	–	45
Tax on valuation gains/losses during the year	–	–	–	–	–10	–	–	-10
Transferred to the income statement during the year	–	–	–	–	–4	–	–	-4
Tax on transfers to the income statement during the year	–	–	–	–	1	–	–	1
Cash flow hedges:								
Valuation gains/losses during the year	–	–	–	103	–	–	–	103
Tax on valuation gains/losses during the year	–	–	–	–23	–	–	–	-23
Transferred to the income statement during the year	–	–	–	–122	–	–	–	-122
Tax on transfers to the income statement during the year	–	–	–	27	–	–	–	27
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:								
Remeasurement of defined benefit plans during the year	–	–	–	–	–	3	–	3
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–1	–	-1
Other comprehensive income, net of tax	**–**	**–**	**–**	**–15**	**32**	**2**	**–7**	**12**
Total comprehensive income	**–**	**–**	**–**	**–15**	**32**	**2**	**2,893**	**2,912**
Dividend for 2015	–	–	–	–	–	–	–2,584	-2,584
Disposal of own shares[2]	–	–	–	–	–	–	0	0
Development cost reserve	–	569	–	–	–	–	–569	0
Merger effect	–	–	–	–	–	–	4	4
Balance at 31 Dec 2016	**4,050**	**569**	**1,080**	**–31**	**27**	**2**	**14,713**	**20,410**

1) A free fund amounting to EUR 2,762m is recognised in Retained earnings.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme and trading portfolio. The number of own shares were 10.9 million.

Description of items in equity is included in Note G1 "Accounting policies".

Share capital

	Quota value per share, EUR	Total number of shares	Share capital, EUR
Balance at 31 Dec 2016	1.0	4,049,951,919	4,049,951,919
Balance at 31 Dec 2017	1.0	4,049,951,919	4,049,951,919

Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM on 15 March 2018, a dividend in respect of 2017 of EUR 0.68 per share (2016 actual dividend EUR 0.65 per share) amounting to a total of EUR 2,747,028,225 (2016 actual: EUR 2,625,368,991) is to be proposed. The financial statements for the year ended 31 December 2017 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2018.

Cash flow statement

EURm	2017	2016
Operating activities		
Operating profit	4,059	2,950
Adjustment for items not included in cash flow	–1,265	–2,085
Income taxes paid	–612	–278
Cash flow from operating activities before changes in operating assets and liabilities	**2,182**	**587**
Changes in operating assets		
Change in treasury bills	1,781	305
Change in loans to credit institutions	–7,076	2,846
Change in loans to the public	12,180	1,893
Change in interest-bearing securities	2,912	1,829
Change in financial assets pledged as collateral	–4,194	–
Change in shares	–3,120	2,232
Change in derivatives, net	–4,229	–693
Change in other assets	7,465	2,485
Changes in operating liabilities		
Change in deposits by credit institutions	7,885	1,305
Change in deposits and borrowings from the public	–1,430	–2,874
Change in debt securities in issue	–7,195	–5,763
Change in other liabilities	6,676	–253
Cash flow from operating activities	**13,837**	**3,899**
Investing activities		
Investments in group undertakings	–303	–523
Sale of group undertakings	240	–
Investments in associated undertakings and joint ventures	–957	–5
Sale of associated undertakings	14	–
Acquisition of properties and equipment	–125	–25
Sale of property and equipment	0	1
Acquisition of intangible assets	–656	–594
Sale of other financial fixed assets	249	69
Cash flow from investing activities	**–1,538**	**–1,077**
Financing activities		
Issued/amortised subordinated liabilities	-750	1,000
Divestment/repurchase of own shares incl change in trading portfolio	–40	–
Dividend paid	–2,625	–2,584
Issued additional tier 1 capital	750	–
Cash flow from financing activities	**–2,665**	**–1,584**
Cash flow for the year	**9,634**	**1,238**
Cash and cash equivalents at the beginning of year	4,581	3,343
Cash and cash equivalents through merger	–45,917	–
Translation difference	3,716	–
Cash and cash equivalents at the end of year	47,254	4,581
Change	**9,634**	**1,238**

Cash flow statement, cont.

Comments on the cash flow statement
The cash flow statement shows inflows and outflows of cash and cash equivalents during the year for total operations. Nordea's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities
Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for items not included in cash flow includes:

EURm	2017	2016
Depreciation	277	164
Impairment charges	385	14
Loan losses	336	200
Unrealised gains/losses	1,908	499
Capital gains/losses (net)	–7	–68
Change in accruals and provisions	–378	–50
Anticipated dividends	–1,684	–1,964
Group contributions	–873	–695
Translation differences	–642	–47
Change in fair value of the hedged items, assets/liabilities (net)	–476	–149
Other	–111	11
Total	**–1,265**	**–2,085**

Changes in operating assets and liabilities consists of assets and liabilities that are part of normal business activities, such as loans, deposits and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

EURm	2017	2016
Interest payments received	4,192	1,393
Interest expenses paid	–1,944	–966

Investing activities
Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets.

Financing activities
Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

Cash and cash equivalents
The following items are included in Cash and cash equivalents:

EURm	31 Dec 2017	31 Dec 2016
Cash and balances with central banks	42,637	101
Loans to credit institutions, payable on demand	4,617	4,480
Total	**47,254**	**4,581**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consists of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:
- the central bank or the postal giro system is domiciled in the country where the institution is established,
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

5 year overview

Income statement[1]

EURm	2017	2016	2015	2014[2]	2013
Net interest income	2,331	464	511	649	641
Net fee and commission income	2,002	840	886	820	1,009
Net result from items at fair value	1,104	216	136	186	131
Dividends	3,344	3,210	2 ,176	2,333	1,827
Other operating income	476	712	833	975	674
Total operating income	**9,257**	**5,442**	**4,542**	**4,963**	**4,282**
General administrative expenses:					
- Staff costs	–2,768	–1,113	–1,196	–1,070	–982
- Other expenses	–1,469	–1,008	–851	–904	–1,018
Depreciation, amortisation and impairment charges of tangible and intangible assets	–277	–172	–140	–261	–109
Total operating expenses	**–4,514**	**–2,293**	**–2,187**	**–2,235**	**–2,109**
Profit before loan losses	**4,743**	**3,149**	**2,355**	**2,728**	**2,173**
Net loan losses	–299	–193	–143	–98	–124
Impairment of securities held as financial non-current assets	–385	–6	–9	–15	–4
Operating profit	**4,059**	**2,950**	**2,203**	**2,615**	**2,045**
Appropriations	2	1	2	–1	102
Income tax expense	–551	–51	–285	–189	–192
Net profit for the year	**3,510**	**2,900**	**1,920**	**2,425**	**1,955**

Balance sheet

EURm	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Cash and balances with central banks	42,637	101	75	931	45
Treasury bills, interest-bearing securities and pledged instruments	73,873	16,942	19,068	16,399	16,817
Loans to credit institutions	59,765	88,375	90,009	86,704	80,918
Loans to the public	152,739	43,726	45,820	39,809	34,155
Investments in group undertakings	12,532	20,101	19,394	16,986	17,723
Derivatives	47,688	4,668	5,011	5,981	4,219
Other assets	28,308	7,349	8,796	11,621	10,046
Total assets	**417,542**	**181,262**	**188,173**	**178,431**	**163,923**
Deposits by credit institutions	51,735	20,374	19,069	27,452	17,500
Deposits and borrowings from the public	176,231	58,183	61,043	49,367	47,531
Debt securities in issue	72,460	63,162	68,908	63,280	62,961
Derivatives	46,118	3,612	4,180	4,653	3,627
Subordinated liabilities	8,987	10,086	8,951	7,728	5,971
Other liabilities/untaxed reserves	31,473	5,435	5,944	5,290	6,412
Equity	30,538	20,410	20,078	20,661	19,921
Total liabilities and equity	**417,542**	**181,262**	**188,173**	**178,431**	**163,923**

1) The comparative figures for 2015 have been restated.
2) End of the year.

Ratios and key figures[4]

	2017	2016	2015	2014[1]	2013
Return on equity, %	12.7	15.6	10.1	12.6	10.5
Return on assets, %	0.8	1.6	1.0	1.4	1.2
Cost/income ratio, %	48.8	42.1	48.2	45.0	49.3
Loan loss ratio, basis points	20	44	31	25	36
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,2,3], %	18.6	18.6	18.8	21.8	20.8
Tier 1 capital ratio, excl. Basel I floor[1,3], %	21.3	22.0	22.2	25.3	23.1
Total capital ratio, excl. Basel I floor[1,3], %	24.1	27.9	27.1	30.6	28.0
Tier 1 capital[1,2,3], EURm	27,809	19,167	19,314	19,932	19,300
Risk-exposure amount excl. Basel I floor[1,3], EURbn	131	87	87	79	83

1) End of the year.
2) Including result of the year.
3) 2013 ratios are reported under the Basel II regulation framework and 2014, 2015, 2016 and 2017 ratios are reported using the Basel III (CRR/CRDIV) framework.
4) For more detailed information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/.

P1. Accounting policies

1. Basis for presentation

The financial statements for the parent company, Nordea Bank AB (publ), are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the accounting recommendation RFR 2 Accounting for legal entities issued by the Swedish Financial Reporting Board. This means that the parent company applies International Financial Reporting Standards (IFRS) as endorsed by the EU Commission to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation.

The Group's accounting policies described in Note G1 "Accounting policies" are applicable also for the parent company, considering also the information provided below.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2016 Annual Report.

New accounting requirements implemented during 2017 and their effects on the parent company's financial statements are described below.

Amendments have been made to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments have been implemented on 1 January 2017 but have not had any significant impact on the financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities by issuing "RFR 2 Accounting for Legal Entities – January 2017". These amendments were implemented 1 January 2017 but have not had any significant impact on the financial statements.

Other changes implemented by the parent company 1 January 2017 can be found in section "Changed accounting policies" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

3. Changes in IFRSs not yet applied

Forthcoming changes in IFRS not yet implemented by the parent company can be found in the section 3 "Changes in IFRSs not yet applied" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

4. Accounting policies applicable for the parent company only

Investments in group undertakings, associated undertakings and joint ventures

The parent company's investments in group undertakings, associated undertakings and joint ventures are recognised under the cost model. At each balance sheet date, all shares in group undertakings, associated undertakings and joint ventures are reviewed for indications of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of each holding of shares is fully recoverable. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment charge is calculated as the difference between the carrying amount and the recoverable amount and is classified as "Impairment of securities held as financial non-current assets" in the income statement.

The parent company applies fair value hedge accounting for the foreign exchange risk in investments in subsidiaries. The shares in subsidiaries are remeasured with regards to the hedged risk with a corresponding entry in "Net result from items at fair value". The change in fair value of the hedging instruments is also recognised in the income statement in "Net result from items at fair value".

Dividends

Dividends paid to the shareholders of Nordea Bank AB (publ) are recorded as a liability following the approval of the Annual General Meeting.

Dividends paid by group undertakings to the parent company are anticipated if the parent alone can decide on the size of the dividend and if the formal decision has been made before the financial report is published. Dividends from group- and associated undertakings are recognised on the separate income line "Dividends".

Amortisation of goodwill

Goodwill and other intangible assets with indefinite useful lives are not amortised in the consolidated financial statements. In the parent company financial statements goodwill is amortised, normally over a period of five years unless, under exceptional circumstances, a longer amortisation period is justified.

Functional currency

The accounting currency of the parent company is EUR. All transactions in other currencies are converted to EUR in accordance with the policies disclosed in section 9 "Translation of assets and liabilities denominated in foreign currencies" in Note G1 "Accounting policies". Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

Pensions

The accounting principle for defined benefit obligations in Sweden follows the Swedish rules ("Tryggandelagen") and the regulations of the Swedish Financial Supervisory Authority as this is the condition for tax deductibility. The significant differences compared with IAS 19 consist of how the discount rate is determined, and that the calculation of the defined benefit obligation is based on current salary level without assumptions about future salary increases.

In Sweden, defined benefit pension commitments are guaranteed by a pension foundation or recognised as a liability. No net defined benefit assets are recognised. The pension cost in the parent company, classified as "Staff cost" in the income statement, consists of changes in recognised pension provisions (including special wage tax) for active employees, pension benefits paid, contributions made to or received from the pension foundation and related special wage tax.

The pension obligations in the foreign branches are calculated in accordance with IAS 19.

Group contributions

Group contributions paid to group undertakings are recognised as an increase in the value of investments in group

P1. Accounting policies, cont.

undertakings, net of tax. Group contributions received from group undertakings are recognised as dividends. The possible tax effects on group contributions received are classified as "Income tax expense" in the income statement.

Untaxed reserves

The parent company reports untaxed reserves, related to accelerated depreciation and tax allocation reserve under tax regulations. In the consolidated financial statements, untaxed reserves are split on the items "Retained earnings" and "Deferred tax liabilities" on the balance sheet.

Presentation of disposal group held for sale

Assets and liabilities related to disposal group held for sale are presented in Note P43 "Disposal groups held for sale". In contrast to the presentation for the Group, assets and liabilities related to the disposal group are not presented on separate balance sheet lines. These assets and liabilities are instead presented on each relevant balance sheet line in accordance with the nature of the asset and liability.

P2. Segment reporting

Geographical information

	Sweden		Finland		Norway		Denmark		Others		Total	
EURm	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income	44	464	450	–	850	–	700	–	287	–	2,331	464
Net fee and commission income	472	840	573	–	261	–	613	–	83	–	2,002	840
Net result from items at fair value	309	216	137	–	133	–	476	–	49	–	1,104	216
Dividends[1]	3,327	3,210	12	–	–	–	5	–	–	–	3,344	3,210
Other operating income	-35	–53	118	241	93	95	228	429	72	–	476	712
Total operating income	**4,117**	**4,677**	**1,290**	**241**	**1,337**	**95**	**2,022**	**429**	**491**	**–**	**9,257**	**5,442**

1) Regards dividends from group undertakings.

P3. Net interest income

EURm	2017	2016
Interest income		
Loans to credit institutions	245	380
Loans to the public	3,350	837
Interest-bearing securities	383	126
Other interest income	177	60
Interest income	**4,155**	**1,403**
Interest expense		
Deposits by credit institutions	–170	–20
Deposits and borrowings from the public	–344	–32
Debt securities in issue	–976	–923
Subordinated liabilities	–336	–368
Other interest expenses[1]	2	404
Interest expense	**–1,824**	**–939**
Net interest income	**2,331**	**464**

1) The net interest income from derivatives, measured at fair value and related to Nordea´s funding. This can have both a positive and negative impact on other interest expenses, for further information see Note G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 3,769m (EUR 1,274m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –2,060m (EUR –1,401m). Interest on impaired loans amounted to an insignificant portion of interest income.

P4. Net fee and commission income

EURm	2017	2016
Asset management commissions	450	148
- of which income	458	148
- of which expense	–8	–
Life & Pension	23	1
- of which income	23	1
- of which expense	–	–
Deposit Products	26	18
- of which income	26	18
- of which expense	–	–
Brokerage, securities issues and corporate finance	205	187
- of which income	269	211
- of which expense	–64	–24
Custody and issuer services	56	7
- of which income	95	19
- of which expense	–39	–12
Payments	317	72
- of which income	439	102
- of which expense	–122	–30
Cards	196	77
- of which income	326	127
- of which expense	–130	–50
Lending Products	371	154
- of which income	376	155
- of which expense	–5	–1
Guarantees	294	153
- of which income	294	153
- of which expense	0	0
Other	64	23
- of which income	104	44
- of which expense	–40	–21
Total	**2,002**	**840**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 401m (EUR 173m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 750m (EUR 360m). The corresponding amount for fee expenses is EUR –110m (EUR –36m).

P5. Net result from items at fair value

EURm	2017	2016
Equity related instruments	368	–332
Interest related instruments and foreign exchange gains/losses	718	547
Other financial instruments (including credit and commodities)	18	1
Total[1]	**1,104**	**216**

1) Of which EUR 53m (EUR 0m) is dividends from shares.

P5. Net result from items at fair value, cont.

Net result from categories of financial instruments

EURm	2017	2016
Available for sale assets, realised	0	4
Financial instruments designated at fair value through profit or loss	17	18
Financial instruments held for trading[2]	472	–386
Financial instruments under fair value hedge accounting	46	–10
- of which net losses on hedging instruments	–355	–166
- of which net gains on hedged items	401	156
Financial assets measured at amortised cost[3]	4	1
Foreign exchange gains/losses excluding currency hedges	570	529
Other	–5	60
Total	**1,104**	**216**

2) Of which amortised deferred day one profits amounts to EUR -53m (EUR 0m).
3) Of which EUR 4m (EUR 1m) related to instruments classified into the category "Loans and receivables" and EUR -m (EUR -m) related to instruments classified into the category "Held to maturity".

P6. Dividends

EURm	2017	2016
Dividends from group undertakings		
Nordea Bank Finland Plc	–	900
Nordea Bank Denmark A/S	–	417
LLC Promyshlennaya Kompaniya Vestkon	93	82
JSC Nordea Bank	7	6
Nordea Mortgage Bank Plc	102	–
Nordea Kredit Realkreditaktieselskab	402	–
Nordea Finance Finland Ltd	342	–
Nordea Finans Danmark A/S	45	–
Nordea Finans Norge AS	21	–
Nordea Life Holding AB	707	700
Nordea Funds Ltd	154	130
Nordea Bank S.A.	70	155
Nordea Investment Management AB	–	115
Nordea Asset Management Holding AB	386	–
Nordea Eiendomskreditt AS	45	–
Nordea Ejendomsinvestering A/S	10	9
Nordea Utvikling A/S	4	–
Nordea Privatmegleren AS	1	–
Dividends from associated undertakings and joint ventures	**2017**	**2016**
Upplysningscentralen (UC) AB	1	1
Visa Sweden	64	–
Suomen Luotto–osuuskunta	10	–
Automatia Pankkiautomaatit Oy	2	–
LR–Realkredit A/S	5	–
Group Contributions		
Nordea Hypotek AB	716	562
Nordea Investment Management AB	–	6
Nordea Finans AB	157	127
Total	**3,344**	**3,210**

P7. Other operating income

EURm	2017	2016
Divestment of shares	6	0
Remuneration from group undertakings	466	710
Income from real estate	2	–
Other	2	2
Total	**476**	**712**

P8. Staff costs

EURm	2017	2016
Salaries and remuneration (specification below)[1]	–2,139	–825
Pension costs (specification below)	–292	–165
Social security contributions	–444	–240
Other staff costs	107	117
Total	**–2,768**	**–1,113**
Salaries and remuneration		
To executives[2]		
- Fixed compensation and benefits	–9	–9
- Performance-related compensation	–5	–4
- Allocation to profit-sharing	0	0
Total	**–14**	**–13**
To other employees	–2,125	–812
Total	**–2,139**	**–825**

1) Allocation to profit-sharing foundation 2017 EUR 28m (EUR 11m) consists of a new allocation of EUR 25m (EUR 11m) and an allocation related to prior year of EUR 3m (EUR 0m).

2) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, are included. Executives amounts to 20 (19) positions.

Pension costs[1]

EURm	2017	2016
Defined benefit plans	–63	–85
Defined contribution plans	–229	–80
Total	**–292**	**–165**

1) Pension costs for executives, see Note G7 "Staff costs".

Additional disclosures on remuneration under Swedish FSA regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) not later than one week before the Annual General Meeting on 15 March 2018.

Compensation to key management personnel

Salaries and remuneration to the Board of Directors, CEO and Group Executive Management, see Note G7 "Staff costs".

Loans to key management personnel

Loans to key management personnel amounts to EUR 0m (EUR 0m). Interest income on these loans amounts to EUR 0m (EUR 0m). For information about loan conditions, see Note G7 "Staff costs".

P8. Staff costs, cont.

Long Term Incentive Programmes

For information on number of outstanding conditional rights in the LTIPs, see Note G7 "Staff costs". All rights in the LTIPs, both to employees in the parent company as well as to employees in group undertakings, are issued by Nordea Bank AB (publ).

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2017 is paid no earlier than autumn 2021. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2017 is decided during spring 2018, and a reservation of EUR 34m excl. social costs is made 2017. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

Share linked deferrals

EURm	2017	2016
Opening balance	39	22
Through merger	60	–
Deferred/earned during the year	40	17
TSR indexation during the year	1	6
Payments during the year	–42	–6
Translation differences	–3	0
Closing balance	**95**	**39**

P8. Staff costs, cont.

Average number of employees

	Total		Men		Women	
	2017	2016	2017	2016	2017	2016
Full-time equivalents						
Sweden	6,912	6,778	3,400	3,257	3,512	3,521
Denmark	7,965	1,460	4,469	1,116	3,496	344
Finland	6,434	663	2,267	420	4,167	243
Norway	2,680	185	1,469	152	1,211	33
Poland	2,060	1,426	1,044	719	1,016	707
Other countries	1,356	1,384	447	436	909	948
Total average	**27,407**	**11,896**	**13,096**	**6,100**	**14,311**	**5,796**

Gender distribution, executives

Per cent	2017	2016
Nordea Bank AB (publ)		
Board of Directors – Men	50	56
Board of Directors – Women	50	44
Other executives – Men	80	90
Other executives – Women	20	10

P9. Other expenses

EURm	2017	2016
Information technology	–554	–548
Marketing and representation	–55	–27
Postage, transportation, telephone and office expenses	–84	–39
Rents, premises and real estate	–304	–121
Other[1]	–472	–273
Total	**–1,469**	**–1,008**

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2017	2016
PricewaterhouseCoopers		
Auditing assignments	–4	–3
Audit-related services	–1	–1
Tax advisory services	–1	0
Other assignments	–1	–4
Total	**–7**	**–8**

P10. Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

EURm	2017	2016
Properties and equipment (Note P23)		
Equipment	–64	–25
Intangible assets (Note P22)		
Goodwill	–68	–55
Computer software	–110	–63
Other intangible assets	–30	–21
Total	**–272**	**–164**

Impairment charges

EURm	2017	2016
Intangible assets (Note P22)		
Computer software	–5	–8
Other intangible assets	–	0
Total	**–5**	**–8**
Total depreciation/amortisation and impairment charges	**–277**	**–172**

P11. Net loan losses

EURm	2017	2016
Loan losses divided by class		
Realised loan losses	0	0
Provisions	–1	–1
Reversals of previous provisions	1	1
Loans to credit institutions[1]	**0**	**0**
Realised loan losses	–344	–119
Allowances to cover realised loan losses	259	80
Recoveries on previous realised loan losses	36	7
Provisions	–787	–228
Reversals of previous provisions	546	90
Loans to the public[1]	**–290**	**–170**
Realised loan losses	–9	–3
Allowances to cover realised loan losses	9	4
Provisions	–102	–39
Reversals of previous provisions	93	15
Off-balance sheet items[2]	**–9**	**–23**
Net loan losses	**–299**	**–193**

1) See Note P15 "Loans and impairment".
2) Included in Note P31 "Provisions" as "Guarantees".

P12. Appropriations

EURm	2017	2016
Change in depreciation in excess of plan, equipment	2	1
Total	**2**	**1**

P13. Taxes

Income tax expense

EURm	2017	2016
Current tax	–626	–43
Deferred tax	75	–8
Total	**–551**	**–51**

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2017	2016
Profit before tax	4,061	2,951
Tax calculated at a tax rate of 22.0%	–893	–649
Effect of different tax rates in other countries	–20	–
Tax-exempt income	560	616
Interest on subordinated debt	-54	–
Other non-deductible expenses	–144	–15
Adjustments relating to prior years	4	–3
Other	–4	0
Tax charge	**–551**	**–51**
Average effective tax rate	14%	2%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2017	2016	2017	2016
Deferred tax related to:				
Derivatives	1	9	193	–
Loans to the public	9	–	6	–
Properties and equipment	4	–	28	15
Intangible assets	–	–	17	–
Hedge of net investments in foreign subsidiaries	12	–	–	–
Retirement benefit obligations	16	7	23	1
Liabilities/provisions	77	22	–	–
Foreign tax credits	61	0	–	–
Other	0	0	3	0
Netting between deferred tax assets and liabilities	–96	–16	–96	–16
Total	**84**	**22**	**174**	**–**

P14. Treasury bills

EURm	31 Dec 2017	31 Dec 2016
State and sovereigns	10,406	6,009
Municipalities and other public bodies[1]	3,087	574
Total	**13,493**	**6,583**

1) Of which EUR 0m (EUR 30m) held at amortised cost with a nominal amount of EUR 0m (EUR 30m).

P15. Loans and impairment

EURm	Credit institutions 31 Dec 2017	Credit institutions 31 Dec 2016	The public 31 Dec 2017	The public 31 Dec 2016	Total 31 Dec 2017	Total 31 Dec 2016
Loans, not impaired	59,765	88,377	150,487	43,347	210,252	131,724
Impaired loans	0	–	4,268	820	4,268	820
- Servicing	0	–	2,552	562	2,552	562
- Non-servicing	–	–	1,716	258	1,716	258
Loans before allowances	**59,765**	**88,377**	**154,755**	**44,167**	**214,520**	**132,544**
Allowances for individually assessed impaired loans	0	–	–1,752	–344	–1,752	–344
- Servicing	0	–	–987	–217	–987	–217
- Non-servicing	–	–	–765	–127	–765	–127
Allowances for collectively assessed impaired loans	0	–2	–264	–97	–264	–99
Allowances	**0**	**–2**	**–2,016**	**–441**	**–2,016**	**–443**
Loans, carrying amount	**59,765**	**88,375**	**152,739**	**43,726**	**212,504**	**132,101**

Movements of allowance accounts for impaired loans

	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	**–**	**–2**	**–2**	**–344**	**–97**	**–441**	**–344**	**–99**	**–443**
Provisions	–	–1	–1	–660	–127	–787	–660	–128	–788
Reversals of previous provisions	–	1	1	318	228	546	318	229	547
Changes through the income statement	**–**	**0**	**0**	**–342**	**101**	**–241**	**–342**	**101**	**–241**
Through merger	0	–	0	–1,369	–283	–1,652	–1,369	–283	–1,652
Allowances used to cover realised loan losses	–	–	–	259	–	259	259	–	259
Reclassifications	–	–	0	18	3	21	18	3	21
Translation differences	–	2	2	27	11	38	27	13	40
Closing balance at 31 Dec 2017	**0**	**0**	**0**	**–1,751**	**–265**	**–2,016**	**–1,751**	**–265**	**–2,016**
Opening balance at 1 Jan 2016	**–**	**–2**	**–2**	**–314**	**–86**	**–400**	**–314**	**–88**	**–402**
Provisions	–	–1	–1	–175	–53	–228	–175	–54	–229
Reversals of previous provisions	–	1	1	53	37	90	53	38	91
Changes through the income statement	**–**	**0**	**0**	**–122**	**–16**	**–138**	**–122**	**–16**	**–138**
Allowances used to cover realised loan losses	–	–	–	80	–	80	80	–	80
Translation differences	–	0	0	12	5	17	12	5	17
Closing balance at 31 Dec 2016	**–**	**–2**	**–2**	**–344**	**–97**	**–441**	**–344**	**–99**	**–443**

Allowances and provisions[1]

EURm	Credit institutions 31 Dec 2017	Credit institutions 31 Dec 2016	The public 31 Dec 2017	The public 31 Dec 2016	Total 31 Dec 2017	Total 31 Dec 2016
Allowances for items on the balance sheet	–1	–2	–2,016	–441	–2,017	–443
Provisions for off balance sheet items	–	–204	–188	–2	–188	–206
Total allowances and provisions	**–1**	**–206**	**–2,204**	**–443**	**–2,205**	**–649**

1) Included in Note P31 "Provisions" as "Guarantees".

P15. Loans and impairment, cont.

Key ratios[1]

EURm	31 Dec 2017	31 Dec 2016
Impairment rate, gross, basis points	199	62
Impairment rate, net, basis points	117	36
Total allowance rate, basis points	94	33
Allowances in relation to impaired loans, %	41	42
Total allowances in relation to impaired loans, %	47	54
Non-servicing loans, not impaired, EURm	104	23

1) For definitions, see "Glossary" on page 85.

P16. Interest-bearing securities

EURm	31 Dec 2017	31 Dec 2016
Issued by public bodies	0	35
Issued by other borrowers[1]	47,950	10,324
Total	**47,950**	**10,359**
Listed securities	14,176	10,204
Unlisted securities	33,774	155
Total	**47,950**	**10,359**

1) Of which EUR 0m (EUR 26m) held at amortised cost with a nominal amount of EUR 0m (EUR 26m).

P17. Financial instruments pledged as collateral

Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2017	31 Dec 2016
Treasury bills	2,948	–
Interest bearing securities	9,482	–
Shares	–	–
Total	**12,430**	**–**

For information on transferred assets, see Note P45 "Transferred assets and obtained collaterals".

P18. Shares

EURm	31 Dec 2017	31 Dec 2016
Shares	7,883	130
Shares taken over for protection of claims	0	0
Total	**7,883**	**130**
Listed shares	7,256	130
Unlisted shares	627	–
Total	**7,883**	**130**

P19. Derivatives and hedge accounting

Derivatives held for trading

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	25,116	22,478	4,952,569
FRAs	39	18	984,287
Futures and forwards	35	50	152,387
Options	6,537	6,926	348,251
Other	10	33	10,778
Total	**31,737**	**29,505**	**6,448,272**
Equity derivatives			
Equity swaps	108	145	11,113
Futures and forwards	3	6	1,147
Options	355	642	13,845
Total	**466**	**793**	**26,105**
Foreign exchange derivatives			
Currency and interest rate swaps	6,175	7,958	361,965
Currency forwards	5,475	4,796	609,636
Options	150	107	23,572
Total	**11,800**	**12,861**	**995,173**
Credit derivatives	2,009	1,975	78,650
Commodity derivatives	3	3	236
Other derivatives	29	3	324
Total derivatives held for trading	**46,044**	**45,140**	**7,548,760**

Derivatives used for hedge accounting

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives	829	377	74,736
Foreign exchange derivatives	815	601	20,355
Total derivatives used for hedge accounting	**1,644**	**978**	**95,091**
- of which fair value hedges[1]	974	382	74,736[1]
- of which cash flow hedges[1]	670	595	20,355[1]
Total derivatives	**47,688**	**46,118**	**7,643,851**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cash flows are expected to occur and when they are expected to affect the income statement

31 Dec 2017, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	1,424	7,479	4,952	2,433	691
Net cash outflows	**1,424**	**7,479**	**4,952**	**2,433**	**691**

P19. Derivatives and hedge accounting, cont.

Derivatives held for trading

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	1,785	1,813	239,297
FRAs	8	3	25,617
Futures and forwards	–	0	4,000
Options	1	1	98
Other	12	12	10,241
Total	**1,806**	**1,829**	**279,253**
Equity derivatives			
Equity swaps	35	58	96
Options	17	6	996
Total	**52**	**64**	**1,092**
Foreign exchange derivatives			
Currency and interest rate swaps	718	643	40,600
Currency forwards	6	2	12,355
Options	9	8	1,217
Total	**733**	**653**	**54,172**
Credit derivatives	7	5	840
Other derivatives	4	0	1,763
Total derivatives held for trading	**2,602**	**2,551**	**337,120**

Derivatives used for hedge accounting

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives	1,236	200	50,345
Foreign exchange derivatives	830	861	12,367
Total derivatives used for hedge accounting	**2,066**	**1,061**	**62,712**
- of which fair value hedges[1]	1,236	200	50,345
- of which cash flow hedges[1]	830	861	12,367
Total derivatives	**4,668**	**3,612**	**399,832**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cash flows are expected to occur and when they are expected to affect the income statement

31 Dec 2016, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	3,933	3,290	2,986	2,235	360
Net cash outflows	**3,933**	**3,290**	**2,986**	**2,235**	**360**

P20. Investments in group undertakings

EURm	31 Dec 2017	31 Dec 2016[1]
Acquisition value at beginning of year	20,741	20,028
Through merger inflow	7,293	–
Acquisitions/capital contributions during the year	303	523
Revaluations under hedge accounting	246	220
Through merger outflow	–14,786	–
Sales during the year	–240	–30
Acquisition value at end of year	**13,557**	**20,741**
Accumulated impairment charges at beginning of year	–640	–634
Impairment charges during the year	–385	–6
Accumulated impairment charges at end of year	**–1,025**	**–640**
Total	**12,532**	**20,101**
- of which listed shares	–	–

1) Including investments in group undertakings being merged with a carrying amount of EUR 14,368m at 31 December 2016 (Note P20 - Annual Report 2016).

P20. Investments in group undertakings, cont.

Specification

This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies.

31 Dec 2017	Registration number	Domicile	Number, of,shares	Carrying amount 2017, EURm	Carrying amount 2016, EURm	Voting power of holding %
Nordea Kredit RealKreditaktieselskab	15134275	Copenhagen	17,172,500	2,953	–	100,0
Nordea Hypotek AB (publ)[2]	556091-5448	Stockholm	100,000	2,301	2,335	100.0
Nordea Eiendomskreditt AS	971227222	Oslo	15,336,269	1,260	–	100,0
Fionia Asset Company A/S	31934745	Copenhagen	148,742,586	1,190	–	100,0
Nordea Finance Finland Ltd	0112305-3	Espoo	1,000,000	1,066	–	100,0
Nordea Mortgage Bank Plc	2743219-6	Helsinki	257,700,000	731	731	100.0
Nordea Life Holding AB	556742-3305	Stockholm	1,000	719	719	100.0
LLC Promyshlennaya Kompaniya Vestkon	1027700034185	Moscow	4,601,942,680[1]	353	676	100.0
JSC Nordea Bank	1027739436955	Moscow				100.0
Nordea Bank S.A.	B-14157	Luxembourg	1,000,000	455	455	100.0
Nordea Finans Norge AS	924507500	Oslo	63,000	435	–	100.0
Nordea Funds Ltd	1737785-9	Helsinki	3,350	385	385	100.0
Nordea Asset Management Holding AB	559104-3301	Stockholm	500	246	–	100.0
Nordea Finans Danmark A/S	89805910	Høje Taastrup	20,006	188	–	100.0
Nordea Finans Sverige AB (publ)[2]	556021-1475	Stockholm	1,000,000	112	86	100.0
Nordea Essendropsgate Eiendomsforvaltning AS	986610472	Oslo	7,500	41	–	100.0
Nordea Ejendomsinvestering A/S	26640172	Copenhagen	1,000	29	29	100.0
Nordea Markets Holding Company INC	36-468-1723	Delaware	1,000	22	22	100.0
Nordic Baltic Holding (NBH) AB	556592-7950	Stockholm	1,000	22	22	100.0
Privatmegleren	986386661	Oslo	12,000,000	11	–	100.0
Nordea Utvikling AS	999222862	Oslo	300	6	–	100.0
Nordea Holding Abp	2858394-9	Helsinki	1	5	–	100.0
Danbolig A/S	13186502	Copenhagen	1	1	–	100.0
Structured Finance Servicer A/S	24606910	Copenhagen	2	1	–	100.0
Nordea Hästen Fastighetsförvaltning AB	556653-6800	Stockholm	1,000	0	0	100.0
Nordea Putten Fastighetsförvaltning AB	556653-5257	Stockholm	1,000	0	0	100.0
Nordea Do Brasil Representações Ltda	51.696.268/0001-40	São Paulo, Brazil	1,162,149	0	0	100.0
First Card AS	963215371	Oslo	200	0	–	100.0
Nordea Bank Finland Abp	168235-8	Helsinki	1,030,800,000	–	7,231	100.0
Nordea Bank Danmark A/S	13522197	Copenhagen	50,000,000	–	4,037	100.0
Nordea Bank Norge ASA	911044110	Oslo	551,358,576	–	3,100	100.0
Nordea Investment Management AB	556060-2301	Stockholm	12,600	–	227	100.0
Promano Est OÜ	11681888	Tallinn, Estonia	1	–	10	100.0
Promano Lit UAB	302423219	Vilnius, Lithuania	34,528	–	10	100.0
SIA Promano Lat	40103235197	Riga, Latvia	21,084	–	10	100.0
SIA Realm	50103278681	Riga, Latvia	7,030	–	7	100.0
UAB Recurso	302784511	Vilnius, Lithuania	15,000	–	5	100.0
SIA Trioleta	40103565264	Riga, Latvia	2,786	–	4	99.9
Uus-Sadama 11 OÜ	11954914	Tallinn, Estonia	1	–	0	100.0
SIA Lidosta RE	40103424424	Riga, Latvia	2	–	0	100.0
Total				**12,532**	**20,101**	

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon. Combined ownership, Nordea Bank AB directly 7.2% and indirecly 92.8% through LLC Promyshlennaya Kompaniya Vestkon.

2) Credit institutions as defined in the Swedish Annual Account Act for Credit Institutions and Securities Companies (1995:1559).

P21. Investments in associated undertakings and joint ventures

EURm	31 Dec 2017	31 Dec 2016
Acquisition value at beginning of year	12	7
Through merger	69	–
Acquisitions/capital contributions during the year	968	5
Sales during the year	–8	0
Translation differences	–5	–
Acquisition value at end of year	**1,036**	**12**
- of which listed shares	–	–

P22. Intangible assets

EURm	31 Dec 2017	31 Dec 2016
Goodwill allocated to cash generating units		
Personal Banking	160	137
Commercial and Business Banking	99	92
Total goodwill	**259**	**229**
Computer software	1,801	1,272
Other intangible assets	54	38
Total intangible assets	**2,114**	**1,539**
Movements in goodwill		
Acquisition value at beginning of year	1,094	1,094
Acquisitions through mergers	178	–
Acquisition value at end of year	**1,272**	**1,094**
Accumulated amortisation at beginning of year	–865	–810
Amortisations through mergers	–80	–
Amortisation according to plan for the year	–68	–55
Accumulated amortisation at end of year	**–1,013**	**–865**
Total	**259**	**229**
Movements in computer software		
Acquisition value at beginning of year	1,431	861
Acquisitions through mergers	157	–
Acquisitions during the year	628	576
Sales/disposals during the year	–2	–7
Reclassifications	–1	1
Translation differences	–37	–
Acquisition value at end of year	**2,176**	**1,431**
Accumulated amortisation at beginning of year	–151	–88
Depreciations through mergers	–102	–
Amortisation according to plan for the year	–110	–63
Accumulated amortisation on sales/disposals during the year	1	0
Translation differences	8	–
Accumulated amortisation at end of year	**–354**	**–151**
Accumulated impairment charges at beginning of year	–8	–7

P22. Intangible assets, cont.

EURm	31 Dec 2017	31 Dec 2016
Accumulated impairment charges through mergers	–7	–
Accumulated impairment charges on sales/disposals during the year	–1	7
Impairment charges during the year	–5	–8
Accumulated impairment charges at end of year	**–21**	**–8**
Total	**1,801**	**1,272**
Movements in other intangible assets		
Acquisition value at beginning of year	121	106
Acquisitions through mergers	72	–
Acquisitions during the year	28	17
Sales/disposals during the year	–	–2
Translation differences	–4	–
Acquisition value at end of year	**217**	**121**
Accumulated amortisation at beginning of year	–83	–62
Depreciations through mergers	–53	–
Amortisation according to plan for the year	–30	–21
Accumulated amortisation on disposals during the year	–	0
Translation differences	3	–
Accumulated amortisation at end of year	**–163**	**–83**
Accumulated impairment charges at beginning of year	0	–3
Accumulated impairment charges on disposals during the year	0	3
Impairment charges during the year	0	0
Accumulated impairment charges at end of year	**0**	**0**
Total	**54**	**38**

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test.
See Note G20 "Intangible assets" and Note G1 "Accounting policies" section 4 for more information.

P23. Properties and equipment

EURm	31 Dec 2017	31 Dec 2016
Properties and equipment	385	132
- of which buildings for own use	3	0
- of which investment properties	2	–
Total	**385**	**132**
Movements in equipment		
Acquisition value at beginning of year	324	307
Acquisitions during the year	125	25
Acquisition through mergers	565	8
Sales/disposals during the year	–24	–15
Reclassification	0	–1
Translation differences	–17	–
Acquisition value at end of year	**973**	**324**
Accumulated depreciation at beginning of year	–192	–169
Accumulated depreciation on sales /disposals during the year	24	12
Depreciations according to plan for the year	–64	–25
Depreciations through mergers	–370	–6
Reclassifications	0	–4
Translation differences	14	–
Accumulated depreciation at end of year	**–588**	**–192**
Total	**385**	**132**

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment. See also Note G1 "Accounting policies", section 15.

Leasing expenses during the year

EURm	31 Dec 2017	31 Dec 2016
Leasing expenses during the year	–256	–121
- of which minimum lease payments	–256	–120
- of which contingent rents	–	–1
Leasing income during the year regarding sublease payments	**23**	**16**

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	31 Dec 2017
2018	211
2019	179
2020	159
2021	134
2022	115
Later years	480
Total	**1,278**

The sublease payments to be received under non-cancellable subleases amounts to EUR 196m. EUR 184m of the subleases are towards group undertakings.

P24. Other assets

EURm	31 Dec 2017	31 Dec 2016
Claims on securities settlement proceeds	2,162	39
Cash/margin receivables	9,640	1,286
Anticipated dividends from group undertakings	1,684	1,964
Group contributions	873	695
Other	957	576
Total	**15,316**	**4,560**

P25. Prepaid expenses and accrued income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest income	204	95
Other accrued income	236	84
Prepaid expenses	688	570
Total	**1,128**	**749**

P26. Deposits by credit institutions

EURm	31 Dec 2017	31 Dec 2016
Central banks	13,751	1,919
Banks	20,749	17,391
Other credit institutions	17,235	1,064
Total	**51,735**	**20,374**

P27. Deposits and borrowings from the public

EURm	31 Dec 2017	31 Dec 2016
Deposits[1]	169,216	58,129
Repurchase agreements	7,015	–
Borrowings	–	54
Total	**176,231**	**58,183**

1) Deposits related to individual pension savings (IPS) are also included.

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits.

P28. Debt securities in issue

EURm	31 Dec 2017	31 Dec 2016
Certificates of deposit	10,743	7,248
Commercial papers	24,441	17,805
Covered bonds	5,033	0
Bond	32,201	38,052
Other	42	57
Total	**72,460**	**63,162**

P29. Other liabilities

EURm	31 Dec 2017	31 Dec 2016
Liabilities on securities settlement proceeds	3,010	106
Sold, not held, securities	13,875	242
Cash/margin payables	8,869	1,930
Accounts payable	85	22
Other	2,881	979
Total	**28,720**	**3,279**

P30. Accrued expenses and prepaid income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest	10	5
Other accrued expenses	1,015	458
Prepaid income	170	207
Total	**1,195**	**670**

P31. Provisions

EURm	31 Dec 2017	31 Dec 2016
Restructuring	216	99
Guarantees/commitments	188	206
Other	8	2
Total	**412**	**307**

EURm	Restruc-turing	Guarantees/Commit-ments	Other	Total
At beginning of year	99	206	2	307
New provisions made	148	102	3	253
Provisions utilised	–84	–9	–1	–94
Reversals	–54	–298	–	–352
Reclassifications	111	189	4	304
Translation differences	–4	–2	0	–6
At end of year	**216**	**188**	**8**	**412**

New provisions for restructuring costs were recognised by EUR 148m. The restructuring activities have been initiated to manage the transformational change to a truly digital bank. The majority of the provision is expected to be used during 2018. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Provision for restructuring costs amounts to EUR 216m and covers mainly termination benefits.

P32. Retirement benefit obligations

Nordea sponsors both defined contribution plans (DCP) and defined benifit plans (DBP). The major plans in each country are funded schemes covered by assets in pension funds/ foundations.

	Income statement 2017			Balance sheet (net) 2017	
	IAS 19	Local[1]		IAS 19	Local[1]
Sweden	–43	–58		–57	–126
Norway	–4	–4		–79	–79
Finland	–2	–2		113	113
Denmark	1	1		26	26
Total	**–48**	**–63**	**Net liability (–)/asset (+)**	**3**	**–66**

1) The pension obligations in the foreign branches are calculated in accordance with IAS 19.

IAS 19 pension calculations and assumptions

The following figures are based on calculations in accordance with IAS 19. Since the pensions in Nordea Bank AB (publ) are recognized in accordance with local accounting requirements, the following figures cannot be found in the balance sheet and income statement.

For general information on Nordea´s main DBP´s, assumptions used in the IAS 19 calculations and sensitivities, see note G32 "Retirement benefit obligations".

Net retirement benefit liabilities/assets

EURm	Swe 2017	Nor 2017	Fin 2017	Den 2017	Total 2017	Total 2016
Obligations	1,580	704	862	101	3,247	1,654
Plan assets	1,523	625	975	127	3,250	1,690
Net liability(–)/asset(+)	**–57**	**–79**	**113**	**26**	**3**	**36**
– of which retirement benefit liabilities	119	132	3	0	254	162
– of which retirement benefit assets	62	53	116	26	257	198

P32. Retirement benefit obligations, cont.

Movements in the obligation

2017, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,422	62	170	–	1,654
Through merger	–	746	744	103	1,593
Current service cost	23	5	3	–	31
Interest cost	38	20	14	2	74
Pensions paid	–67	–34	–56	–6	–163
Past service cost and settlements	14	–5	0	–	9
Remeasurement from changes in demographic assumptions	–	44	–5	0	39
Remeasurement from changes in financial assumptions	177	–65	3	4	119
Remeasurement from experience adjustments	1	6	–7	–1	–1
Translation differences	–50	–65	–4	–1	–120
Change in provision for SWT/SSC[1]	22	–10	–	–	12
Closing balance	**1,580**	**704**	**862**	**101**	**3,247**
- of which relates to the active population (%).	26%	13%	13%	–	19%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

Movements in the fair value of plan assets

2017, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,484	27	179	–	1,690
Through merger	–	633	816	132	1,581
Interest income (calculated using the discount rate)	39	18	16	2	75
Pensions paid	–	–19	–56	–6	–81
Settlements	–	–	–	–	0
Contributions by employer	–	6	–	3	9
Contributions by plan participants	–	–	–	–	0
Refund to employer	–	–	–	–	0
Remeasurement (actual return less interest income)	46	12	26	–4	80
Translation differences	–46	–52	–6	0	–104
Closing balance	**1,523**	**625**	**975**	**127**	**3,250**

Asset composition in funded schemes

The combined return on assets in 2017 was 4.7%. The asset return was driven by a positive return in all asset classes.

2017	Swe	Nor	Fin	Den	Total
Bonds	**69%**	**52%**	**57%**	**86%**	**63%**
- of which sovereign	34%	31%	36%	35%	34%
- of which covered bonds	17%	9%	4%	50%	13%
- of which corporate bonds	15%	10%	17%	0%	15%
- of which issued by Nordea entities	2%	1%	0%	0%	1%
- of which with quoted market price in an active market	69%	52%	57%	86%	63%
Equity	**29%**	**31%**	**27%**	**13%**	**28%**
- of which domestic	7%	7%	7%	13%	7%
- of which european	8%	10%	7%	0%	8%
- of which US	8%	9%	8%	0%	8%
- of which emerging markets	5%	6%	5%	0%	5%
- of which Nordea shares	1%	0%	0%	0%	0%
- of which with quoted market price in an active market	29%	31%	27%	13%	28%
Real estate[1]	**0%**	**15%**	**12%**	**0%**	**7%**
- of which occupied by Nordea	0%	0%	4%	0%	1%
Cash and cash equivalents	**2%**	**2%**	**4%**	**1%**	**2%**

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

P32. Retirement benefit obligations, cont.

EURm	31 Dec 2017
Shares	924
Interest-bearing securities	2,040
Other assets	286
Total	**3,250**

Recognised in the income statement

2017, EURm	Swe	Nor	Fin	Den	Total
Current service cost	23	5	3	–	31
Net interest	–1	3	–1	–1	0
Past service cost and settlements	14	–5	0	–	9
SWT/SSC[1]	7	1	0	–	8
Pension cost on defined benefit plans (expense+ / income–)	**43**	**4**	**2**	**–1**	**48**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Recognised in other comprehensive income

2017, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	–	44	–5	0	39
Remeasurement from changes in financial assumptions	177	–65	3	4	119
Remeasurement from experience adjustments	1	6	–7	–1	–1
Remeasurement of plan assets (actual return less interest income)	–46	–12	–26	4	–80
SWT/SSC[1]	32	–7	–	–	25
Pension cost on defined benefit plans (expense+ / income–)	**164**	**–34**	**–35**	**7**	**102**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

For information on multiemployer plans in Norway, see note G32 "Retirement benefit obligations".

For general information on Nordea´s main DBP´s, assumptions used in the IAS 19 calculations and sensitivities, see note G32 "Retirement benefit obligations".

Local pension calculations and assumptions

The following figures are based on calculations in accordance with Swedish rules ("Tryggandelagen").

The pension obligations in the foreign branches are calculated in accordance with IAS 19.

EUR 126m (EUR 142m) of the provisions are covered by "Tryggandelagen".

Main assumptions for defined benifit obligations used in calculations according to "Tryggandelagen"

EURm	2017	2016
Discount rate	0.6%	0.7%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes

Specification of amounts recognised on the balance sheet

EURm	31 Dec 2017	31 Dec 2016
Present value of commitments relating to in whole or in part funded pension plans[1]	–1,468	–1,469
Fair value at the end of the period relating to specifically separated assets[1]	1,524	1,469
Surplus in the pension foundation	**56**	**0**
Present value of commitments relating to unfunded pension plans[1]	–126	–142
Unrecognised surplus in the pension foundation[1]	–56	0
Net liability (–) / asset (+) in foreign branches according to IAS 19	60	–27
Reported liability net on the balance sheet	**–66**	**–169**

1) According to local Swedish rules, "Tryggandelagen".

Actual value of holdings in the Swedish Pension Foundation

EURm	31 Dec 2017	31 Dec 2016
Shares	389	386
Interest-bearing securities	1,022	1,039
Other assets	113	44
Total	**1,524**	**1,469**

P32. Retirement benefit obligations, cont.

Movements in the net liability recognised on balance sheet as pension[1]

EURm	31 Dec 2017	31 Dec 2016
Balance at 1 Jan recognised as pension commitments	–169	–159
Through merger	–5	–
Pensions paid related to former employees of Postgirot Bank	7	7
Actuarial pension calculations through Profit and Loss	–1	–20
Recognised in other comprehensive income	62	3
Pension payments and contributions through Balance Sheet[2]	28	3
Effect of exchange rate changes	12	–3
Net liability (–) / asset (+)	**–66**	**–169**
- of which retirement benefit liabilities	262	169
- of which retirement benefit assets	196	–

1) The pension obligations in the foreign branches are calculated in accordance with IAS19.
2) Including cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Specification of costs and income in respect of pensions

EURm	2017	2016
Pensions paid related to former employees of Postgirot Bank[1]	–7	–7
Pensions paid covered by the Swedish pension foundation[1]	–62	–65
Liability to the Swedish pension foundation[1]	8	–8
Actuarial pension calculation[1]	3	–9
Actuarial pension calculation according to IAS 19	–5	4
Defined benefit plans	**–63**	**–85**
Defined contribution plans	–229	–80
Pension costs(expense-/income+)[2]	**–292**	**–165**

1) According to local Swedish rules, "Tryggandelagen".
2) See Note P8 "Staff costs".

P33. Subordinated liabilities

EURm	31 Dec 2017	31 Dec 2016
Dated subordinated debenture loans	5,947	7,007
Undated subordinated debenture loans	242	–
Hybrid capital loans	2,798	3,079
Total	**8,987**	**10,086**

Debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

The carrying amount at year end representing revaluations in the fair value of the hedged part of subordinated liabilities is included in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" under "Liabilities" and amounts to EUR 189 m (EUR 339 m).

At 31 December 2017 six loans – with terms specified below – exceeded 10% of the total outstanding volume dated subordinated loans.

P33. Subordinated liabilities, cont.

EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan[1]	1,250	1,038	Fixed
Dated loan[2]	1,000	999	Fixed
Dated loan[3]	750	748	Fixed
Dated loan[4]	1,000	829	Fixed
Dated loan[5]	750	746	Fixed
Dated loan[6]	1,000	993	Fixed

1) Maturity date 13 May 2021.
2) Maturity date 26 March 2020.
3) Maturity date 29 March 2021.
4) Maturity date 21 September 2022.
5) Call date 10 November 2020, maturity date 10 November 2025.
6) Call date 7 September 2021, maturity date 7 September 2026.

P34. Untaxed reserves

EURm	31 Dec 2017	31 Dec 2016
Accumulated excess depreciation, equipment	-	2

P35. Assets pledged as security for own liabilities

Assets pledged for own liabilities

EURm	31 Dec 2017	31 Dec 2016
Securities etc[1]	25,030	1,080
Other assets pledged	10,970	–
Total	**36,000**	**1,080**

The above pledges pertain to the following liabilities

EURm	31 Dec 2017	31 Dec 2016
Deposits by credit institutions	15,467	255
Deposits and borrowings from the public	5,646	913
Derivatives	9,611	–
Other liabilities and commitments	291	–
Total	**31,015**	**1,168**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note P45 "Transferred assets and obtained collaterals" .

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

P36. Other assets pledged

Other assets pledged are mainly related to securities which included interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions EUR 4,943m (EUR 11,750m). The terms and conditions require day to day securities and relate to liquidity intraday/overnight. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

P37. Contingent liabilities

EURm	31 Dec 2017	31 Dec 2016
Guarantees		
- Loan guarantees	39,416	67,928
- Other guarantees	13,142	3,682
Documentary credits	1,568	304
Other contingent liabilities	4	51
Total	**54,130**	**71,965**

In the normal business Nordea issues various forms of guarantees in favour of the bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees.

Nordea Bank AB (publ) has issued a guarantee in favour of its Russian subsidiary JSC Nordea Bank where Nordea Bank AB (publ) guarantees specified exposures in JSC Nordea Bank. At 31 December 2017 the guarantees cover exposures amounting to EUR 1bn.

Nordea Bank AB (publ) provides a guarantee in favour of the holders of Nordea Mortgage Bank's covered bonds. At 31 December 2017 the guarantees cover exposures amounting to EUR 13bn.

Nordea Denmark, branch of Nordea Bank AB (publ) provides on an ongoing basis guarantees in favour of Nordea Kredit Realkreditaktieselskab, typically to cover the top 25% of the principal of mortgage loans disbursed. This guarantee commitment is computed on the basis of the remaining cash balance and at 31 December 2017 amounted to EUR 14bn.

The guarantee that Nordea Bank AB (publ) had issued in favour of Nordea Bank Finland Plc (EUR 60bn in 2016) where Nordea Bank AB (publ) guaranteed the majority of the exposures in the exposure class IRB corporate has been terminated due to the merger of Nordea Bank Finland Plc.

The guarantees are priced at arm's length. All internal transactions under the guarantees are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings of Nordea Bank AB (publ), provided that such liability has arisen before 31 March 2017.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Nordea Bank AB (publ) has during the year received a dividend payment from Visa Sweden Förening ek. för. amounting to EUR 64m. This payment has been recognised as "Dividends" in the income statement. The company can, if Visa Sweden Förening ek. för. so demands, be required to repay the full amount which will be followed by a reallocation between owners of Visa Sweden Förening ek. för. and a subsequent redistribution to the company. It is the company's assessment that any reallocation would not have a significant impact on the company.

P37. Contingent liabilities, cont.

Legal proceedings

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes is considered likely to have any significant adverse effect on the Group or its financial position.

P38. Commitments

EURm	31 Dec 2017	31 Dec 2016
Credit commitments	43,145	10,972
Unutilised portion overdraft facilities	34,725	15,890
Other commitments	–	131
Total	**77,870**	**26,993**

For information about derivatives see Note P19 "Derivatives and hedge accounting".

Nordea Bank AB (publ) has issued a liquidity facility for the benefit of Nordea Hypotek AB. The facility covers the amount necessary in order to ensure payment in respect of all interest and principal payments that are scheduled to fall due on existing and future covered bonds issued by Nordea Hypotek AB. The facility has been included in the table above with EUR 508m.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2017 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2017.

The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments. All disclosed commitements are irrevocable. For further information about credit commitments, see Note G1 "Accounting policies", section 25.

P39. Capital adequacy

Table A2 Transitional own funds

For information of the capital adequacy regulations see Note G38 "Capital adequacy".

Common Equity Tier 1 capital: instruments and reserves

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	–
	of which: Share capital	4,050	–
2	Retained earnings	21,020	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	173	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	763	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments[1]**	**27,086**	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–242	–
8	Intangible assets (net of related tax liability) (negative amount)	–2,114	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	–	–
11	Fair value reserves related to gains or losses on cash flow hedges	42	–
12	Negative amounts resulting from the calculation of expected loss amounts	–210	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–62	–
15	Defined-benefit pension fund assets (negative amount)	–151	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–32	–
25	of which: deferred tax assets arising from temporary differences	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	217
	Of which: ... filter for unrealised loss 1	–	39
	Of which: ... filter for unrealised gain 1	–	177
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–2,770**	–
29	**Common Equity Tier 1 (CET1) capital**	**24,316**	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,806	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	722	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments[1]**	**3,528**	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–35	–
41a	**Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013**	–	–
	Of which shortfall	–	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–35**	–
44	**Additional Tier 1 (AT1) capital**	**3,493**	–
45	**Tier 1 capital (T1 = CET1 + AT1)**	**27,809**	–

P39. Capital adequacy, cont.

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	4,669	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	241	–
50	Credit risk adjustments	58	–
51	**Tier 2 (T2) capital before regulatory adjustments**[1]	**4,968**	–
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	−61	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	−1,205	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**−1,266**	–
58	**Tier 2 (T2) capital**	**3,702**	–
59	**Total capital (TC = T1 + T2)**	**31,511**	–
60	**Total risk weighted assets**	**130,630**	–
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.6%	–
62	Tier 1 (as a percentage of risk exposure amount)	21.3%	–
63	Total capital (as a percentage of risk exposure amount)	24.1%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G–SII or O–SII buffer), expressed as a percentage of risk exposure amount)	3.3%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.8%	–
67	of which: systemic risk buffer requirement	–	–
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	–	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.1%	–
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	153	–
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	785	–
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	–	–
Applicable caps to the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	58	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	441	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	–	–
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–
82	Current cap on AT1 instruments subject to phase out arrangements	788	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase out arrangements	443	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

1) Prior to deduction of direct holdings.

P39. Capital adequacy, cont.

Minimum capital requirement and REA

	31 Dec 2017		31 Dec 2016	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**8,292**	**103,656**	**6,120**	**76,502**
- of which counterparty credit risk	477	5,963	266	3,329
IRB	5,884	73,553	2,485	31,061
- sovereign	141	1,759	–	–
- corporate	4,170	52,127	2,062	25,772
- advanced	3,785	47,318	1,393	17,408
- foundation	385	4,809	669	8,364
- institutions	510	6,379	244	3,054
- retail	955	11,942	121	1,512
- secured by immovable property collateral	245	3,065	6	73
- other retail	710	8,877	115	1,439
- other	108	1,346	58	723
Standardised	2,408	30,103	3,635	45,441
- central governments or central banks	17	209	5	56
- regional governments or local authorities	–	–	2	23
- public sector entities	–	–	–	–
- multilateral development banks	–	–	0	6
- international organisations	–	–	–	–
- institutions	581	7,259	1,251	15,641
- corporate	323	4,035	137	1,707
- retail	3	42	18	231
- secured by mortgages on immovable properties	114	1,420	210	2,626
- in default	–	–	3	38
- associated with particularly high risk	58	728	–	–
- covered bonds	56	705	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	1,255	15,687	2,007	25,089
- other items	1	18	2	24
Credit Value Adjustment Risk	**94**	**1,182**	**16**	**195**
Market risk	**947**	**11,831**	**450**	**5,628**
- trading book, Internal Approach	196	2,444	13	165
- trading book, Standardised Approach	94	1,179	–	–
- banking book, Standardised Approach	657	8,208	437	5,463
Operational risk	**1,117**	**13,961**	**369**	**4,614**
Standardised	1,117	13,961	369	4,614
Additional risk exposure amount, Article 3 CRR	–	–	**8**	**102**
Sub total	**10,450**	**130,630**	**6,963**	**87,041**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	538	6,720	–	–
Total	**10,988**	**137,350**	**6,963**	**87,041**

Nordea does not have the following IRB exposure classes: equity exposures, qualifying revolving retail

P39. Capital adequacy, cont.

Leverage ratio

EURm	31 Dec 2017	31 Dec 2016
Tier 1 capital, transitional definition, EURm[1]	27,809	19,167
Leverage ratio exposure, EURm	463,779	216,455
Leverage ratio, percentage	6.0	8.9

1) Including profit for the period.

More Capital Adequacy information can be found in the section "Risk, Liquidity and Capital Management".

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons / dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument									
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947	XS1725580465
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
	Regulatory treatment									
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/ (sub-) consolidated/ solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 148m	EUR 74m	EUR 831m	EUR 414m	EUR 228m	EUR 127m	EUR 457m	EUR 750m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 148m	JPY 10,000m / EUR 74m	USD 1,000m / EUR 834m	USD 500m / EUR 417m	SEK 2,250m / EUR 229m	NOK 1,250m / EUR 127m	USD 550m / EUR 459m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Equity
11	Original date of issuance	17-Sep-2004	04-Mar-2005	12-Oct-2005	23-Sep-2014	23-Sep-2014	12-Mar-2015	12-Mar-2015	12-Mar-2015	28-Nov-2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17-Sep-2009 In addition tax/ regulatory call 100 per cent of nominal amount	4-Mar-2035 In addition tax/ regulatory call 100 per cent of nominal amount	12-Oct-2035 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2019 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2024 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	13-Sep-2021 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2025 In addition tax/ regulatory call 100 per cent of nominal amount

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

Additional Tier 1 instrument									
16 Subsequent call dates, if applicable	17-Mar and 17-Sep each year after first call date	4-Mar and 4-Sep each year after first call date	12-Apr and 12-Oct each year after first call date	23-Mar and 23-Sep each year after first call date	23-Mar and 23-Sep each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	13-Sep each year after first call date	12-Mar each year after first call date
Coupons/dividends									
17 Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed	Fixed
18 Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum	Fixed 3.5 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.003 per cent per annum
19 Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No	No
20a Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21 Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No	No
22 Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23 Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30 Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31 If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent"	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32 If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33 If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34 If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36 Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No	No
37 If yes, specify non-compliant features	No specified trigger level, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	N/A	N/A	N/A	N/A	N/A	N/A

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

Tier 2 instruments							
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB0001961928	N/A	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Norwegian law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 167m	EUR 74m	EUR 446m (44.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 485m (64.7 per cent of Nominal amount, <5 yrs to maturity)	EUR 699m (67.1 per cent of Nominal amount, <5 yrs to maturity)	EUR 783m (93.9 per cent of Nominal amount, <5 yrs to maturity)
9	Nominal amount of instrument	USD 200m / EUR 167m	JPY 10,000m / EUR 74m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,042m	USD 1,000m / EUR 834m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classi-fication	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	04-Nov-1986	22-Aug-2001	26-Mar-2010	29-Sep-2010	13-May-2011	21-Sep-2012
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26-Mar-2020	29-Mar-2021	13-May-2021	21-Sep-2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments						
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 173m	EUR 233m	EUR 111m	EUR 746m	EUR 993m
9	Nominal amount of instrument	SEK 1,700m / EUR 173m	SEK 2,300m / EUR 234m	JPY 15,000m / EUR 111m	EUR 750m	EUR 1,000m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent	99.391 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	17-Sep-2015	17-Sep-2015	06-Oct-2015	10-Nov-2015	07-Sep-2016
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	17-Sep-2025	17-Sep-2025	06-Oct-2025	10-Nov-2025	07-Sep-2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template– T2, cont.

Tier 2 instruments							
Coupons/dividends							
15	Optional call date, contingent call dates and redemption amount	18-Nov-1991 In addition tax call 100 per cent of nominal amount	26-Feb-2029 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	18-May and 18-Nov each year after first call date	26-Feb and 26-Aug each year after first call date	N/A	N/A	N/A	N/A
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 6-month USD +0.1875 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +2.00 per cent per annum	4.50%	4.00%	4.875%	4.250%
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend pusher	Partially discretionary Dividend pusher	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	Yes	Yes	No	No	No	No
37	If yes, specify non-compliant features	No explicit language requesting FSA approval for redemption	Step-up	N/A	N/A	N/A	N/A

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments

Coupons/dividends

15	Optional call date, contingent call dates and redemption amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10-Nov-2020 In addition tax/regulatory call 100 per cent of nominal amount	07-Sep-2021 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar, 17-Jun, 17-Sep and 17-Dec each year after first call date	17-Sep each year after first call date	N/A	10-Nov each year after first call date	7-Sep each year after first call date
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1.160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

P40. Classification of financial instruments

Assets

31 Dec 2017, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non–financial assets, group/ associated undertakings and joint ventures	Total
Cash and balances with central banks	42,637	–	–	–	–	–	–	42,637
Treasury bills	–	92	6,535	–	–	6,866	–	13,493
Loans to credit institutions	57,749	–	2,014	2	–	–	–	59,765
Loans to the public	129,343	–	23,164	232	–	–	–	152,739
Interest–bearing securities	–	1	16,925	1,548	–	29,476	–	47,950
Financial instruments pledged as collateral	–	–	12,430	–	–	–	–	12,430
Shares	–	–	5,235	2,648	–	–	–	7,883
Derivatives	–	–	46,044	–	1,644	–	–	47,688
Fair value changes of the hedged items in portfolio hedge of interest rate risk	85	–	–	–	–	–	–	85
Investments in group undertakings	–	–	–	–	–	–	12,532	12,532
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	1,036	1,036
Participating interest in other companies	–	–	23	–	–	–	–	23
Intangible assets	–	–	–	–	–	–	2,114	2,114
Properties and equipment	–	–	–	–	–	–	385	385
Deferred tax assets	–	–	–	–	–	–	84	84
Current tax assets	–	–	–	–	–	–	58	58
Retirement benefit assets	–	–	–	–	–	–	196	196
Other assets	1,363	–	10,905	4	–	–	3,044	15,316
Prepaid expenses and accrued income	892	–	–	–	–	–	236	1,128
Total	**232,069**	**93**	**123,275**	**4,434**	**1,644**	**36,342**	**19,685**	**417,542**

Liabilities

31 Dec 2017, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non–financial liabilities	Total
Deposits by credit institutions	5,891	–	–	45,844	–	51,735
Deposits and borrowings from the public	9,075	4,346	–	162,810	–	176,231
Debt securities in issue[1]	–	5,033	–	67,427	–	72,460
Derivatives	45,140	–	978	–	–	46,118
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	552	–	552
Current tax liabilities	–	–	–	–	158	158
Other liabilities	24,908	–	–	2,902	910	28,720
Accrued expenses and prepaid income	–	–	–	181	1,014	1,195
Deferred tax liabilities	–	–	–	–	174	174
Provisions	–	–	–	–	412	412
Retirement benefit liabilities	–	–	–	–	262	262
Subordinated liabilities	–	–	–	8,987	–	8,987
Total	**85,014**	**9,379**	**978**	**288,703**	**2,930**	**387,004**

1) During the year Nordea has reclassified issued structured bonds classified as Dept securities in issue on the balance sheet of EUR 4,986 from Held for trading to Designated at fair value through profit or loss within Financial liabilities at fair value through profit or loss. The reclassification has been made in order to better reflect the purpose of the instruments. There is no change in measurement. As from 2017 embedded derivatives are presented together with the host bonds as Debt securities in issue.

P40. Classification of financial instruments, cont.

Assets

31 Dec 2016, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss		Derivatives used for hedging	Available for sale	Non-financial assets, group/ associated undertakings and joint ventures	Total
			Held for trading	Designated at fair value through profit or loss				
Cash and balances with central banks	101	–	–	–	–	–	–	101
Treasury bills	30	–	3,873	–	–	2,680	–	6,583
Loans to credit institutions	88,375	–	0	–	–	–	–	88,375
Loans to the public	39,220	–	4,506	–	–	–	–	43,726
Interest-bearing securities	26	2	3,058	–	–	7,273	–	10,359
Shares	–	–	129	1	–	–	–	130
Derivatives	–	–	2,602	–	2,066	–	–	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	–	–	–	–	–	–	0
Investments in group undertakings	–	–	–	–	–	–	5,733	5,733
Investments in group undertakings being merged	–	–	–	–	–	–	14,368	14,368
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	12	12
Participating interest in other companies	–	–	–	1	–	–	–	1
Intangible assets	–	–	–	–	–	–	1,539	1,539
Properties and equipment	–	–	–	–	–	–	132	132
Deferred tax assets	–	–	–	–	–	–	22	22
Current tax assets	–	–	–	–	–	–	204	204
Other assets	199	–	1,286	–	–	–	3,075	4,560
Prepaid expenses and accrued income	665	–	–	–	–	–	84	749
Total	**128,616**	**2**	**15,454**	**2**	**2,066**	**9,953**	**25 ,169**	**181,262**

Liabilities

31 Dec 2016, EURm	Financial liabilities at fair value through profit or loss		Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
	Held for trading	Designated at fair value through profit or loss				
Deposits by credit institutions	256	–	–	20,118	–	20,374
Deposits and borrowings from the public	1,988	–	–	56,195	–	58,183
Debt securities in issue	–	–	–	63,162	–	63,162
Derivatives	2,551	–	1,061	–	–	3,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,008	–	1,008
Current tax liabilities	–	–	–	–	–	0
Other liabilities	2,172	–	–	319	788	3,279
Accrued expenses and prepaid income	–	–	–	212	458	670
Provisions	–	–	–	–	307	307
Retirement benefit liabilities	–	–	–	–	169	169
Subordinated liabilities	–	–	–	10,086	–	10,086
Total	**6,967**	**–**	**1,061**	**151,100**	**1,722**	**160,850**

P40. Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2017	31 Dec 2016
Carrying amount	234	–
Maximum exposure to credit risk	234	–

Financial assets and liabilities designated at fair value through profit or loss

Changes in fair values of financial liabilities attributable to changes in credit risk

The funding of Markets operations is measured at fair value and classified into the category "Fair value through profit or loss". The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant.

Changes in fair values of financial assets attributable to changes in credit risk

The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

EURm	Carrying amount	Amount to be paid at maturity
2017		
Financial liabilities designated at fair value through profit or loss	9,379	9,393
2016		
Financial liabilities designated at fair value through profit or loss	–	–

P41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2017		31 Dec 2016	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	42,637	42,637	101	101
Treasury bills	13,493	13,493	6,583	6,583
Loans	212,589	213,045	132,101	132,178
Interest-bearing securities	47,950	47,950	10,359	10,359
Financial instruments pledged as collateral	12,430	12,430	–	–
Shares including participating interest in other companies	7,906	7,906	131	131
Derivatives	47,688	47,688	4,668	4,668
Other assets	12,272	12,272	1,485	1,485
Prepaid expenses and accrued income	892	892	665	665
Total	**397,857**	**398,313**	**156,093**	**156,170**
Financial liabilities				
Deposits and debt instruments	309,965	310,611	152,813	153,112
Derivatives	46,118	46,118	3,612	3,612
Other liabilities	27,810	27,810	2,491	2,491
Accrued expenses and prepaid income	181	181	212	212
Total	**384,074**	**384,720**	**159,128**	**159,427**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 "Accounting policies" and the section "Determination of fair value items measured at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value". For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet", in Note G40 "Assets and liabilities at fair value".

P41. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2017, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	7,163	6,238	–	13,401
Loans to credit institutions	–	2,016	–	2,016
Loans to the public	–	23,396	–	23,396
Interest-bearing securities[2]	19,996	40,220	163	60,379
Shares including participating interest in other companies	7,244	5	657	7,906
Derivatives	56	46,110	1,522	47,688
Other assets	558	10,344	7	10,909
Total	**35,017**	**128,329**	**2,349**	**165,695**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	5,891	–	5,891
Deposits and borrowings from the public	4,317	9,104	–	13,421
Debt securities in issue	–	1,024	4,009	5,033
Derivatives	42	44,990	1,086	46,118
Other liabilities	9,906	15,002	0	24,908
Total	**14,265**	**76,011**	**5,095**	**95,371**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 12,430m relates to the balance sheet item Financial instruments pledged as collateral.

31 Dec 2016, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	5,208	1,345	–	6,553
Loans to credit institutions	–	0	–	0
Loans to the public	–	4,506	–	4,506
Interest-bearing securities[2]	6,072	4,104	155	10,331
Shares including participating interest in other companies	130	–	1	131
Derivatives	2	4,653	13	4,668
Other assets	–	1,286	–	1,286
Total	**11,412**	**15,894**	**169**	**27,475**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	256	–	256
Deposits and borrowings from the public	–	1,988	–	1,988
Derivatives	1	3,585	26	3,612
Other liabilities	–	2,172	0	2,172
Total	**1**	**8,001**	**26**	**8,028**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 0m relates to the balance sheet item "Financial instruments pledged as collateral".

Determination of fair values for items measured at fair value on the balance sheet

For determination of fair values for items measured at fair value on the balance sheet, see Note G40 "Assets and liabilities at fair value".

Transfers between Level 1 and 2

"During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 2,129m (EUR -m) from Level 1 to Level 2 and EUR 1,964m (EUR -m) from Level 2 to Level 1 of the fair value hierarchy. Nordea also transferred derivative assets of EUR 24m (EUR -m) and derivative liabilities of EUR 14m (EUR -m) from level 2 to Level 1.

The reason for the transfer from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have been actively traded during the year and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occured at the end of the year.

P41. Assets and liabilities at fair value, cont.

Movements in Level 3

31 Dec 2017, EURm	1 Jan 2017	Through merger	Fair value gains/losses recognised in the income statement during the year		Purchases /Issues	Sales	Settle-ments	Transfers into level 3	Transfers out of level 3	Translation differences	31 Dec 2017
			Realised	Unrealised							
Intererest-bearing securities	155	17	1	7	8	–24	–1	–	0	0	163
Shares including participating interest in other companies	1	601	2	63	167	–172	–1	–	–	–4	657
Derivatives (net)	–13	390	–152	–39	–	–	152	98	–1	1	436
Other assets	–	–	–	–	–	–	–	7	–	–	7
Debt securities in issue	–	–	–	–	–	–	–	4,009	–	–	4,009

During the year Nordea Bank AB transferred (net) EUR 4,114m to Level 3 and 1m EUR from Level 3. The reason for the transfer to Level 3 was that observable market data was no longer available. The reason for the transfer from Level 3 was that observable market data was available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see note P5 Net result from items at fair value).

31 Dec 2016, EURm	1 Jan 2016	Sales	Transfers into level 3	31 Dec 2016
Interest-bearing securities	155	–	–	155
Shares including participating interest in other companies	29	–28	–	1
Derivatives (net)	1	–	–14	–13

During the year Nordea Bank AB transferred derivatives (net) EUR -14m to Level 3. The reason for the transfer to Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in “Net result from items at fair value” (see Note P5 Net result from items at fair value).

The valuation processes for fair value measurements in Level 3.

Financial instruments

For information about the valuation processes, see Note G40 "Assets and liabilities at fair value".

P41. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2017, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	161	Discounted cash flows	Credit spread	–1/+1
Corporates	2	Discounted cash flows	Credit spread	+/–0
Total	**163**			**–1/+1**
Shares including participating interest in other companies				
Private equity funds	264	Net asset value[2]		–26/26
Hedge funds	30	Net asset value[2]		–2/2
Credit Funds	203	Net asset value[2]		–16/16
Other funds	93	Net asset value[2]		–9/9
Other	67	–		–5/5
Total	**657**			**–58/58**
Derivatives				
Interest rate derivatives	315	Option model	Correlations, Volatilities	–15/16
Equity derivatives	76	Option model	Correlations, Volatilities, Dividend	–14/7
Foreign exchange derivatives	–2	Option model	Correlations, Volatilities	+/–0
Credit derivatives	25	Credit derivative model	Correlations, Volatilities, Recovery rates	–14/12
Other	22	Option model	Correlations, Volatilities	+/–0
Total	**436**			**–43/35**
Other assets				
Credit institutions	7		Credit spread	+/–0
Total	**7**			**+/–0**
Debt securities in issue				
Issued structured bonds	4,009	Credit derivative model	Correlation, Volatilities, Recovery rates	–20/20
Total	**4,009**			**–20/20**

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasoanble change of this credit spread would not affect the fair value due to callability features.

2) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. All private equity fund investments are internally adjusted/valued based on the Private Equity and Venture Capital Valuation (IPEV) guidelines. These carrying amounts are in a range 31% to 100% compared to the values received from suppliers/custodians.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value".

31 Dec 2016, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	155	Discounted cash flows	Credit spread	+/–0
Total	**155**			**+/–0**
Shares including participating interest in other companies				
Other	1	Net asset value	–	+/–0
Total	**1**			**+/–0**
Derivatives				
Interest rate derivatives	–13	Option model	Correlations, Volatilities	–3/+3
Total	**–13**			–3/+3

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value".

P41. Assets and liabilities at fair value, cont.

Deferred day 1 profit - derivatives, net

EURm	31 Dec 2017	31 Dec 2016
Amount at beginning of year	–	–
Through merger	23	–
Deferred profit/loss on new transactions	89	–
Recognised in the income statement during the year[1]	-53	–
Amount at end of year	**59**	**–**

1) Of which EUR -2m (EUR 0m) due to transfers of derivatives from Level 3 to Level 2.

For more information about measurement of the fair values in the table above, see section “Financial assets and liabilities not held at fair value on the balance sheet” in Note G40 “Assets and liabilities at fair value”.

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2017		31 Dec 2016		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	42,637	42,637	101	101	3
Treasury bills[1,2]	92	92	30	30	1,3
Loans	187,177	187,633	127,595	127,672	3
Interest-bearing securities[2]	1	1	28	28	1,2,3
Other assets	1,363	1,363	199	199	3
Prepaid expenses and accrued income	892	892	665	665	3
Total	**232,162**	**232,618**	**128,618**	**128,695**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	285,620	286,266	150,569	150,868	3
Other liabilities	2,902	2,902	319	319	3
Accrued expenses and prepaid income	181	181	212	212	3
Total	**288,703**	**289,349**	**151,100**	**151,399**	

1) The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.
2) The fair value Treasury bills and Interest-bearing securities is EUR 93m (EUR 58m), of which EUR 92m (EUR 2m) is categorised in Level 1 and EUR 1m (EUR 0m) in Level 2 and EUR 0m (EUR 56m) in Level 3 of the fair value hierarchy.

For more information about measurement of the fair values in the table above, see section “Financial assets and liabilities not held at fair value on the balance sheet” in Note G40 “Assets and liabilities at fair value”.

P42. Financial instruments set off on balance or subject to netting agreements

31 Dec 2017, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	171,299	–125,507	45,792	–29,502	–	–8,869	7,421
Reverse repurchase agreements	29,578	–10,107	19,471	–	–19,471	–	–
Securities borrowing agreements	5,781	–	5,781	–	–5,781	–	–
Total	**206,658**	**–135,614**	**71,044**	**–29,502**	**–25,252**	**–8,869**	**7,421**

31 Dec 2017, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	168,661	–125,507	43,154	–29,502	–	–9,611	4,041
Repurchase agreements	28,197	–10,107	18,090	–	–18,090	–	–
Securities lending agreements	3,917	–	3,917	–	–3,917	–	–
Total	**200,775**	**–135,614**	**65,161**	**–29,502**	**–22,007**	**–9,611**	**4,041**

31 Dec 2016, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	9,289	–4,666	4,623	–1,486	–	–1,790	1,347
Securities borrowing agreements	4,505	–	4,505	–	–4,505	–	–
Total	**13,794**	**–4,666**	**9,128**	**–1,486**	**–4,505**	**–1,790**	**1,347**

31 Dec 2016, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	8,214	–4,666	3,548	–1,486	–	–94	1,968
Securities lending agreements	2,244	–	2,244	–	–2,244	–	–
Total	**10,458**	**–4,666**	**5,792**	**–1,486**	**–2,244**	**–94**	**1,968**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

For more information about master netting arrangements and similar agreements see section “Enforcable master netting arrangements and similar agreements” in Note G41 “Financial instruments set off on balance or subject to netting agreements”.

P43. Disposal group held for sale

Balance sheet - Condensed[1]

EURm	31 Dec 2017	31 Dec 2016
Assets		
Loans to credit institutions	–	818
Loans to the public	–	6,589
Other assets	–	295
Total assets held for sale	**–**	**7,702**
Liabilities		
Deposits by credit institutions	–	4,308
Deposits and borrowings from the public	–	4,783
Other liabilities	–	121
Total liabilities held for sale	**–**	**9,212**

1) Includes the external assets and liabilities held for sale. The external funding of the Baltic operations that remained subsequent to the transaction is not included.

Assets and liabilities held for sale relate to Nordea's decision in 2016 to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities were derecognised in Nordea and instead an investment in an associated company was recognised. The completion of the transaction was conditional upon, among other things, receiving the regulatory approval of FSAs, the European Commission and the European Central Bank. After receiving all needed approvals, the transaction closed on 1 October 2017 when both banks combined their business operations.

P44. Assets and liabilities in foreign currencies

31 Dec 2017, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	157.7	82.2	64.6	48.2	58.1	6.7	417.5
Total liabilities	139.8	68.8	57.0	29.4	68.3	23.7	387.0

31 Dec 2016, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	65.7	56.5	2.6	2.0	32.1	22.4	181.3
Total liabilities	44.4	53.3	4.0	1.7	35.0	22.4	160.8

P45. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions results in the securities are returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterpart in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Treasury bills	2,948	–
Interest-bearing securities	9,482	–
Total	**12,430**	**–**

Liabilities associated with the assets

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Deposits by credit institutions	9,189	–
Deposits and borrowings from the public	2,896	–
Total	**12,085**	**–**
Net	**345**	**–**

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2017	31 Dec 2016
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	31,488	–
- of which repledged or sold	17,282	–
Securities borrowing agreements		
Received collaterals which can be repledged or sold	7,138	4,505
- of which repledged or sold	–	4,505
Total	**38,626**	**4 505**

P46. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2017 Expected to be recovered or settled:			31 Dec 2016 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		42,637	-	42,637	101	–	101
Treasury bills	P14	7,579	5,914	13,493	3,438	3,145	6,583
Loans to credit institutions	P15	46,973	12,792	59,765	61,362	27,013	88,375
Loans to the public	P15	72,817	79,922	152,739	13,973	29,753	43,726
Interest-bearing securities	P16	12,995	34,955	47,950	1,339	9,020	10,359
Financial instruments pledged as collateral	P17	3,719	8,711	12,430	–	–	–
Shares	P18	7,410	473	7,883	1	129	130
Derivatives	P19	8,488	39,200	47,688	804	3,864	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk		12	73	85	0	–	0
Investments in group undertakings	P20	–	12,532	12,532	–	5,733	5,733
Investments in group undertakings being merged	P20	–	–	–	14,368	–	14,368
Investments in associated undertakings and joint ventures	P21	–	1,036	1,036	–	12	12
Participating interest in other companies		–	23	23	–	1	1
Intangible assets	P22	17	2,097	2,114	–	1,539	1,539
Properties and equipment	P23	77	308	385	–	132	132
Deferred tax assets	P13	32	52	84	4	18	22
Current tax assets		58	–	58	204	–	204
Retirement benefit assets	P32	–	196	196	–	–	–
Other assets	P24	15,303	13	15,316	4,560	–	4,560
Prepaid expenses and accrued income	P25	809	319	1,128	404	345	749
Total assets		**218,926**	**198,616**	**417,542**	**100,558**	**80,704**	**181,262**
Deposits by credit institutions	P26	47,063	4,672	51,735	13,240	7,134	20,374
Deposits and borrowings from the public	P27	152,504	23,727	176,231	58,099	84	58,183
Debt securities in issue	P28	41,915	30,545	72,460	34,450	28,712	63,162
Derivatives	P19	7,622	38,496	46,118	1,154	2,458	3,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk		522	30	552	1,008	–	1,008
Current tax liabilities		158	–	158	–	0	0
Other liabilities	P29	28,713	7	28,720	3,113	166	3,279
Accrued expenses and prepaid income	P30	1,146	49	1,195	670	–	670
Deferred tax liabilities	P13	–	174	174	–	–	–
Provisions	P31	227	185	412	295	12	307
Retirement benefit liabilities	P32	6	256	262	6	163	169
Subordinated liabilities	P33	943	8,044	8,987	1,590	8,496	10,086
Total liabilities		**280,819**	**106,185**	**387,004**	**113,625**	**47,225**	**160,850**

P46. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2017 , EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	7,790	268	3,798	2,979	14,835
Loans to credit institutions	46,120	39,374	5,815	16,112	639	108,060
Loans to the public	7,852	55,239	19,005	51,170	45,469	178,735
Interest-bearing securities	–	5,162	13,233	37,491	4,156	60,042
Other	–	2,884	21,456	857	16,338	41,535
Total financial assets	**53,972**	**110,449**	**59,777**	**109,428**	**69,581**	**403,207**
Deposits by credit institutions	8,771	42,077	1,139	4,029	653	56,669
Deposits and borrowings from the public	138,098	30,991	4,578	1,393	3,342	178,402
- of which Deposits	138,098	22,694	4,578	1,393	3,342	170,105
- of which Borrowings	–	8,297	–	–	–	8,297
Debt securities in issue	–	26,749	16,958	33,661	7,428	84,796
- of which Debt securities in issue	–	26,160	16,543	25,521	6,467	74,691
- of which Other	–	589	415	8,140	961	10,105
Other	–	20,353	10,406	445	256	31,460
Total financial liabilities	**146,869**	**120,170**	**33,081**	**39,528**	**11,679**	**351,327**
Derivatives, cash inflow	–	31,559	5,693	27,595	8,153	73,001
Derivatives, cash outflow	–	30,236	5,656	5,656	5,656	47,204
Net exposure	**–**	**1,323**	**37**	**21,939**	**2,497**	**25,797**
Exposure	**–92,897**	**-8,398**	**26,733**	**91,839**	**60,399**	**77,676**
Cumulative exposure	**–92,897**	**–101,295**	**–74,562**	**17,277**	**77,676**	**–**

31 Dec 2016 , EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	3,058	430	2,966	269	6,723
Loans to credit institutions	4,490	52,181	11,389	18,616	2,427	89,103
Loans to the public	975	12,271	5,951	22,542	5,170	46,909
Interest-bearing securities	–	360	1,330	9,092	1,003	11,785
Other	–	5,163	–	–	22,466	27,629
Total financial assets	**5,465**	**73,033**	**19,100**	**53,216**	**31,335**	**182,149**
Deposits by credit institutions	4,113	6,870	2,409	6,684	379	20,455
Deposits and borrowings from the public	51,280	5,544	1,278	86	–	58,188
- of which Deposits	51,280	4,632	1,278	86	–	57,276
- of which Borrowings	–	912	–	–	–	912
Debt securities in issue	–	23,493	12,791	31,713	9,362	77,359
- of which Debt securities in issue	–	22,556	12,604	23,672	6,760	65,592
- of which Other	–	937	187	8,041	2,602	11,767
Other	–	5,235	–	–	216	5,451
Total financial liabilities	**55,393**	**41,142**	**16,478**	**38,483**	**9,957**	**161,453**
Derivatives, cash inflow	–	74,164	10,408	13,892	5,357	103,821
Derivatives, cash outflow	–	73,505	10,254	10,790	4,700	99,249
Net exposure	**–**	**659**	**154**	**3,102**	**657**	**4,572**
Exposure	**–49,928**	**32,550**	**2,776**	**17,835**	**22,035**	**25,268**
Cumulative exposure	**–49,928**	**–17,378**	**–14,602**	**3,233**	**25,268**	**–**

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 77,870m (EUR 26,993m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 54,130m (EUR 71,965m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

P47. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note G1 "Accounting policies", section 26 and Note G45 "Related-party transactions".

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Assets						
Loans and receivables	53,745	86,819	144	317	–	–
Interest-bearing securities	933	–	–	–	–	–
Derivatives	1,830	1,577	2	4	–	–
Investments in group undertakings	12,532	20,101	–	–	–	–
Other assets	1,691	704	8	–	–	–
Prepaid expenses and accrued income	456	509	–	–	–	–
Total assets	**71,187**	**109,710**	**154**	**321**	**–**	**–**
Liabilities						
Deposits	14,926	14,790	17	2	77	8
Debt securities in issue	61	54	–	–	–	–
Derivatives	3,438	2,433	–	–	–	–
Other liabilities	645	0	–	–	–	–
Accrued expenses and prepaid income	11	23	–	–	–	–
Subordinated liabilities	–	19	–	–	–	–
Total liabilities	**19,081**	**17,319**	**17**	**2**	**77**	**8**
Off balance[1]	**52,171**	**68,197**	**2,077**	**1,763**	**–**	**–**

1) Including nominal values on derivatives in associated undertakings. For 2016 guarantees to Nordea Bank Finland Plc are included, see Note P37 "Contingent liabilities".

	Group undertakings		Associated undertakings		Other related parties	
EURm	2017	2016	2017	2016	2017	2016
Net interest income and expenses	564	−168	2	1	0	0
Net fee and commission income	−543	396	1	1	0	–
Net result from items at fair value	−759	−161	4	5	–	–
Other operating income	−413	708	–	–	–	–
Total operating expenses	89	−146	–	–	–	–
Profit before loan losses	**−1,062**	**629**	**7**	**7**	**0**	**0**

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Nordea Bank AB (publ) takes part in a guarantee consortium to support Norwegian Eksportfinans ASA. For further information, see Note G45 "Related-party transactions".

P48. IFRS 9

Classification of assets and liabilities under IFRS 9

Assets

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL)			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	42,637	–	–	–	–	–	42,637
Treasury bills	92	6,535	–	–	6,866	–	13,493
Loans	187,169	25,201	–	–	–	–	212,370
Interest–bearing securities	1	18,473	–	–	29,476	–	47,950
Financial instruments pledged as collateral	–	12,430	–	–	–	–	12,430
Shares	–	7,883	–	–	–	–	7,883
Derivatives	–	46,044	–	1,644	–	–	47,688
FV change of the hedged item in pf hedge of interest rate risk	85	–	–	–	–	–	85
Investments in group undertakings	–	–	–	–	–	12,532	12,532
Investments in associated undertakings and joint vetures	–	–	–	–	–	1,036	1,036
Participating interest in other companies	–	23	–	–	–		23
Intangible assets	–	–	–	–	–	2,114	2,114
Properties and equipment	–	–	–	–	–	385	385
Deferred tax assets	–	–	–	–	–	84	84
Current tax assets	–	–	–	–	–	58	58
Retirement benefit assets	–	–	–	–	–	196	196
Other assets	1,363	10,909	–	–	–	3,044	15,316
Prepaid expenses and accrued income	892	–	–	–	–	236	1,128
Total assets	**232,239**	**127,498**	**–**	**1,644**	**36,342**	**19,685**	**417,408**

Liabilities

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL)			Non-financial liabilities	Total
		Mandatorily	Designated at fair value through profit or loss (Fair value-option)	Derivatives used for hedging		
Deposit by credit institutions	45,844	5,891	–	–	–	51,735
Deposits and borrowings from the public	162,810	9,075	4,346	–	–	176,231
Debt securities in issue	67,427	–	5,033	–	–	72,460
Derivatives	–	45,140	–	978	–	46,118
Fair value changes of the hedged items in portfolio hedge of interest rate risk	552	–	–	–	–	552
Current tax liabilities	–	–	–	–	158	158
Other liabilities	2,902	24,908	–	–	910	28,720
Accrued expenses and prepaid income	181	–	–	–	1,014	1,195
Deferred tax liabilities[1]	–	–	–	–	136	136
Provisions	–	–	–	–	453	453
Retirement benefit liabilities	–	–	–	–	262	262
Subordinated liabilities	8,987	–	–	–	–	8,987
Total liabilities	**288,703**	**85,014**	**9,379**	**978**	**2,933**	**387,007**

1) Decrease in net tax liabilities of EUR 38m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

P48. IFRS 9, cont.

Reclassification of assets and liabilities at transition

Assets, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/joint ventures	Total
Balance at 31 Dec 2017 under IAS 39	**232,162**	**123,275**	**4,434**	**1,644**	**36,342**	**19,685**	**417,542**
Required reclassification from Fair value option to AC[1]	234	–	–234	–	–	–	–
Required reclassification from Fair value option to FVPL mandatorily[2]	–	4,200	–4,200	–	–	–	–
Reclassification from AC to FVPL mandatorily[1]	–23	23	–	–	–	–	–
Remeasurement[3]	–134	–	–	–	–	–	–134
Balance at 1 Jan 2018 under IFRS 9	**232,239**	**127,498**	**–**	**1,644**	**36,342**	**19,685**	**417,408**

Liabilities, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Non-financial liabilities	Total
Balance at 31 Dec 2017 under IAS 39	**288,703**	**85,014**	**9,379**	**978**	**2,930**	**387,004**
Remeasurement[4]	–	–	–	–	3	3
Balance at 1 Jan 2018 under IFRS 9	**288,703**	**85,014**	**9,379**	**978**	**2,933**	**387,007**

1) The reclassification is related to loans.
2) Shares of EUR 2,648m, interest bearing securities of EUR 1,548m and other assets of EUR 4m have been reclassified from fair value option to fair value through profit and loss mandatorily due to required classificaton based on classification criteria.
3) The FVOCI category consists of new provisions of EUR 1m and an an equal but opposite fair value measurement.
4) Increase in provision for off-balance sheet items EUR 41m, offset by a decrease in net tax liabilities of EUR 38m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

Impact on equity (retained earnings) at transition
The total impact on equity from IFRS 9 at transition amounts to EUR 137m after tax.

Reclassification of provisions at transition

EURm	Held to maturity	Loans and receivables	Amortised cost (AC)	Available for sale	Fair value through other comprehensive income (FVOCI)	Off balance	Total
Balance at 31 Dec 2017 under IAS 39	–	2,017	–	–	–	188	2,205
Reclassification to AC	–	–1,968	1,968	–	–	–	0
Reclassification to FVPL	–	–49	–	–	–	–	–49
Remeasurement under IFRS 9, collective provisions	–	–	124	–	1	41	166
Remeasurement under IFRS 9, individually provisions	–	–	10	–	–	0	10
Balance at 1 Jan 2018 under IFRS 9	–	–	2,102	–	1	229	2,332

P48. IFRS 9, cont.

Exposures measured at amortised cost and fair value through OCI, before allowances

%	
Stage 1	93.6
Stage 2	4.6
Stage 3	1.8
Total	**100.0**

Allowances for credit losses

EURm	Stage 1	Stage 2	Stage 3	Total
Loans	109	295	1,698	2,102
Interest-bearing securities	1	0	0	1
Off balance	13	43	173	229
Total	**123**	**338**	**1,871**	**2,332**

Accounting principles for financial instruments under IFRS 9

See Note G49 "IFRS 9" section Accounting principles for financial instruments under IFRS 9.

P49. Proposed distribution of earnings

According to the balance sheet, the following amount is available for distribution by the Annual General Meeting:

EUR	
Share premium reserve	1,079,925,521
Retained earnings	17,180,228,052
Other free funds	2,762,284,828
Net profit for the year	3,510,086,789
Additional Tier 1 capital holders	750,000,000
Total	**25,282,525,190**

The Board of Directors proposes that these earnings are distributed as follows:

EUR	
Dividends paid to shareholders, EUR 0.68 per share	2,747,028,225
To be carried forward to:	
- share premium reserve	1,079,925,521
- retained earnings	17,943,286,616
- other free funds	2,762,284,828
- additional Tier 1 capital holders	750,000,000
Total	**25,282,525,190**

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's and the Group's need for consolidation, liquidity and financial position in general.

Signing of the Annual Report

The Board of Directors and the President and CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS/IAS) referred to in the European Parliament and Councils' regulation (EC) 1606/2002, from 19 July 2002, on application of International Accounting Standards. They give a true and fair view of the Group's and the Company's financial position and result. The Board of Directors' Report for the Group and the Company gives a true and fair overview of the development of the operations, financial position and result of the Group and the Company and describes the material risks and uncertainties that the Company and the Group companies are facing.

6 February 2018

Björn Wahlroos
Chairman

Lars G Nordström
Vice Chairman

Kari Ahola
Board member[1]

Pernille Erenbjerg
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member[1]

Hans Christian Riise
Board member[1]

Sarah Russell
Board member

Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Maria Varsellona
Board member

Lars Wollung
Board member

Casper von Koskull
President and Group CEO

Our audit report was submitted on 9 February 2018

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

1) Employee representative.

Auditor's report

To the Annual general meeting of the shareholders of Nordea Bank AB (publ), corporate identity number 516406-0120

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nordea Bank AB (publ) for the year 2017, except for the corporate governance statement and the statutory sustainability report on pages 59-66 and 67-68 respectively. The annual accounts and consolidated accounts of the company are included on pages 35-229 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit institutions and Securities Companies. Our opinions do not cover the corporate governance report and the statutory sustainability report on pages 59-66 and 67-68 respectively. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The Nordea Group has centralised group functions combined with global processes covering each business area.
We have organised the audit work by having our central team carry out the testing of centralised systems and processes whereby local auditors carry out the audit of systems and processes in each business area and entities.

Full scope audit is performed for entities with high significance and risk to the group. The procedures applied generally include an assessment and testing of controls over key business processes, analytical procedures of individual account balances, tests of accounting records through inspection, observation or confirmation, and obtaining corroborating audit evidence in response to inquiries.

For some entities, even though not considered to have high significance or risk, it is required from a group audit perspective to obtain assurance on certain focus areas. In these cases, local audit teams are instructed to perform certain audit procedures. The procedures applied generally include a detailed analytical review, reconciliation to underlying sub-ledgers, substantive testing for specific processes, areas and accounts, discussion with management regarding accounting, tax and internal control as well as follow-ups on known issues from previous periods.

Our audit is carried out continuously during the year. Formal reporting to the Board Audit Committee and the Board of Directors consist of our i) interim audit regarding internal control and management's administration and ii) results of our year-end audit. In addition, we have also performed a limited review of the interim report as of 30 June 2017 that has been reported to the Board Audit Committee and the Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

In the table below we set out how we tailored our audit for these key audit matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment of loans to customers	
Accounting for impairment of loans to customers require management's judgement over timing of recognition of impairment and the size of any such impairment allowance. Nordea makes allowances for incurred credit losses both on an individual and on a collective basis. Important areas of impairment of loans to customers relate to: • Identification of impaired loans including completeness of the customer accounts that are included in the impairment calculation • Assumptions and estimates made by management supporting the calculation of individual and collective impairment allowances. Examples of these relate to the probability of default and loss given default calculations. Nordea applies IFRS 9 Financial Instruments from 1 January 2018. To estimate the recoverable amounts for loan receivables in accordance with IFRS 9 requires further judgements compared to IAS 39. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G10 – Net loan losses and Note G13 – Loans and impairment.	We assessed and tested the design and operating effectiveness of the controls over: • rating and scoring of customers • individually assessed loan impairment calculations • collectively assessed loan impairment calculations We performed testing on a sample of loans to ascertain whether we concur with the risk assessment as expressed by the internal rating or scoring. We had a special focus on loans to customers in the shipping, offshore and oil services. We tested impairment calculations on a sample of significant impaired loans including assessment of expected future cash flow. In addition, we examined a sample of loans and advances which had not been identified by management as impaired. We also assessed the appropriateness of relevant parameters in the collective impairment models. Furthermore, we have performed sample based audit activities of the effect of the transition to IFRS 9, which has included: • evaluation of Nordea's documentation of critical judgement; • validation that these critical judgements have been applied in models; and • recalculations of provisioning amounts.
Valuation of certain Level II and III financial instruments held at fair value	
Given the ongoing volatility and macroeconomic uncertainty, valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II and III financial instruments utilises observable, and for level III unobservable inputs, for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Disclosures of financial instruments Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G18 – Derivatives and Hedge accounting, Note G39 – Classification of financial instruments and Note G40 – Assets and liabilities at fair value.	We assessed and tested the design and operating effectiveness of the controls over: • the identification, measurement and oversight of valuation of financial instruments • fair value hierarchy, fair value adjustments and independent price verification • model control and governance We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Group's governance and reporting processes and controls. For the valuations dependent on unobservable inputs or which involve a higher degree of judgement, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions. In respect of fair value adjustments, specifically Credit, Debt and Funding fair value adjustments (CVA, DVA and FFVA) for derivatives we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence.

Actuarial assumptions related to the Life business

Technical provisions involve subjective judgements over uncertain future outcomes. The value is based on models where significant judgement is applied in setting economic assumptions, actuarial assumptions as well as customer behaviour. Changes in these assumptions can materially impact the valuation of technical provisions. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and Note G27 – Liabilities to policyholders	We assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business. Our audit also included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out involving PwC actuaries.

IT systems supporting processes over financial reporting

Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operates effectively.	We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to programs and data as well as program development and changes. For logical access to programs and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT systems.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4-34 and 67-68. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act for Credit institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordea Bank AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

The auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance report on pages 59-66 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the the Annual Accounts Act for Credit Institutions and Securities Companies.

The auditor's statement of the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 67-68, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Nordea Bank AB AB by the general meeting of the shareholders on 16 March 2017 and has been the company's auditor since 19 March 2015.

Stockholm, 9 February 2018

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

ANNEX 3 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2019 INCLUDING THE AUDITOR'S REVIEW REPORT AND NOTES RELATING THERETO

Nordea

First Quarter 2019

First Quarter Results 2019

CEO Casper von Koskull's comments on the results:

"Through the actions we have taken in recent quarters there are now some encouraging signs of improved business momentum, although lending margins are under continued pressure and market making activities remain challenging.

Compared to the previous quarter, reported revenues were largely unchanged while revenues excluding items affecting comparability increased by 4%. Reported costs increased by 5%, while costs adjusted for resolution fees in this quarter and excluding items affecting comparability were down 7%.

Our priorities are very clear – to increase business momentum and at the same time reduce the structural cost base; we are executing on both.

This quarter, there has been an intense debate about various anti-money laundering ("AML") issues. It is a very complex and broad issue in society and we take our responsibility very seriously. We have previously stated that we expect to be fined in Denmark for our past weak AML processes and procedures, and we are consequently making a provision of EUR 95m for AML-related matters. Having invested more than EUR 700m in strengthening our risk and compliance activities in 2016–2018, we are confident that our compliance platform is of sounder quality, making us a safe and trusted partner".

(For further viewpoints, see CEO comments on page 2)

Summary key figures

EURm	Q1 2019	Q4 2018	Chg %	Local curr.	Q1 2018	Chg %	Local curr. %
Net interest income	1,056	1,142	-8	-7	1,116	-5	-4
Total operating income	2,115	2,119	0	0	2,378	-11	-10
Total operating income, excl. items affecting comparability[1]	2,115	2,033	4	4	2,243	-6	-4
Total operating expenses	-1,452	-1,384	5	5	-1,372	6	7
Total operating expense, excl. items affecting comparability[2]	-1,357	-1,243	9	10	-1,372	-1	0
Profit before loan losses	663	735	-10	-9	1,006	-34	-33
Net loan losses	-42	-30	40	40	-40	5	5
Operating profit	621	705	-12	-11	966	-36	-35
Operating profit, excl. items affecting comp. and adj. resolution fees[1,2,3]	871	718	21		956	-9	
Diluted earnings per share, EUR	0.10	0.13			0.18		
Common Equity Tier 1 capital ratio, %	14.6	15.5			19.8		
Cost/income ratio, %	69	65			58		
Cost/income ratio excl. items affecting comparability[2], %	64	61			61		
Loan loss ratio, basis points	7	5			7		
ROE, %	5.5	6.3			9.0		
ROE with amortised resolution fees excl items affecting comp, %	8.1	6.7			8.9		

Exchange rates used for Q1 2019 for income statement items are for DKK 7.4636, NOK 9.7459 and SEK 10.4181.

[1] Excl. Items affecting comparability in Q4 2018: EUR 50m gain from revaluation of Euroclear, EUR 38m after tax, and EUR 36m gain related to sale of Ejendomme. Q1 2018: EUR 135m gain from valuation model update in Denmark, EUR 105m after tax.

[2] Excl. Items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters. In Q4 2018: EUR 141m loss from impairment of goodwill in Russia.

[3] Adjusted for resolution fees: In Q1 2019 EUR 207m and in Q4 2018 EUR 167m.

For further information:

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Christopher Rees, Group CFO, +45 5547 2377
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We build strong and close relationships through our engagement with customers and society. Whenever people strive to reach their goals and realise their dreams, we are there to provide relevant financial solutions. We are the largest bank in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalisation with around 11 million customers. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges. Read more about us on nordea.com.

CEO comment

2019 started with a rebound in market sentiment, with the MSCI world index recovering 12% from a 11% drop in Q4 2018. However, the macro economic outlook remains mixed and we continue to be mindful of the economic, geopolitical and market uncertainties that persist. Given the active de-risking, we have carried out in previous years, and with a strong balance sheet, we are in a good position to manage the bank through the cycle.

Nordea's priorities are very clear – to increase business momentum and at the same time reduce structural costs: we are executing on both.

Through the actions we have taken in recent quarters there are now some encouraging signs of improved business momentum, although lending margins are under continued pressure and market making activities remain challenging. Compared to the previous quarter, reported revenues were largely unchanged while revenues excluding items affecting comparability increased by 4%, due to improved fees and commission and net fair value.

Net interest income decreased by 7% compared to the previous quarter, mainly driven by higher regulatory costs, fewer interest days and continuing pressure on household lending margins.

However, volume growth improved in the household sector. Our market share for new net lending in Swedish mortgages steadily increased from October 2018 and is now approximately 10% albeit we are still not where we want to be. In Norway, we continue to grow at approximately 6% and we consolidated Gjensidige Bank in to our business in March, increasing our market share in Norway to approximately 12%. In the corporate segment, volumes continued to improve with end of period volumes increasing 2% this quarter.

Fees and commission improved by 3% from the previous quarter. Our investments in Private Banking Norway and Sweden are bearing fruit and we had a positive net inflow of EUR 0.7bn in the quarter with total new net inflow in Asset and Wealth Management of over EUR 1bn. We have established new partnerships with Affiliated Managers Group and extended distribution channels as well as launched eleven new ESG funds. In Personal Banking, our customer activity is improving and the number of savings advisory sessions with customers increased by 36% compared to same period in 2018, while meetings with Nora, our robot advisor, increased 8 times.

Our capital markets and trading businesses improved significantly from a weak fourth quarter, but trading conditions remain challenging. Net fair value is still somewhat below what we estimate to be the long-term trend.

Underlying costs, excluding resolution fees and items affecting comparability[1] decreased by 7% to EUR 1.16bn and 4% from the first quarter of 2018. We are on track to meet the target to reduce costs[2] in constant currencies in 2019 compared to 2018.

Credit quality remained robust and loan losses were 7 bps in the quarter. We continue to expect largely unchanged credit quality in the coming quarters.

Adjusted operating profit[3] increased by 21% from the previous quarter whilst statutory operating profit decreased by 11%.

Net profit decreased by 11% from the previous quarter. Return on equity excluding items affecting comparability and with periodised resolution fees improved 200 bps to 8.1% in the quarter.

The CET1 ratio decreased to 14.6% mainly due to the acquisition of Gjensidige, increased lending volumes and IFRS16. The management buffer is 130bps over the nominal capital commitment made as part of our transition to the banking union.

In Personal Banking, lending volumes increased and market share for new net lending has improved in Sweden. However, income was affected negatively by sustained pressure on lending margins. Adjusted for Intragroup accounting effects, income was down by 2%, and costs[4] decreased by 1%.

Commercial and Business banking income was affected positively by higher lending volumes, higher deposit margins, and good activity in cash management. Adjusted for Intragroup accounting effects, income was down by 2% and costs[4] decreased by 5%.

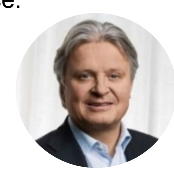
Wholesale banking income improved driven by stronger customer activity and recovery in market making activities from the low levels seen in Q4. Lending volumes increased across all markets. Revenues increased 9%, while costs[4] decreased by 3%.

Asset and Wealth Management saw positive net new inflow of EUR 1bn in the quarter, and the strong market environment lifted the AuM above EUR 300bn again, an increase over 7%. Revenues were largely unchanged while costs[4] decreased by 4%.

This quarter, there has been an intense debate about various anti-money laundering ("AML") issues. We have previously stated that we expect to be fined in Denmark for our past weak AML processes and procedures, and we are consequently making a provision of EUR 95m for AML-related matters.

We take our responsibility very seriously and have invested more than EUR 700m in risk, compliance and resilience in recent years. However, this is a broader societal issue and we encourage strengthened co-operation between banks and authorities, to prevent financial crime. Harmonisation of anti-money-laundering rules and supervisory practices are necessary, and we would support the creation of an EU-level agency, with the purpose of combating money laundering and financial crime. Our efforts however, will continue unabated and our significant investments underline that Nordea has taken a clear stance on not accepting being used as a platform for financial crime.

In summary, we are confident that our compliance platform is of sounder quality, making us a safe and trusted partner. We are committed to continue to execute on our plans to improve our business momentum and market shares while reducing our structural cost base.



Casper von Koskull
President and Group CEO

[1] Provision of EUR 95m in Q1 2019 and goodwill write-down of EUR 141m in Q4 2018
[2] Adjusted for the goodwill write-down of EUR 141m in 2018, transaction costs of EUR 90m in 2019, higher resolution fee in 2019 and provision of EUR 95m in Q1 2019
[3] Adjusted for resolution fees (Q418: 167m and Q119: 207m) and items affecting comparability
[4] Adjusted for resolution fees

Outlook

Throughout Nordea, we are intensifying our efforts to increase business momentum and each business area has identified a number of initiatives to drive client value and revenue growth. Examples include investments in Private Banking in Norway and Sweden, the acquisition of Gjensidige Bank, new distribution channels within Asset Management and Wholesale Banking and actions to regain momentum on mortgages, where we are already starting to see results.

The key drivers behind the structural cost efficiency are increased usage of automation and robotics, the ongoing ramp-up in Poland and Estonia and outsourcing of Group Technology mainframe to IBM. We are also simplifying by harmonising products and services and leveraging scale by further consolidating common units, for instance global operations and services.

Costs

For 2021, we expect the cost base in constant currencies to be approximately 3% below the 2018 cost base excluding items affecting comparability in 2018[1] and cash costs are expected to be down by up to 10% in constant currencies over the same period.

Costs for 2019 are expected to be lower in constant currencies compared to 2018 excluding items affecting comparability in 2018 and 2019[2] and the total cash cost is expected to be lower in constant currencies over the same period.

Credit quality

Our expectation for the coming quarters is that net losses will remain low and around the average level for 2018.

Capital policy

Given the implementation of transitional arrangements agreed with the ECB following Nordea's transfer to the Banking Union and with the aim to maintain the same nominal management buffer, the management buffer has been adjusted from a range of 50–150 bps to 40–120 bps. This is mainly a technical adjustment and hence the management buffer remains largely unchanged in nominal EUR amounts. The current level of the management buffer is approximately EUR 2.2bn (130 bps). Nordea aims to achieve a yearly increase in the dividend per share, while maintaining a strong capital position in line with the capital policy.

[1] Goodwill write-down of EUR 141m in Q4 2018
[2] Adjusted for the goodwill write-down of EUR 141m in 2018, transaction costs of EUR 90m in 2019, higher resolution fee in 2019 and provision of EUR 95m in Q1 2019

Income statement

EURm	Q1 2019	Q4 2018	Chg %	Local curr. %	Q1 2018	Chg %	Local curr. %
Net interest income	1,056	1,142	-8	-7	1,116	-5	-4
Net fee and commission income	737	720	2	3	770	-4	-3
Net result from items at fair value	264	182	45	41	441	-40	-40
Profit from associated undertakings and joint ventures accounted for under the equity method	14	15			28		
Other operating income	44	60	-27	-25	23	91	96
Total operating income	**2,115**	**2,119**	**0**	**0**	**2,378**	**-11**	**-10**
Staff costs	-718	-744	-3	-3	-798	-10	-9
Other expenses	-594	-390	52	53	-503	18	20
Depreciation, amortisation and impairment charges of tangible and intangible assets	-140	-250	-44	-44	-71	97	99
Total operating expenses	**-1,452**	**-1,384**	**5**	**5**	**-1,372**	**6**	**7**
Profit before loan losses	**663**	**735**	**-10**	**-9**	**1,006**	**-34**	**-33**
Net loan losses	-42	-30	40	40	-40	5	5
Operating profit	**621**	**705**	**-12**	**-11**	**966**	**-36**	**-35**
Income tax expense	-178	-200	-11	-11	-229	-22	-21
Net profit for the period	**443**	**505**	**-12**	**-11**	**737**	**-40**	**-39**

Business volumes, key items[1]

EURbn	31 Mar 2019	31 Dec 2018	Chg %	Local curr. %	31 Mar 2018	Chg %	Local curr. %
Loans to the public	325.6	308.3	6	6	310.9	5	5
Loans to the public, excl. repos	300.6	291.6	3	3	287.5	5	5
Deposits and borrowings from the public	176.3	165.0	7	7	174.0	1	1
Deposits from the public, excl. repos	166.6	160.2	4	4	161.0	3	3
Total assets	590.2	551.4	7		580.2	2	
Assets under management	300.2	282.6	6		320.1	-6	
Equity	30.5	32.9	-7		31.0	-2	

Ratios and key figures[2]

	Q1 2019	Q4 2018	Chg %	Q1 2018	Chg %
Diluted earnings per share, EUR	0.10	0.13	-23	0.18	-44
EPS, rolling 12 months up to period end, EUR	0.68	0.76	-11	0.72	-6
Share price[1], EUR	6.80	7.30	-7	8.66	-21
Total shareholders' return, %	3.3	-17.5		-3.9	
Equity per share[1], EUR	7.55	8.15	-7	7.63	-1
Potential shares outstanding[1], million	4,050	4,050	0	4,050	0
Weighted average number of diluted shares, mn	4,033	4,037	0	4,038	0
Return on equity, %	5.5	6.3		9.0	
Return on tangible equity, %	6.4	7.2		10.2	
Return on Risk Exposure Amount, %	1.1	1.3		2.4	
Return on Equity with amortised resolution fees, %	7.0	5.9		10.2	
Cost/income ratio, %	69	65		58	
Cost/income ratio with amortised resolution fees, %	61	67		52	
Loan loss ratio, basis points[3]	7	5	40	7	0
Common Equity Tier 1 capital ratio[1,4,5], %	14.6	15.5		19.8	
Tier 1 capital ratio[1,4,5], %	17.1	17.3		22.2	
Total capital ratio[1,4,5], %	19.5	19.9		25.2	
Tier 1 capital[1,4], EURbn	27.8	27.0	3	27.3	2
Risk exposure amount[4], EURbn	163	156	5	123	33
Number of employees (FTEs)[1]	29,284	28,990	1	30,082	-3
Economic capital[1], EURbn	28.2	26.6	6	26.2	8

[1] End of period.
[2] For more detailed information regarding ratios and key figures defined as Alternative performance measures, see www.nordea.com/en/investor-relations/.
[3] Including Loans to the public reported in Assets held for sale in Q1 2018.
[4] Including the result for the period.
[5] Changes to the applicable capital requirements regime (for more details, please see chapter Other information).

Income statement
Excluding items affecting comparability[1]

	Q1 2019	Q4 2018	Chg %	Local curr. %	Q1 2018	Chg %	Local curr. %
EURm							
Net interest income	1,056	1,142	-8	-7	1,116	-5	-4
Net fee and commission income	737	720	2	3	770	-4	-3
Net result from items at fair value	264	132	100	93	306	-14	-13
Profit from associated undertakings and joint ventures accounted for under the equity method	14	15			28		
Other operating income	44	24	83	88	23	91	96
Total operating income	2,115	2,033	4	4	2,243	-6	-4
Staff costs	-718	-744	-3	-3	-798	-10	-9
Other expenses	-499	-390	28	28	-503	-1	1
Depreciation, amortisation and impairment charges of tangible and intangible assets	-140	-109	28	29	-71	97	99
Total operating expenses	-1,357	-1,243	9	10	-1,372	-1	0
Profit before loan losses	758	790	-4	-4	871	-13	-12
Net loan losses	-42	-30	40	35	-40	5	5
Operating profit	716	760	-6	-5	831	-14	-13
Income tax expense	-178	-188	-5	-5	-199	-11	-9
Net profit for the period	538	572	-6	-5	632	-15	-14

Ratios and key figures[1,2]

	Q1 2019	Q4 2018	Chg %	Q1 2018	Chg %
Diluted earnings per share, EUR	0.13	0.14	-7	0.16	-19
EPS, rolling 12 months up to period end, EUR	0.64	0.67	-4	0.70	-9
Return on equity, %	6.7	7.1		7.7	
Return on tangible equity, %	7.7	8.2		8.8	
Return on Risk Exposure Amount, %	1.3	1.5		2.0	
Return on Equity with amortised resolution fees, %	8.1	6.7		8.9	
Cost/income ratio, %	64	61		61	
Cost/income ratio with amortised resolution fees, %	57	63		56	
ROCAR, %	8.0	8.5		9.5	

[1] Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters. Q4 2018: EUR 50m gain from revaluation of Euroclear, EUR 38m after tax, EUR 36m gain related to sale of Ejendomme and EUR 141m loss from impairment of goodwill in Q2 2018: tax free gain related to divestment of shares in UC EUR 87m and tax free gain related to the sale of Nordea Liv & Pension Denmark EUR 262m. In Q1 2018: EUR 135m gain from valuation model update in Denmark, EUR 105m after tax.

[2] For more detailed information regarding ratios and key figures defined as Alternative performance measures, see www.nordea.com/en/investor-relations/.

Table of contents

Macroeconomy and financial markets

The world economy weakened during the first quarter of 2019 as uncertainty about Brexit and the trade dispute between the US and China – hit not least production and order intake in the manufacturing sector hard. The service sector has, however, to a greater extent been able to keep up production. Amid good progress in the trade negotiations between the US and China and dovish statements from the major central banks, the negative trend in global stock markets, which characterised a large part of 2018, reversed during the first quarter. Amid weak economic indicators and disappointing inflation prints, the Fed has taken a wait-and-see approach in its tightening of monetary policy, and ECB has announced that the interest rate will be kept at the current level at least until the end of 2019. The signals that monetary policy will remain lenient for a long time yet led to a fall in bond yields. The relatively better US economic performance over the euro area led to a fall in EUR/USD. Oil prices rose significantly over the quarter, among other things due to production restrictions among OPEC and non-OPEC partners and the generally increasing risk appetite among investors.

Denmark

The Danish economy ended 2018 on a strong note and leading indicators points to a solid growth outlook for 2019. Employment continues to increase and there is a large saving surplus in both households and non-financial companies. Within the manufacturing sector confidence has been trending downwards since mid-2018 in line with lower activity in the euro area. Nationalbanken maintained its -0.65% deposit rate in Q1 2019.

Finland

The Finnish economy continued to grow at a strong pace in the end of 2018 boosted by positive development in private consumption and investments. However, net exports performed poorly and had a significant negative effect on growth. The start of 2019 has been solid for Finnish economy, but growth outlook seems more downbeat since the global slowdown will affect Finland more than it already has.

Norway

The Norwegian economy grew nicely in Q4 2018 partly driven by a strong turnaround in oil related industries. But domestic demand is also growing at healthy pace. Forward-looking indicators point towards a continued relatively strong growth over the coming quarters. Norges Bank raised its key policy rate to 1.00% in March and will probably hike two more times this year. Amid higher oil prices NOK edged stronger in trade-weighted terms in Q1 2019.

Sweden

The Swedish economy grew at a solid pace in Q4 2018 mainly driven by a surge in exports. Domestic demand was subdued due to a poor performance in fixed investments. Falling housing investments will weigh on investment growth during the coming quarters. The Riksbank hiked its rate for the first time in eight years in December to -0.25% Inflation has been low in the beginning of 2019 and the Riksbank left the repo rate unchanged at the April meeting. The trade-weighted SEK weakened during the first quarter.

Group results and performance

First quarter 2019

Net interest income

Net interest income in local currencies was down 7% from the previous quarter. Deposit margins were up, and lending volumes continue to improve especially in the corporate segment and contributed positively while lending margins remain under pressure mainly in the household segment. Deposit guarantee fees, fewer interest days as well as FX impacted the quarter negatively.

Personal banking

Net interest income was down 3% in local currencies from the previous quarter, mainly due to sustained pressure in lending margins in all countries. Fewer interest days also impacted negatively. Lending volumes were up in Norway, Denmark and Sweden. Deposit volumes also increased, and funding costs were lower from the previous quarter.

Commercial and Business Banking

Net interest income was down 3% in local currencies from the previous quarter, driven by fewer day-count. Deposit margins improved while lending margins decreased. The positive volume trend continued while funding costs were lower than the previous quarter.

Wholesale Banking

Net interest income was down 7% in local currencies from the previous quarter driven by lower margins and yield fees as well as fewer interest days.

Asset and Wealth Management

Net interest income in Asset & Wealth Management was down EUR 2m from the previous quarter.

Group Functions and Other

Net interest income in Treasury was EUR 24m lower from Q4 2018 mainly driven by lower overall accrual due to continued tight spreads in liquidity buffer as well as changed currency composition within the banking book related to structural FX exposures. Effects are partly temporary and the underlying accrual of both the core banking book and the liquidity buffer remains broadly in line with expectations and 2018.

Lending volumes

Loans to the public in local currencies, excluding repos, were 3% up from the previous quarter. Average lending volumes in local currencies increased in Personal Banking mainly driven by higher volumes in Norway. In Commercial & Business Banking, volumes increased mainly driven by Business Banking Sweden. In Wholesale Banking, average lending volumes increased driven by Corporate & Investment Banking.

Deposit volumes

Total deposits from the public in local currencies, excluding repos were 4% up from the previous quarter. Average deposit volumes increased in all business areas with the highest increase in Commercial & Business Banking.

Net interest income per business area

								Local currency	
	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Personal Banking	517	535	507	520	539	-3%	-4%	-3%	-2%
Commercial & Business Banking	334	347	329	333	326	-4%	2%	-3%	4%
Wholesale Banking	213	230	234	234	228	-7%	-7%	-7%	-5%
Asset & Wealth Management	13	15	18	18	18	-13%	-28%	-13%	-27%
Group Functions and other	-21	15	35	5	5	-	-	-	-
Total Group	**1,056**	**1,142**	**1,123**	**1,110**	**1,116**	**-8%**	**-5%**	**-7%**	**-4%**

Change in Net interest income

	Q1/Q4	Jan-Mar 19/18
EURm		
NII beginning of period	**1,142**	**1,116**
Margin driven NII	**-10**	**-74**
Lending margin	-30	-102
Deposit margin	20	28
Volume driven NII	**4**	**25**
Lending volume	5	29
Deposit volume	-1	-4
Day count	-28	0
Other[1,2,3]	-52	-11
NII end of period	**1,056**	**1,056**
[1] of which FX	-10	-19
[2] of which Baltics	-	-5
[2] of which DGS	-15	9

Net fee and commission income

Net fee and commission income increased by 3% in local currencies from the previous quarter driven by significantly improved AuM levels, higher Payments & Cards fees and lending related fees. Brokerage & Corporate finance came down from the strong Q4 due to higher commission expenses in Wholesale Banking. Custody fees were down due to seasonality.

Savings and investment commissions

Net fee and commission income from savings and investments decreased from the previous quarter to EUR 446m due to lower brokerage and corporate finance fees. Assets under Management (AuM) increased by EUR 17.6bn to EUR 300.2bn at the end of the quarter mainly due to the strong stock markets and positive net flow.

Payments and cards and lending-related commissions

Lending-related net fee and commission income increased from the previous quarter to EUR 126m. Payments and cards net fee and commission income increased to EUR 143m from the previous quarter.

Personal Banking

Fees and commission decreased by 1% from the previous quarter driven mainly by reduced payment commissions and lower refinancing commissions.

Commercial and Business Banking

Fees and commission increased by 8% from the previous quarter driven mainly by a pick-up in corporate finance related activities and improved cash management results.

Wholesale Banking

Fees and commission decreased by 1% from the previous quarter driven by lower income from securities services which is not mitigated by improved income from trading products.

Asset and Wealth Management

Fees and commission decreased by 1% from the previous quarter. Day count impact negatively, while higher AuM contribute positively.

Group Functions and Other

Fees and commission increased by EUR 19m from the previous quarter due partly to a temporarily increase in card fees.

Net fee and commission income per business area

								Local currency	
	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Personal Banking	163	167	172	183	180	-2%	-9%	-1%	-9%
Commercial & Business Banking	121	112	105	110	114	8%	6%	8%	9%
Wholesale Banking	105	107	93	151	118	-2%	-11%	-1%	-9%
Asset & Wealth Management	337	342	342	362	361	-1%	-7%	-1%	-7%
Group Functions and other	11	-8	-9	-6	-3	-	-	-	-
Total Group	**737**	**720**	**703**	**800**	**770**	**2%**	**-4%**	**3%**	**-3%**

Net fee and commission income per category

								Local currency	
	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Savings and investments, net	446	500	447	510	485	-11%	-8%	-11%	-7%
Payments and cards, net	143	121	130	139	130	18%	10%	18%	11%
Lending-related, net	126	114	129	142	129	11%	-2%	11%	-1%
Other commissions, net	22	-15	-3	9	26	-	-	-	-
Total Group	**737**	**720**	**703**	**800**	**770**	**2%**	**-4%**	**3%**	**-3%**

Assets under Management (AuM), volumes and net inflow

	Q119	Q418	Q318	Q218	Q118	Net inflow Q119
EURbn						
Nordic Retail funds	61.2	56.3	61.1	60.0	58.6	-0.2
Private Banking	84.1	80.7	98.0	96.3	96.1	0.7
Institutional sales	103.8	98.3	101.6	100.9	92.5	0.1
Life & Pensions	51.1	47.3	50.8	49.8	72.9	0.4
Total	**300.2**	**282.6**	**311.5**	**307.0**	**320.1**	**1.0**

Net result from items at fair value

The net result from items at fair value increased by 45% from the previous quarter to EUR 264m. The customer business was stable in the quarter (see table below) with rebound in market making activities from the negative levels in Q4. The rebound was primarily driven by fixed income products. However, trading conditions remain challenging.

During the quarter, sales of collection portfolios generated a gain of EUR 31m in Personal Banking and revaluations of Nordea's holding in Visa C shares generated a gain of EUR 18m in Group Functions and Other.

Capital Markets income for customers in Wholesale Banking, Personal Banking, Commercial & Business Banking and Private Banking

The net fair value result for the business units was flat and amounted to EUR 225m, as compared to EUR 227m in the previous quarter. Customer-driven capital markets activities were stable from the previous quarter. Fair value model change related to Danish mortgage valuation impacted positively both Personal Banking and Private Banking with EUR 27m and EUR 9m respectively while it impacted negatively Commercial & Business Banking with EUR 44m.

Life & Pensions

The net result from items at fair value for Life & Pensions increased EUR 5m from the previous quarter to EUR 31m.

Market making activities

The net fair value result for Market making activities, i.e. income from managing the risks inherent in customer transactions amounted to EUR 0m from EUR -53m in the previous quarter. Valuation adjustments had a negative impact of EUR 42m driven by lower Euro rates, compared to a negative impact of EUR 23m in the previous quarter.

Group Functions and Other

The net fair value result in Group Functions and Other increased to EUR 47m (from EUR 13m in the previous quarter) mainly due to positive movements in asset swap spread and higher bond gains.

Net result from items at fair value per area

EURm	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1
Personal Banking	72	38	28	14	88	89%	-18%
Commercial & Business Banking	23	72	48	57	120	-68%	-81%
Wholesale Banking customer units	77	79	56	91	70	-3%	10%
Wealth Mgmt. excl. Life	14	7	7	12	15	100%	-7%
Wholesale Banking excl. Customer units	0	-53	55	18	92	-	-
Life & Pensions	31	26	23	26	49	19%	-37%
Group Functions and other	47	13	-12	42	7	-	-
Total Group	**264**	**182**	**205**	**260**	**441**	**45%**	**-40%**
Total, excl. items affecting comparability[1]	**264**	**132**	**205**	**260**	**306**	**100%**	**-14%**

[1] In Q4 2018: EUR 50m gain from revaluation of Euroclear. In Q1 2018: EUR 135m gain from valuation model update in Denmark.

Equity method

Income from companies accounted for under the equity method was EUR 14m, down from EUR 15m in the previous quarter, with Luminor contributing EUR 10m (EUR 8m in Q4 2018) while Nordea Life & Pension Denmark (NLP DK) had a positive impact of EUR 4m in the quarter (unchanged from Q4 2018).

Other operating income

Other operating income was EUR 44m, down from EUR 60m in the previous quarter which included gain from the sale of Nordea Ejendomme (EUR 36m).

Total operating income

Total income unchanged in local currencies from the previous quarter to EUR 2,115m.

Total operating income per business area

								Local currency	
EURm	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
Personal Banking	753	738	706	718	814	2%	-7%	3%	-6%
Commercial & Business Banking	483	537	487	510	569	-10%	-15%	-10%	-14%
Wholesale Banking	395	364	438	494	508	9%	-22%	9%	-21%
Asset & Wealth Management	404	405	400	426	447	0%	-10%	0%	-9%
Group Functions and other	80	75	66	430	40	-	-	-	-
Total Group	**2,115**	**2,119**	**2,097**	**2,578**	**2,378**	**0%**	**-11%**	**0%**	**-10%**
Total, excl items affecting comparability[1]	**2,115**	**2,033**	**2,097**	**2,229**	**2,243**	**4%**	**-6%**	**4%**	**-4%**

1 Excl. items affecting comparability in Q4 2018: EUR 50m gain from revaluation of Euroclear, EUR 38m after tax, and EUR 36m gain related to sale of Ejendomme. Q2 2018: tax free gain related to divestment of shares in UC EUR 87m and tax free gain related to the sale of Nordea Liv & Pension Denmark EUR 262m. In Q1 2018: EUR 135m gain from valuation model update in Denmark, EUR 105m after tax.

Total expenses

Total expenses in the first quarter amounted to EUR 1,452m, up 5% in local currencies from the previous quarter and up 7% in local currencies from the first quarter of 2018. Excluding items affecting comparability, total expenses increased by 10% in local currencies from the previous quarter while they were stable in relation to the first quarter of 2018. First quarter was negatively impacted by both the change in the booking of resolution fees (full year resolution fee, EUR 207m, has been recognised this quarter) and provision for ongoing AML-related matters (EUR 95m).

Staff costs were down 3% in local currencies from the previous quarter and down 9% in local currencies from the same period in 2018.

Other expenses were up 53% in local currencies from the previous quarter driven by the above-mentioned change in resolution fees as well as provision for AML-related matters.

Depreciation was down 44% in local currencies from the previous quarter and up 99% from the same quarter of 2018. The decrease from previous quarter was driven mainly by the goodwill impairment related to Russia (EUR 141m in Q4 2018) partly offset by change related to IFRS 16 (EUR 43m in Q1 2019).

The number of employees (FTEs) at the end of the first quarter was 29,284, up 1% from the previous quarter mainly due to the consolidation of Gjensidige and down 3% from the same quarter of 2018 adjusted for the deconsolidation of the Baltics operations and sale of Nordea Life & Pension Denmark (NLP DK).

Expenses related to Group-related projects, Compliance and Risk that affected the P&L were EUR 111m, compared to EUR 124m in the previous quarter. In addition, EUR 40m was capitalised from Group projects down from EUR 67m in the previous quarter.

The cost/income ratio was up to 69% in the first quarter (up to 64% excluding items affecting comparability), compared to 65% in the previous quarter and 58% in the first quarter of 2018.

Total operating expenses

								Local currency	
	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Staff costs	-718	-744	-726	-730	-798	-3%	-10%	-3%	-9%
Other expenses	-594	-390	-323	-350	-503	52%	18%	53%	20%
Depreciations	-140	-250	-87	-74	-71	-44%	97%	-44%	99%
Total Group	**-1,452**	**-1,384**	**-1,136**	**-1,154**	**-1,372**	**5%**	**6%**	**5%**	**7%**
Total, excl. items affecting comparability[1]	**-1,357**	**-1,243**	**-1,136**	**-1,154**	**-1,372**	**9%**	**-1%**	**10%**	**0%**

[1] Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters.
In Q4 2018: EUR 141m loss from impairment of goodwill in Russia.

Total operating expenses per business area

								Local currency	
	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Personal Banking	-500	-459	-450	-447	-503	9%	-1%	10%	1%
Commercial & Business Banking	-311	-281	-269	-281	-338	11%	-8%	11%	-7%
Wholesale Banking	-300	-235	-217	-213	-299	28%	0%	28%	1%
Asset & Wealth Management	-189	-194	-182	-180	-204	-3%	-7%	-2%	-7%
Group Functions and other	-152	-215	-18	-33	-28	-	-	-	-
Total Group	**-1,452**	**-1,384**	**-1,136**	**-1,154**	**-1,372**	**5%**	**6%**	**5%**	**7%**
Total, excl. items affecting comparability[1]	**-1,357**	**-1,243**	**-1,136**	**-1,154**	**-1,372**	**9%**	**-1%**	**10%**	**0%**

1 Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters.
In Q4 2018: EUR 141m loss from impairment of goodwill in Russia.

Currency fluctuation effects

	Q1/Q4	Q1/Q1	Jan-Mar 19/18
%-points			
Income	0	-1	-1
Expenses	0	-2	-2
Operating profit	-1	-1	-1
Loan and deposit volumes	0	0	0

Net loan losses

Credit quality remained solid. Net rating migration in Q1 in the retail portfolio was positive, while migration for the corporate portfolio was slightly negative.

Net loan provisions increased in Q1 to EUR 42m and the loan loss ratio increased to 7 bps (EUR 30m and 5 bps in the previous quarter). Loan losses in Q1 were partly due to unsecured consumer lending in Nordea Finance and the acquisition of Gjensidige Bank, offset by lowered management judgement related to the better outlook on US sanction risk towards Russia based on available information at the end of Q1.

Under IFRS 9 all performing exposures are classified as either Stage 1 or 2. Stage 1 if credit quality is unchanged for the exposure and Stage 2 if it has deteriorated into higher risk but is still performing. All exposures in Stages 1 and 2 are subject to statistically calculated provisions. Impaired loans are classified as Stage 3. Provisions for larger Stage 3 exposures are measured on an individual basis, while provisions for smaller exposures in Stage 3 are calculated using a statistical model similar to that used for Stages 1 and 2.

Net loan losses for Stage 3 were EUR 33m and the net loan loss ratio was 5 bps (Q4: 12 bps). Exposures in Stages 1 and 2 had net loan losses of EUR 10m and the net loan loss ratio ended at 2 bps for Stages 1&2 (Q4: -7 bps).

Overall loan portfolio quality and outlook remain stable.

Our expectation for the coming quarters is that net losses will remain low and around the average level for 2018. The Asset Quality Review from European Central Bank may however affect loan losses in the coming quarters.

Mortgage lending in Denmark is measured at fair value and hence, according to IFRS9, not included in net loan losses but adjusted under fair value items.

Credit portfolio

Total lending to the public, excluding reverse repurchase agreements, increased to EUR 300.6bn from EUR 291.6bn in Q4. EUR 5.2bn of the increase is related to the acquisition of Gjensidige. In local currencies, total lending was unchanged from Q4.

Loans measured at fair value to the public excluding repos were EUR 58bn (Q4: EUR 57bn). This includes Danish mortgage lending at EUR 54bn, which is measured at fair value.

Lending to the public measured at amortised cost increased to EUR 242bn (Q4: EUR 234bn). Of this portfolio, EUR 4.6bn is impaired loans in Stage 3 (Q4: EUR 4.6bn).

The gross impairment rate (Stage 3) was 179 bps for loans at amortised cost (Q4 182 bps) and 112 bps for fair value lending (Q4 126 bps). Allowances in relation to impaired loans (Stage 3) for loans measured at amortised cost were 35% (Q4 35%).

Loan loss ratios and impaired loans

	Q119	Q418	Q318	Q218	Q118
Basis points of loans[1]					
Loan loss ratios annualised, Group	7	5	8	10	7
of which Stage 1 and 2	2	-7	8	7	-14
of which Stage 3	5	12	0	3	21
Personal Banking total	18	7	3	11	8
Banking Denmark	-35	51	40	65	73
Banking Finland	38	9	-2	22	13
Banking Norway	11	-1	1	3	0
Banking Sweden	11	5	5	2	4
Commercial & Business Banking	21	20	25	-17	-13
BB Denmark	9	147	258	10	124
BB Finland	42	27	15	-12	-65
BB Norway	10	-15	-5	-56	-26
BB Sweden	12	8	8	-9	-2
BBD Nordic	30	24	13	7	-7
Wholesale Banking	-35	-11	4	53	30
Corporate & Investment Banking (CIB)	-14	2	10	-8	36
Banking Russia	-240	-305	-118	1236	-70

[1] Negative amount are net reversals.

Profit

Operating profit

Operating profit decreased to EUR 621m, down 11% in local currencies from the previous quarter, and down 35% in local currencies from the same quarter of 2018. Excluding items affecting comparability, operating profit decreased in local currencies by 5% from the previous quarter and by 13% from the same quarter in 2018.

Taxes

Income tax expense was EUR 178m compared to EUR 200m in the previous quarter. The effective tax rate was 28.6%, compared to 28.9% in the previous quarter and 23.3% in the first quarter last year.

Net profit

Net profit decreased 11% in local currencies from the previous quarter to EUR 443m. Return on equity was 5.5%, down from 6.3% in the previous quarter.
Excluding items affecting comparability, net profit decreased by 5% in local currency from the previous quarter to EUR 538m and return on equity was 6.7% down from 7.1% in the previous quarter.

Diluted earnings per share were EUR 0.10 (EUR 0.13 in the previous quarter).

Operating profit per business area

								Local currency	
	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Personal Banking	202	259	249	241	289	-22%	-30%	-22%	-28%
Commercial & Business Banking	138	224	178	256	252	-38%	-45%	-38%	-44%
Wholesale Banking	139	142	216	216	174	-2%	-20%	-1%	-19%
Asset & Wealth Management	215	207	218	246	243	4%	-12%	3%	-10%
Group Functions and other	-73	-127	56	406	8	-	-	-	-
Total Group	**621**	**705**	**917**	**1,365**	**966**	**-12%**	**-36%**	**-11%**	**-35%**
Total, excl. items affecting comparability[1]	**716**	**760**	**917**	**1,016**	**831**	**-6%**	**-14%**	**-5%**	**-13%**

1 Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters. Q4 2018: EUR 50m gain from revaluation of Euroclear, EUR 38m after tax, EUR 36m gain related to sale of Ejendomme and EUR 141m loss from impairment of goodwill in Russia. Q2 2018: tax free gain related to divestment of shares in UC EUR 87m and tax free gain related to the sale of Nordea Liv & Pension Denmark EUR 262m. In Q1 2018: EUR 135m gain from valuation model update in Denmark, EUR 105m after tax.

First quarter 2019 compared to first quarter 2018

Total income was down 10% in local currencies and down 11% in EUR from the prior year and operating profit was down 35% in local currencies and down 36% in EUR from the previous year.

Income

Net interest income was down 4% in local currencies and 5% in EUR from 2018. Average lending volumes in business areas in local currencies were up by 1% compared to 2018 driven mainly by Wholesale Banking. Average deposit volumes were up by 1% driven by both Personal Banking and Commercial & Business Banking.

Net fee and commission income decreased 3% in local currencies and 4% in EUR from the previous year.

Net result from items at fair value decreased by 40% in both local currencies and EUR from the previous year.

Expenses

Total expenses were up 7% in local currencies and 6% in EUR from the previous year and amounted to EUR 1,452m. Staff costs were down 9% in local currencies and down 10% in EUR.

Net loan losses

Net loan loss provisions increased slightly to EUR 42m (up from EUR 40m in Q1 2018), corresponding to a loan loss ratio of 7bps (unchanged from Q1 2018). Increased provisions compared to Q1 2018 are related to the retail portfolio, as well as the small and medium sized corporate portfolio.

Net profit

Net profit decreased 39% in local currencies and 40% in EUR and amounted to EUR 443m.

Currency fluctuation impact

Currency fluctuations had a negative effect of 1%-point on both income and operating profits, and a negative effect of 2%-points on expenses compared to a year ago. For the loan and deposit volumes, the currency fluctuations had no effect compared to a year ago.

Other information

Capital position and risk exposure amount (REA)

Nordea Group's Basel III Common equity tier 1 (CET1) capital ratio decreased to 14.6% at the end of the first quarter 2019 compared to 15.5% at the end of the fourth quarter 2018. REA increased by EUR 7.1bn. The increase was mainly driven by the consolidation of Gjensidige Bank assets, increased market risk, increased business momentum as well as the implementation of IFRS16. CET1 capital decreased by EUR 0.3bn, mainly due to increased intangible assets due to the acquisition of Gjensidige Bank.

The tier 1 capital ratio decreased to 17.1% from 17.3% compared to the previous quarter and the total capital ratio decreased to 19.5% from 19.9% compared to the previous quarter.

At the end of the first quarter 2019, the CET1 capital was EUR 23.8bn, the Tier 1 capital was EUR 27.8bn and the Own Funds were EUR 31.8bn.

The CRR leverage ratio decreased to 4.9%, compared to 5.1% in the previous quarter.

Economic Capital (EC) was EUR 28.2bn at the end of the first quarter, an increase by EUR 1.6bn compared to the fourth quarter of 2018. Increased Pillar I credit risk was somewhat offset by the annually updated Pillar I scaling factor and decreased Pillar II credit risk.

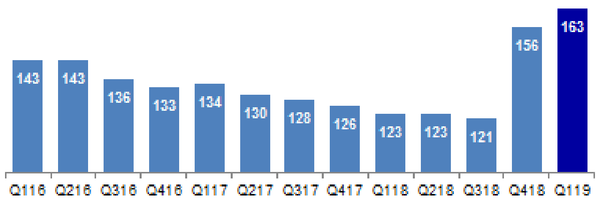
Capital ratios

	Q119	Q418	Q318	Q218	Q118
%					
CRR/CRDIV					
CET 1 cap. ratio	14.6	15.5	20.3	19.9	19.8
Tier 1 capital ratio	17.1	17.3	22.6	22.2	22.3
Total capital ratio	19.5	19.9	26.3	25.4	25.2

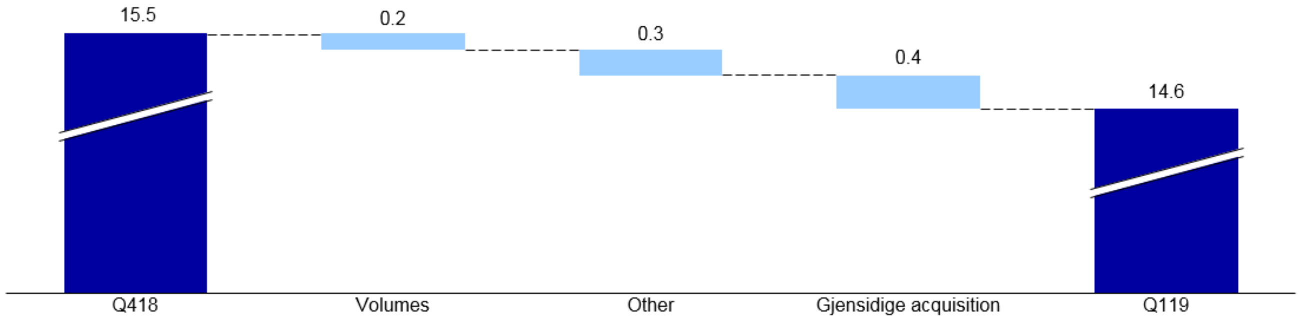
Capital commitment

Due to the uncertainty on the future capital requirements for Nordea, also considering that Finland has not yet fully introduced the systemic risk buffer, Nordea has voluntarily committed to comply with nominal capital requirements from the 2018 Supervisory Review and Evaluation Process (SREP) until the ECB has issued its SREP decision in 2019. This commitment amounts to EUR 27.8bn in total capital and 21.7bn in CET1 capital, or 13.3% of REA. Nordea expect to receive ECB's decision establishing prudential requirements in late 2019, effective from Q1 2020.

Risk exposure amount, REA (EURbn), quarterly



Common equity tier 1 (CET 1) capital ratio, changes in the quarter



Risk Exposure Amount

EURm	31 Mar 2019	31 Dec 2018	31 Mar 2018
Credit risk	**128,172**	**120,969**	**100,943**
IRB	111,858	107,635	87,450
- sovereign			1,808
- corporate	73,978	71,868	54,703
- advanced	62,063	60,626	45,264
- foundation	11,915	11,242	9,439
- institutions	6,129	5,953	6,263
- retail	26,004	25,979	21,436
- items representing securitisation positions	1,239	1,648	801
- other	4,508	2,187	2,438
Standardised	16,314	13,334	13,494
- sovereign	536	689	174
- retail	7,014	4,227	5,645
- other	8,764	8,418	7,675
Credit Value Adjustment Risk	**1,099**	**931**	**776**
Market risk	**7,253**	**6,064**	**3,690**
- trading book, Internal Approach	4,790	4,388	2,282
- trading book, Standardised Approach	1,044	1,070	1,074
- banking book, Standardised Approach	1,419	606	334
Settlement Risk	**1**		
Operational risk	**15,698**	**16,487**	**16,487**
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	**673**	**657**	**631**
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	**10,112**	**10,626**	
Additional risk exposure amount due to Article 3 CRR		**152**	**152**
Total	**163,007**	**155,886**	**122,679**

Summary of items included in own funds

EURm	31 Mar[2] 2019	31 Dec[2] 2018	31 Mar[2] 2018
Calculation of own funds			
Equity in the consolidated situation	29,219	31,305	29,462
Proposed/actual dividend	-707	-2,788	-697
Common Equity Tier 1 capital before regulatory adjustments	28,512	28,517	28,765
Deferred tax assets			-61
Intangible assets	-4,167	-3,885	-3,823
IRB provisions shortfall (-)	-96	-76	-85
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities[1]	-148	-117	-176
Other items, net	-275	-305	-275
Total regulatory adjustments to Common Equity Tier 1 capital	**-4,686**	**-4,383**	**-4,420**
Common Equity Tier 1 capital (net after deduction)	**23,826**	**24,134**	**24,345**
Additional Tier 1 capital before regulatory adjustments	4,002	2,860	2,974
Total regulatory adjustments to Additional Tier 1 capital	-11	-10	-21
Additional Tier 1 capital	**3,991**	**2,850**	**2,953**
Tier 1 capital (net after deduction)	**27,817**	**26,984**	**27,298**
Tier 2 capital before regulatory adjustments	4,801	4,960	4,656
IRB provisions excess (+)	184	135	211
Deduction for investments in credit institutions (50%)			
Deductions for investments in insurance companies	-1,000	-1,000	-1,205
Pension assets in excess of related liabilities			
Other items, net	-49	-51	-54
Total regulatory adjustments to Tier 2 capital	**-865**	**-916**	**-1,049**
Tier 2 capital	**3,936**	**4,044**	**3,608**
Own funds (net after deduction)	**31,753**	**31,028**	**30,906**

[1] Based on conditional FSA approval.

[2] Including profit for the period.

Balance sheet

Total assets in the balance sheet in the quarter were EUR 39bn higher than in the previous quarter and amounted to EUR 590bn. Loans to credit institutions and to the public as well as other assets and derivatives values were higher from the previous period, while interest-bearing securities value was lower.

Loans to the public were EUR 18bn higher in the quarter and amounted to EUR 326bn compared to EUR 308bn in the previous quarter.

Other assets increased by EUR 21bn to EUR 140bn from the previous quarter.

Balance sheet data

	Q119	Q418	Q318	Q218	Q118
EURbn					
Loans to credit institutions	14	11	16	13	17
Loans to the public	326	308	316	315	311
Derivatives	39	37	37	44	42
Interest-bearing securities	71	76	75	75	73
Other assets	140	119	129	123	137
Total assets	**590**	**551**	**573**	**570**	**580**
Deposits from credit inst.	52	42	52	50	50
Deposits from the public	176	165	174	176	174
Debt securities in issue	193	190	187	178	175
Derivatives	41	40	39	45	38
Other liabilities	98	81	88	89	112
Total equity	30	33	33	32	31
Total liabilities and equity	**590**	**551**	**573**	**570**	**580**

Nordea's funding and liquidity operations

Nordea issued approximately EUR 9.9bn in long-term funding in the first quarter (excluding Danish covered bonds), of which approximately EUR 7.4bn was issued in covered bonds, EUR 1.4bn was issued in senior unsecured bonds and EUR 1.1bn in subordinated debt.

Public benchmark transactions during the quarter included a 5-year SEK 5bn fixed rate covered bond issued by Nordea Hypotek, a 5.25-year NOK 10bn floating rate covered bond issued by Nordea Eiendomskreditt, a 7-year EUR 1.5bn fixed rate covered bond issued by Nordea Mortgage Bank and a perpetual non-call seven year USD 1.25bn fixed rate AT1 issued by Nordea Bank Abp.

Nordea's long-term funding portion of total funding was approximately 79% at the end of the first quarter.

Short-term liquidity risk is measured using several metrics and the Liquidity Coverage Ratio (LCR) is one such metric. The LCR for the Nordea Group was, according to the CRR LCR definition, 199% at the end of the first quarter. The LCR in EUR was 274% and in USD 230% at the end of the first quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash with characteristics like CRD IV high-quality liquid assets and amounted to EUR 103bn at the end of the first quarter (EUR 104bn at the end of the fourth quarter). The long-term liquidity risk is measured as Net Stable Funding Ratio (NSFR). At the end of the first quarter 2019, Nordea's NSFR was 103.2% (Q4 104,1%).

Funding and liquidity data*

	Q119	Q418	Q318	Q218	Q118
Long-term funding portion	79%	77%	79%	84%	83%
LCR total	199%	185%	209%	147%	174%
LCR EUR	274%	257%	253%	154%	192%
LCR USD	230%	214%	240%	160%	180%

*LCR figures calculated based on EU DA LCR starting from Q118; previous figures based on Swe LCR

Market risk

Market risk in the trading book measured by Value at Risk was EUR 19m. Compared to the previous quarter the overall level of VaR is almost unchanged but the composition has shifted to a higher contribution from interest rate VaR and lower contributions from credit spread and FX VaR. Total VaR is primarily driven by market risk in European and Nordic countries.

Trading book

	Q119	Q418	Q318	Q218	Q118
EURm					
Total risk, VaR	19	18	15	12	13
Interest rate risk, VaR	19	16	15	11	13
Equity risk, VaR	3	2	4	2	1
Foreign exchange risk, VaR	1	2	2	2	2
Credit spread risk, VaR	5	6	3	4	4
Inflation risk	2	2	1	-	-
Diversification effect	40%	38%	43%	40%	39%

Total market risk, measured as Value at Risk, in the banking book increased to EUR 47m (EUR 38m in the previous quarter) driven by higher interest rate exposure over the quarter.

Banking book

	Q119	Q418	Q318	Q218	Q118
EURm					
Total risk, VaR	47	38	49	38	37
Interest rate risk, VaR	48	39	49	38	38
Equity risk, VaR	4	5	5	3	5
Foreign exchange risk, VaR	1	1	2	1	3
Credit spread risk, VaR	0	1	1	1	1
Diversification effect	11%	20%	13%	11%	20%

Nordea share and ratings

Nordea's share price and ratings as at the end of Q1 2019.

	Nasdaq STO (SEK)	Nasdaq COP (DKK)	Nasdaq HEL (EUR)
6/30/2017	107.20	83.15	11.14
9/30/2017	110.40	85.15	11.44
12/31/2017	99.30	75.20	10.10
3/31/2018	89.10	63.12	8.61
6/30/2018	86.28	61.38	8.25
9/30/2018	96.86	70.02	9.46
12/31/2018	74.58	54.23	7.27
3/31/2019	79.46	56.80	7.63

Moody's		Standard&Poor's		Fitch	
Short	Long	Short	Long	Short	Long
P-1	Aa3	A-1+	AA-	F1+	AA-

Update on the sale of Luminor

In 2018, Nordea and DNB have entered into an agreement to jointly sell 60 per cent of Luminor to a consortium led by private equity funds managed by Blackstone ("Blackstone").

The transaction is subject to customary regulatory approvals inter alia ECB's ownership assessment of the consortium. This approval process involves regulatory authorities in several jurisdictions (local Baltic and ECB) including a comprehensive pre-filing process. Blackstone is in the final stages of the pre-filing process and therefore timing of transaction completion will most likely be during the second half of 2019.

Acquisition of Gjensidige closed

On 1 March 2019, Nordea successfully closed the acquisition of Gjensidige Bank ASA, the transaction includes the acquisition of all shares in Gjensidige Bank as well as a strategic partnership agreement with Gjensidige Forsikring with respect to mutual distribution of non-life insurance and financial products in Norway. The acquisition has been approved by the Norwegian Competition Authority and the Financial Supervisory Authority of Norway ("FSA"). Gjensidige Bank will until further notice continue to operate as an independent bank under its current brand name.

From a legal perspective and subject to both FSA and Nordea Bank Abp Board approvals, the car finance business is aimed to be demerged and merged into Nordea Finance in H2 2019 with the remaining Gjensidige Bank business aimed to be merged into Nordea Bank Abp in H1 2020. The mortgage company, Gjensidige Bank Boligkreditt, is aimed to be merged into Nordea Eiendomkreditt after the Gjensidige Bank merger into Nordea Bank Abp.

More information regarding the accounting effect of the transaction can be found in Note 1 further in the report on page 37.

Change in recognition and presentation of resolution fees

The Nordea Group's policy has been to amortise resolution fees and deposit guarantee (DGS) fees linearly over the year. IFRS requires bank levies to be expensed when the legal obligation to pay arises. As resolution fee is different in Finland versus Sweden, the full resolution fee has been recognised this quarter. DGS fees will continue to be amortised over the year.

More information regarding the accounting effect of the change can be found in Note 1 further in the report on page 36.

Update on the Asset Quality review (AQR)

Nordea is continuing the ECB Asset Quality Review (AQR) which is standard practice for any banks entering the SSM direct supervision. The purpose of the AQR is transparency, build confidence and identify any corrective actions needed, as well as building the new relationship with Nordea's new regulator.

The focus of the asset review is on complex and high-risk instruments as well as provisioning levels for credit exposures. It also evaluates processes and models. Furthermore, a stress test is performed where focus is on analysis of the adequacy of the bank's solvency ratio to withstand macro-economic scenarios. The AQR is still ongoing and is expected to be finalized during Q2 2019.

Additional sale of Nordea's holding in Velliv

Nordea currently holds 30% of the shares in Velliv, former Liv & Pension Denmark, and has earlier agreed to sell these shares to Velliv Foreningen. Velliv Foreningen has in April 2019 announced the intention to acquire 11% of the shares during the second quarter of 2019. The expected sale will take Nordea's remaining investment down to 19% and trigger a reclassification from a holding in an associated company to a normal equity investment. The sale of 11% will not have any impact on the income statement.

Sale of Nordea's shares in LR Realkredit

On 11 April, Nordea has together with the other owners, entered into an agreement to sell to Nykredit all shares of LR Realkredit, a Danish mortgage institution where Nordea holds 39 per cent of the shares.

The agreed purchase price for Nordea's 39 per cent amounts to approximately DKK 1 billion. The transaction will generate an estimated capital gain of EUR 129 million for Nordea, net of tax, at closing of the transaction which will have a marginally positive impact on the CET1 ratio.

While the transaction agreement has been signed, the completion remains subject to applicable regulatory approvals.

Quarterly development, Group

EURm	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	1,056	1,142	1,123	1,110	1,116
Net fee and commission income	737	720	703	800	770
Net result from items at fair value	264	182	205	260	441
Profit from associated undertakings and joint ventures accounted for under the equity method	14	15	48	33	28
Other operating income	44	60	18	375	23
Total operating income	**2,115**	**2,119**	**2,097**	**2,578**	**2,378**
General administrative expenses:					
Staff costs	-718	-744	-726	-730	-798
Other expenses	-594	-390	-323	-350	-503
Depreciation, amortisation and impairment charges of tangible and intangible assets	-140	-250	-87	-74	-71
Total operating expenses	**-1,452**	**-1,384**	**-1,136**	**-1,154**	**-1,372**
Profit before loan losses	**663**	**735**	**961**	**1,424**	**1,006**
Net loan losses	-42	-30	-44	-59	-40
Operating profit	**621**	**705**	**917**	**1,365**	**966**
Income tax expense	-178	-200	-193	-250	-229
Net profit for the period	**443**	**505**	**724**	**1,115**	**737**
Diluted earnings per share (DEPS), EUR	0.10	0.13	0.18	0.28	0.18
DEPS, rolling 12 months up to period end, EUR	0.68	0.76	0.79	0.82	0.72

Business areas

	Personal Banking		Commercial & Business Banking		Wholesale Banking		Asset & Wealth Management		Group Functions, Other and Eliminations		Nordea Group		
	Q1 2019	Q4 2018	Q1 2019	Q4 2018	Q1 2019	Q4 2018	Q1 2019	Q4 2018	Q1 2019	Q4 2018	Q1 2019	Q4 2018	*Chg*
EURm													
Net interest income	517	535	334	347	213	230	13	15	-21	15	1,056	1,142	*-8%*
Net fee and commission income	163	167	121	112	105	107	337	342	11	-8	737	720	*2%*
Net result from items at fair value	72	38	23	72	77	26	45	33	47	13	264	182	*45%*
Equity method & other income	1	-2	5	6	0	1	9	15	43	55	58	75	*-23%*
Total operating income	**753**	**738**	**483**	**537**	**395**	**364**	**404**	**405**	**80**	**75**	**2,115**	**2,119**	**0%**
Total operating expenses	**-500**	**-459**	**-311**	**-281**	**-300**	**-235**	**-189**	**-194**	**-152**	**-215**	**-1,452**	**-1,384**	**5%**
Net loan losses	-51	-20	-34	-32	44	13	0	-4	-1	13	-42	-30	*40%*
Operating profit	**202**	**259**	**138**	**224**	**139**	**142**	**215**	**207**	**-73**	**-127**	**621**	**705**	**-12%**
Cost/income ratio, %	66	62	64	52	76	65	47	48	-	-	69	65	
ROCAR, %	7	10	7	11	5	6	31	28	-	-	8[1]	9[1]	
Economic capital (EC)	8,740	7,873	6,483	6,261	8,309	7,938	1,968	2,276	2,716	2,237	28,216	26,585	*6%*
Risk exposure amount (REA)	44,940	41,489	44,872	44,310	49,803	48,246	5,481	5,577	17,911	16,264	163,007	155,886	*5%*
Number of employees (FTEs)	9,390	9,114	4,830	4,820	3,007	2,981	2,699	2,712	9,358	9,363	29,284	28,990	*1%*
Volumes, EURbn:													
Lending to corporates[2]	1.1	1.0	73.5	72.7	79.0	69.2	-	-	4.1	3.1	157.7	146.0	*8%*
Household mortgage lending[3]	129.5	125.0	6.7	6.7	0	0	6.4	6.3	-	-	142.6	138.0	*3%*
Consumer lending[3]	21.6	20.5	1.9	2.0	-	-	1.8	1.8	-	-	25.3	24.3	*4%*
Total lending	**152.2**	**146.5**	**82.1**	**81.4**	**79.0**	**69.2**	**8.2**	**8.1**	**4.1**	**3.1**	**325.6**	**308.3**	**6%**
Corporate deposits[2]	1.8	1.8	38.5	38.0	50.6	42.2	-	-	-5.5	-5.3	85.4	76.7	*11%*
Household deposits[3]	76.7	74.3	2.8	2.8	0	0	11.4	11.2	-	-	90.9	88.3	*3%*
Total deposits	**78.5**	**76.1**	**41.3**	**40.8**	**50.6**	**42.2**	**11.4**	**11.2**	**-5.5**	**-5.3**	**176.3**	**165.0**	**7%**

[1] Excluding items affecting comparability

[2] For PeB: Corporate lending and deposits of some household customers is supplied by and reported in Personal Banking.

[3] For CBB: Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

	Personal Banking		Commercial & Business Banking		Wholesale Banking		Asset & Wealth Management		Group Functions, Other and Eliminations		Nordea Group		
	Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	*Chg*
EURm													
Net interest income	517	539	334	326	213	228	13	18	-21	5	1,056	1,116	*-5%*
Net fee and commission income	163	180	121	114	105	118	337	361	11	-3	737	770	*-4%*
Net result from items at fair value	72	88	23	120	77	162	45	64	47	7	264	441	*-40%*
Equity method & other income	1	7	5	9	0	0	9	4	43	31	58	51	*14%*
Total operating income	**753**	**814**	**483**	**569**	**395**	**508**	**404**	**447**	**80**	**40**	**2,115**	**2,378**	**-11%**
Total operating expenses	**-500**	**-503**	**-311**	**-338**	**-300**	**-299**	**-189**	**-204**	**-152**	**-28**	**-1,452**	**-1,372**	**6%**
Net loan losses	-51	-22	-34	21	44	-35	0	0	-1	-4	-42	-40	*5%*
Operating profit	**202**	**289**	**138**	**252**	**139**	**174**	**215**	**243**	**-73**	**8**	**621**	**966**	**-36%**
Cost/income ratio, %	66	62	64	59	76	59	47	46	-	-	69	58	
ROCAR, %	7	12	7	13	5	7	31	29	-	-	8[1]	10[1]	
Economic capital (EC)	8,740	7,681	6,483	6,121	8,309	7,669	1,968	2,358	2,716	2,395	28,216	26,224	*8%*
Risk exposure amount (REA)	44,940	26,888	44,872	33,069	49,803	38,529	5,481	5,525	17,911	18,668	163,007	122,679	*33%*
Number of employees (FTEs)	9,390	9,344	4,830	5,109	3,007	2,964	2,699	3,463	9,358	9,202	29,284	30,082	*-3%*
Volumes, EURbn:													
Lending to corporates[2]	1.1	1.0	73.5	71.1	79.0	74.6	-	-	4.1	1.0	157.7	147.7	*7%*
Household mortgage lending[3]	129.5	123.4	6.7	7.0	0	0	6.4	6.7	-	-	142.6	137.1	*4%*
Consumer lending[3]	21.6	21.2	1.9	2.1	-	-	1.8	2.8	-	-	25.3	26.1	*-3%*
Total lending	**152.2**	**145.6**	**82.1**	**80.2**	**79.0**	**74.6**	**8.2**	**9.5**	**4.1**	**1.0**	**325.6**	**310.9**	**5%**
Corporate deposits[3]	1.8	2.4	38.5	36.4	50.6	52.5	-	-	-5.5	-6.2	85.4	85.1	*0%*
Household deposits[3]	76.7	73.3	2.8	2.9	0	0.1	11.4	12.6	-	-	90.9	88.9	*2%*
Total deposits	**78.5**	**75.7**	**41.3**	**39.3**	**50.6**	**52.6**	**11.4**	**12.6**	**-5.5**	**-6.2**	**176.3**	**174.0**	**1%**

[1] Excluding items affecting comparability

[2] For PeB: Corporate lending and deposits of some household customers is supplied by and reported in Personal Banking.

[3] For CBB: Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

Personal Banking total

								Local curr.	
	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Net interest income	517	535	507	520	539	-3%	-4%	-3%	-2%
Net fee and commission income	163	167	172	183	180	-2%	-9%	-1%	-9%
Net result from items at fair value	72	38	28	14	88	89%	-18%	92%	-16%
Equity method & other income	1	-2	-1	1	7				
Total income incl. allocations	**753**	**738**	**706**	**718**	**814**	**2%**	**-7%**	**3%**	**-6%**
Total expenses incl. allocations	**-500**	**-459**	**-450**	**-447**	**-503**	**9%**	**-1%**	**10%**	**1%**
Profit before loan losses	**253**	**279**	**256**	**271**	**311**	**-9%**	**-19%**	**-9%**	**-17%**
Net loan losses	-51	-20	-7	-30	-22				
Operating profit	**202**	**259**	**249**	**241**	**289**	**-22%**	**-30%**	**-22%**	**-28%**
Cost/income ratio, %	66	62	64	62	62				
ROCAR, %	7	10	10	10	12				
Economic capital (EC)	8,740	7,873	7,860	7,732	7,681	11%	14%	10%	13%
Risk exposure amount (REA)	44,940	41,489	27,511	27,245	26,888	8%	67%	8%	68%
Number of employees (FTEs)	9,390	9,114	9,085	9,224	9,344	3%	0%	3%	0%
Volumes, EURbn:									
Lending to corporates[1]	1.1	1.0	1.0	0.9	1.0	10%	10%	10%	10%
Household mortgage lending	129.5	125.0	125.3	124.2	123.4	4%	5%	3%	5%
Consumer lending	21.6	20.5	20.9	21.1	21.2	5%	2%	5%	2%
Total lending	**152.2**	**146.5**	**147.2**	**146.2**	**145.6**	**4%**	**5%**	**4%**	**5%**
Corporate deposits[1]	1.8	1.8	1.8	2.4	2.4	0%	-25%	0%	-25%
Household deposits	76.7	74.3	74.9	74.9	73.3	3%	5%	3%	5%
Total deposits	**78.5**	**76.1**	**76.7**	**77.3**	**75.7**	**3%**	**4%**	**3%**	**4%**

[1] Corporate lending and deposits of some household customers in Personal Banking (PeB) is served and reported in PeB.

Personal Banking total excl. Distribution agreement with Wealth Management

								Local curr.	
	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Net interest income	517	535	507	520	539	-3%	-4%	-3%	-2%
Net fee and commission income	282	281	297	305	308	0%	-8%	0%	-8%
Net result from items at fair value	72	38	28	14	88	89%	-18%	92%	-16%
Equity method & other income	1	-2	-1	1	7				
Total income incl. allocations	**872**	**852**	**831**	**840**	**942**	**2%**	**-7%**	**3%**	**-6%**
Total expenses incl. allocations	**-534**	**-484**	**-477**	**-475**	**-532**	**10%**	**0%**	**10%**	**2%**
Profit before loan losses	**338**	**368**	**354**	**365**	**410**	**-8%**	**-18%**	**-8%**	**-16%**
Net loan losses	-51	-18	-8	-30	-22				
Operating profit	**287**	**350**	**346**	**335**	**388**	**-18%**	**-26%**	**-18%**	**-25%**
Cost/income ratio, %	61	57	57	57	57				
ROCAR, %	10	13	13	13	15				
Economic capital (EC)	9,051	8,233	8,234	8,110	8,111	10%	12%	9%	11%
Risk exposure amount (REA)	44,940	41,489	27,511	27,245	26,888	8%	67%	8%	68%
Number of employees (FTEs)	9,390	9,114	9,085	9,224	9,344	3%	0%	3%	0%
Volumes, EURbn:									
Lending to corporates[1]	1.1	1.0	1.0	0.9	1.0	10%	10%	10%	10%
Household mortgage lending	129.5	125.0	125.3	124.2	123.4	4%	5%	3%	5%
Consumer lending	21.6	20.5	20.9	21.1	21.2	5%	2%	5%	2%
Total lending	**152.2**	**146.5**	**147.2**	**146.2**	**145.6**	**4%**	**5%**	**4%**	**5%**
Corporate deposits[1]	1.8	1.8	1.8	2.4	2.4	0%	-25%	0%	-25%
Household deposits	76.7	74.3	74.9	74.9	73.3	3%	5%	3%	5%
Total deposits	**78.5**	**76.1**	**76.7**	**77.3**	**75.7**	**3%**	**4%**	**3%**	**4%**

[1] Corporate lending and deposits of some household customers in Personal Banking (PeB) is served and reported in PeB.

Personal Banking Denmark

EURm	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1
Net interest income	140	148	143	143	140	-5%	0%
Net fee and commission income	51	48	51	50	57	6%	-11%
Net result from items at fair value	54	15	15	0	80		-33%
Equity method & other income	0	-2	0	0	-1		
Total income incl. allocations	**245**	**209**	**209**	**193**	**276**	**17%**	**-11%**
Total expenses incl. allocations	**-135**	**-145**	**-146**	**-147**	**-144**	**-7%**	**-6%**
Profit before loan losses	**110**	**64**	**63**	**46**	**132**	**72%**	**-17%**
Net loan losses	3	-5	-4	-7	-8		
Operating profit	**113**	**59**	**59**	**39**	**124**	**92%**	**-9%**
Cost/income ratio, %	55	69	70	76	52		
ROCAR, %	21	12	12	8	25		
Economic capital (EC)	1,651	1,479	1,497	1,503	1,502	12%	10%
Risk exposure amount (REA)	9,045	8,766	7,658	7,617	7,589	3%	19%
Number of employees (FTEs)	1,977	2,001	2,051	2,110	2,173	-1%	-9%
Volumes, EURbn:							
Lending to corporates	0.2	0.2	0.2	0.2	0.2	0%	0%
Household mortgage lending	30.6	30.5	30.3	30.2	29.9	0%	2%
Consumer lending	9.1	9.2	9.5	9.8	9.9	-1%	-8%
Total lending	**39.9**	**39.9**	**40.0**	**40.2**	**40.0**	**0%**	**0%**
Corporate deposits	1.5	1.6	1.6	2.1	2.1	-6%	-29%
Household deposits	22.9	22.9	23.3	23.5	23.2	0%	-1%
Total deposits	**24.4**	**24.5**	**24.9**	**25.6**	**25.3**	**0%**	**-4%**

Personal Banking Finland

EURm	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1
Net interest income	102	106	103	108	102	-4%	0%
Net fee and commission income	40	41	45	47	45	-2%	-11%
Net result from items at fair value	4	8	4	3	3	-50%	33%
Equity method & other income	0	0	0	0	1		
Total income incl. allocations	**146**	**155**	**152**	**158**	**151**	**-6%**	**-3%**
Total expenses incl. allocations	**-123**	**-108**	**-107**	**-114**	**-118**	**14%**	**4%**
Profit before loan losses	**23**	**47**	**45**	**44**	**33**	**-51%**	**-30%**
Net loan losses	-31	-7	2	-18	-11		
Operating profit	**-8**	**40**	**47**	**26**	**22**		
Cost/income ratio, %	84	70	70	72	78		
ROCAR, %	-2	8	9	5	4		
Economic capital (EC)	1,457	1,579	1,627	1,613	1,612	-8%	-10%
Risk exposure amount (REA)	7,948	7,762	8,085	8,084	8,006	2%	-1%
Number of employees (FTEs)	2,178	2,103	2,036	2,154	2,229	4%	-2%
Volumes, EURbn:							
Lending to corporates							
Household mortgage lending	26.4	26.3	26.4	26.6	26.6	0%	-1%
Consumer lending	6.2	6.3	6.3	6.3	6.3	-2%	-2%
Total lending	**32.6**	**32.6**	**32.7**	**32.9**	**32.9**	**0%**	**-1%**
Corporate deposits	0	0.1	0.1	0.1	0.1		
Household deposits	21.6	21.1	21.0	21.1	20.8	2%	4%
Total deposits	**21.6**	**21.2**	**21.1**	**21.2**	**20.9**	**2%**	**3%**

Personal Banking Norway

								Local curr.	
	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Net interest income	104	104	97	97	95	0%	9%	2%	11%
Net fee and commission income	16	22	23	22	18	-27%	-11%	-30%	-11%
Net result from items at fair value	7	2	5	6	2				
Equity method & other income	0	0	0	1	2				
Total income incl. allocations	**127**	**128**	**125**	**126**	**117**	**-1%**	**9%**	**0%**	**9%**
Total expenses incl. allocations	**-85**	**-56**	**-64**	**-61**	**-75**	**52%**	**13%**	**54%**	**15%**
Profit before loan losses	**42**	**72**	**61**	**65**	**42**	**-42%**	**0%**	**-42%**	**0%**
Net loan losses	-10	1	-1	-2	0				
Operating profit	**32**	**73**	**60**	**63**	**42**	**-56%**	**-24%**	**-56%**	**-24%**
Cost/income ratio, %	67	44	51	48	64				
ROCAR, %	6	14	12	13	9				
Economic capital (EC)	2,050	1,610	1,590	1,552	1,491	27%	37%	25%	39%
Risk exposure amount (REA)	11,438	8,378	5,144	4,993	4,801	37%		35%	
Number of employees (FTEs)	965	805	824	813	816	20%	18%	20%	18%
Volumes, EURbn:									
Lending to corporates	0	0	0	0	0				
Household mortgage lending	31.9	26.9	27.9	27.3	26.4	19%	21%	15%	21%
Consumer lending	2.9	1.5	1.5	1.5	1.4	93%		93%	
Total lending	**34.8**	**28.4**	**29.4**	**28.8**	**27.8**	**23%**	**25%**	**19%**	**25%**
Corporate deposits	0.1	0.1	0.1	0.2	0.1	0%	0%	0%	0%
Household deposits	10.5	8.0	8.6	8.8	8.1	31%	30%	27%	30%
Total deposits	**10.6**	**8.1**	**8.7**	**9.0**	**8.2**	**31%**	**29%**	**26%**	**29%**

Personal Banking Sweden

								Local curr.	
	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Net interest income	172	180	168	176	200	-4%	-14%	-3%	-10%
Net fee and commission income	58	59	64	61	63	-2%	-8%	-2%	-5%
Net result from items at fair value	4	13	4	4	3				
Equity method & other income	0	0	0	0	5				
Total income incl. allocations	**234**	**252**	**236**	**241**	**271**	**-7%**	**-14%**	**-6%**	**-10%**
Total expenses incl. allocations	**-156**	**-119**	**-115**	**-117**	**-158**	**31%**	**-1%**	**31%**	**2%**
Profit before loan losses	**78**	**133**	**121**	**124**	**113**	**-41%**	**-31%**	**-40%**	**-27%**
Net loan losses	-12	-6	-6	-2	-4				
Operating profit	**66**	**127**	**115**	**122**	**109**	**-48%**	**-39%**	**-47%**	**-37%**
Cost/income ratio, %	67	47	49	49	58				
ROCAR, %	7	13	12	14	12				
Economic capital (EC)	2,761	2,971	2,897	2,726	2,749	-7%	0%	-8%	-1%
Risk exposure amount (REA)	15,356	15,428	5,393	4,767	4,781	0%		-1%	
Number of employees (FTEs)	1,923	1,891	1,893	1,933	1,945	2%	-1%	2%	-1%
Volumes, EURbn:									
Lending to corporates	0.8	0.8	0.7	0.7	0.7	0%	14%	0%	14%
Household mortgage lending	40.7	41.1	40.8	40.0	40.6	-1%	0%	1%	1%
Consumer lending	3.4	3.6	3.6	3.6	3.6	-6%	-6%	-6%	-6%
Total lending	**44.9**	**45.5**	**45.1**	**44.3**	**44.9**	**-1%**	**0%**	**0%**	**1%**
Corporate deposits	0.1	0.1	0.1	0.1	0.1	0%	0%	0%	0%
Household deposits	21.9	22.2	22.0	21.4	21.3	-1%	3%	0%	4%
Total deposits	**22.0**	**22.3**	**22.1**	**21.5**	**21.4**	**-1%**	**3%**	**0%**	**4%**

Personal Banking Other

EURm	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1
Net interest income	-1	-3	-4	-4	2		
Net fee and commission income	-2	-3	-11	3	-3		
Net result from items at fair value	3	0	0	1	0		
Equity method & other income	1	0	-1	0	0		
Total income incl. allocations	**1**	**-6**	**-16**	**0**	**-1**		
Total expenses incl. allocations	**-1**	**-31**	**-18**	**-8**	**-8**		
Profit before loan losses	**0**	**-37**	**-34**	**-8**	**-9**		
Net loan losses	-1	-3	2	-1	1		
Operating profit	**-1**	**-40**	**-32**	**-9**	**-8**		
Economic capital (EC)	821	234	249	338	327		
Number of employees (FTEs)	2,347	2,314	2,281	2,214	2,181	1%	8%

Commercial & Business Banking total

	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Local curr. Q1/Q4	Local curr. Q1/Q1
EURm									
Net interest income	334	347	329	333	326	-4%	2%	-3%	4%
Net fee and commission income	121	112	105	110	114	8%	6%	8%	9%
Net result from items at fair value	23	72	48	57	120	-68%	-81%	-68%	-81%
Equity method & other income	5	6	5	10	9				
Total income incl. allocations	**483**	**537**	**487**	**510**	**569**	**-10%**	**-15%**	**-10%**	**-14%**
Total expenses incl. allocations	**-311**	**-281**	**-269**	**-281**	**-338**	**11%**	**-8%**	**11%**	**-7%**
Profit before loan losses	**172**	**256**	**218**	**229**	**231**	**-33%**	**-26%**	**-32%**	**-25%**
Net loan losses	-34	-32	-40	27	21				
Operating profit	**138**	**224**	**178**	**256**	**252**	**-38%**	**-45%**	**-38%**	**-44%**
Cost/income ratio, %	64	52	55	55	59				
ROCAR, %	7	11	9	13	13				
Economic capital (EC)	6,483	6,261	6,230	6,236	6,121	4%	6%	3%	6%
Risk exposure amount (REA)	44,872	44,310	33,143	33,097	33,069	1%	36%	1%	35%
Number of employees (FTEs)	4,830	4,820	4,825	4,869	5,109	0%	-5%	0%	-5%
Volumes, EURbn:									
Lending to corporates	73.5	72.7	73.0	71.8	71.1	1%	3%	1%	4%
Household mortgage lending[1]	6.7	6.7	6.8	6.9	7.0	0%	-4%	0%	-4%
Consumer lending[1]	1.9	2.0	2.1	2.1	2.1	-5%	-10%	-5%	-10%
Total lending	**82.1**	**81.4**	**81.9**	**80.8**	**80.2**	**1%**	**2%**	**1%**	**3%**
Corporate deposits	38.5	38.0	36.9	37.4	36.4	1%	6%	1%	6%
Household deposits[1]	2.8	2.8	2.8	3.0	2.9	0%	-3%	0%	-3%
Total deposits	**41.3**	**40.8**	**39.7**	**40.4**	**39.3**	**1%**	**5%**	**1%**	**6%**

[1] Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

Commercial & Business Banking excl. Distribution agreement with Wealth Management

	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Local curr. Q1/Q4	Local curr. Q1/Q1
EURm									
Net interest income	334	347	329	333	326	-4%	2%	-3%	4%
Net fee and commission income	148	137	131	135	159	8%	-7%	9%	-6%
Net result from items at fair value	23	72	48	57	120	-68%	-81%	-68%	-81%
Equity method & other income	5	6	5	10	9				
Total income incl. allocations	**510**	**562**	**513**	**535**	**614**	**-9%**	**-17%**	**-9%**	**-16%**
Total expenses incl. allocations	**-320**	**-287**	**-275**	**-287**	**-350**	**11%**	**-9%**	**12%**	**-7%**
Profit before loan losses	**190**	**275**	**238**	**248**	**264**	**-31%**	**-28%**	**-30%**	**-27%**
Net loan losses	-34	-31	-41	27	21				
Operating profit	**156**	**244**	**197**	**275**	**285**	**-36%**	**-45%**	**-36%**	**-44%**
Cost/income ratio, %	63	51	54	54	57				
ROCAR, %	7	12	9	13	14				
Economic capital (EC)	6,606	6,393	6,364	6,363	6,404	3%	3%	3%	3%
Risk exposure amount (REA)	44,872	44,310	33,143	33,097	33,069	1%	36%	1%	35%
Number of employees (FTEs)	4,830	4,820	4,825	4,869	5,109	0%	-5%	0%	-5%
Volumes, EURbn:									
Lending to corporates	73.5	72.7	73.0	71.8	71.1	1%	3%	1%	4%
Household mortgage lending[1]	6.7	6.7	6.8	6.9	7.0	0%	-4%	0%	-4%
Consumer lending[1]	1.9	2.0	2.1	2.1	2.1	-5%	-10%	-5%	-10%
Total lending	**82.1**	**81.4**	**81.9**	**80.8**	**80.2**	**1%**	**2%**	**1%**	**3%**
Corporate deposits	38.5	38.0	36.9	37.4	36.4	1%	6%	1%	6%
Household deposits[1]	2.8	2.8	2.8	3.0	2.9	0%	-3%	0%	-3%
Total deposits	**41.3**	**40.8**	**39.7**	**40.4**	**39.3**	**1%**	**5%**	**1%**	**6%**

[1] Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

Business Banking

	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Local curr. Q1/Q4	Local curr. Q1/Q1
EURm									
Net interest income, EURm									
Business Banking Denmark	74	77	77	76	78	-4%	-5%	-4%	-5%
Business Banking Finland	65	66	64	64	61	-2%	7%	-2%	7%
Business Banking Norway	72	74	69	70	70	-3%	3%	-1%	4%
Business Banking Sweden	66	65	63	63	59	2%	12%	2%	16%
Business Banking Direct	54	55	50	53	51	-2%	6%	-2%	6%
Other	3	10	6	7	7				
Net loan losses, EURm									
Business Banking Denmark	-1	-18	-29	-1	-13	-94%		-94%	
Business Banking Finland	-14	-9	-5	4	21	56%		56%	
Business Banking Norway	-4	6	2	22	10				
Business Banking Sweden	-6	-4	-4	4	1	50%		50%	
Business Banking Direct	-3	-1	-1	-1	0				
Other	-6	-6	-3	-1	2				
Lending, EURbn									
Business Banking Denmark	21.5	21.7	21.4	21.2	21.2	-1%	1%	-1%	2%
Business Banking Finland	13.2	13.2	13.4	13.2	13.0	0%	2%	0%	2%
Business Banking Norway	16.1	15.8	16.2	15.8	15.3	2%	5%	-1%	5%
Business Banking Sweden	19.4	19.0	19.0	18.4	18.6	2%	4%	4%	5%
Business Banking Direct	11.9	11.7	11.9	12.0	12.1	2%	-2%	2%	-2%
Other	0	0	0	0.2	0				
Deposits, EURbn									
Business Banking Denmark	6.1	6.1	6.2	6.1	6.1	0%	0%	-2%	0%
Business Banking Finland	7.7	7.8	7.2	7.6	7.1	-1%	8%	-1%	8%
Business Banking Norway	7.0	6.6	6.7	6.6	6.6	6%	6%	3%	6%
Business Banking Sweden	9.3	9.1	8.6	9.0	8.8	2%	6%	3%	6%
Business Banking Direct	11.2	11.2	11.0	11.1	10.7	0%	5%	1%	6%
Other	0	0	0	0	0				

Wholesale Banking total

	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Local curr. Q1/Q4	Local curr. Q1/Q1
EURm									
Net interest income	213	230	234	234	228	-7%	-7%	-7%	-5%
Net fee and commission income	105	107	93	151	118	-2%	-11%	-1%	-9%
Net result from items at fair value	77	26	111	109	162		-52%		-53%
Equity method & other income	0	1	0	0	0				
Total income incl. allocations	**395**	**364**	**438**	**494**	**508**	**9%**	**-22%**	**9%**	**-21%**
Total expenses incl. allocations	**-300**	**-235**	**-217**	**-213**	**-299**	**28%**	**0%**	**28%**	**1%**
Profit before loan losses	**95**	**129**	**221**	**281**	**209**	**-26%**	**-55%**	**-26%**	**-54%**
Net loan losses	44	13	-5	-65	-35				
Operating profit	**139**	**142**	**216**	**216**	**174**	**-2%**	**-20%**	**-1%**	**-19%**
Cost/income ratio, %	76	65	50	43	59				
ROCAR, %	5	6	9	8	7				
Economic capital (EC)	8,309	7,938	7,462	7,741	7,669	5%	8%		
Risk exposure amount (REA)	49,803	48,246	37,284	39,196	38,529	3%	29%		
Number of employees (FTEs)	3,007	2,981	3,006	2,958	2,964	1%	1%		
Volumes, EURbn:									
Lending to corporates	79.0	69.2	77.0	76.1	74.6	14%	6%		
Lending to households	0	0	0	0	0				
Total lending	**79.0**	**69.2**	**77.0**	**76.1**	**74.6**	**14%**	**6%**	**14%**	**4%**
Corporate deposits	50.6	42.2	51.7	48.6	52.5	20%	-4%		
Household deposits	0	0	0.1	0.1	0.1				
Total deposits	**50.6**	**42.2**	**51.8**	**48.7**	**52.6**	**20%**	**-4%**	**18%**	**-5%**

Wholesale Banking

	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1
EURm							
Net interest income, EURm							
C&IB Denmark	34	36	35	39	37	-6%	-8%
C&IB Finland	30	30	30	28	29	0%	3%
C&IB Norway	82	93	93	91	88	-12%	-7%
C&IB Sweden	55	56	55	53	52	-2%	6%
Corporate & Investment Banking	**201**	**215**	**213**	**211**	**206**	**-7%**	**-2%**
Banking Russia	**10**	**12**	**13**	**16**	**17**	**-17%**	**-41%**
Other	**2**	**3**	**8**	**7**	**5**	**-33%**	**-60%**
Net loan losses, EURm							
C&IB Denmark	10	-46	-17	-3	-28		
C&IB Finland	0	10	5	2	1		
C&IB Norway	8	35	1	10	-12		
C&IB Sweden	-2	-1	1	0	1		
Corporate & Investment Banking	**16**	**-2**	**-11**	**9**	**-38**		
Banking Russia	**12**	**16**	**7**	**-74**	**4**		
Other	**16**	**-1**	**-1**	**0**	**-1**		
Lending, EURbn							
C&IB Denmark	10.1	9.9	9.3	9.8	9.6	2%	5%
C&IB Finland	7.7	7.3	7.1	7.1	6.7	5%	15%
C&IB Norway	14.8	14.4	14.7	15.0	14.7	3%	1%
C&IB Sweden	13.3	12.9	12.6	12.7	11.5	3%	16%
Corporate & Investment Banking	**45.9**	**44.5**	**43.7**	**44.6**	**42.5**	**3%**	**8%**
Banking Russia	**2.0**	**2.1**	**2.3**	**2.4**	**2.4**	**-5%**	**-17%**
Other	**31.1**	**22.6**	**31.0**	**29.1**	**29.7**	**38%**	**5%**
Deposits, EURbn							
C&IB Denmark	5.5	5.9	5.8	5.0	5.0	-7%	10%
C&IB Finland	6.3	5.0	4.0	5.2	4.8	26%	31%
C&IB Norway	7.6	7.4	7.6	7.0	7.8	3%	-3%
C&IB Sweden	6.4	6.5	7.2	6.1	6.2	-2%	3%
Corporate & Investment Banking	**25.8**	**24.8**	**24.6**	**23.3**	**23.8**	**4%**	**8%**
Banking Russia	**0.6**	**0.5**	**0.5**	**0.7**	**0.8**	**20%**	**-25%**
Other	**24.2**	**16.9**	**26.7**	**24.7**	**28.0**	**43%**	**-14%**

Asset & Wealth Management total

	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1	Local curr. Q1/Q4	Local curr. Q1/Q1
EURm									
Net interest income	13	15	18	18	18	-13%	-28%	-13%	-27%
Net fee and commission income	337	342	342	362	361	-1%	-7%	-1%	-7%
Net result from items at fair value	45	33	30	38	64	36%	-30%	36%	-29%
Equity method & other income	9	15	10	8	4				
Total income incl. allocations	**404**	**405**	**400**	**426**	**447**	**0%**	**-10%**	**0%**	**-9%**
Total expenses incl. allocations	**-189**	**-194**	**-182**	**-180**	**-204**	**-3%**	**-7%**	**-2%**	**-7%**
Profit before loan losses	**215**	**211**	**218**	**246**	**243**	**2%**	**-12%**	**1%**	**-10%**
Net loan losses	0	-4	0	0	0				
Operating profit	**215**	**207**	**218**	**246**	**243**	**4%**	**-12%**	**3%**	**-10%**
Cost/income ratio, %	47	48	46	42	46				
ROCAR, %	31	28	28	31	29				
Economic capital (EC)	1,968	2,276	2,207	2,440	2,358	-14%	-17%	-14%	-17%
Risk exposure amount (REA)	5,481	5,577	5,330	5,518	5,525	-2%	-1%	-2%	-1%
Number of employees (FTEs)	2,699	2,712	2,925	2,948	3,463	0%	-22%	0%	-22%
Volumes, EURbn:									
AuM	300.2	282.6	311.5	307.0	320.1	6%	-6%	6%	-6%
Total lending	8.2	8.1	9.2	9.1	9.5	1%	-14%	1%	-14%
Total deposits	11.4	11.2	12.7	12.1	12.6	2%	-10%	2%	-10%

Assets under Management (AuM), volumes and net inflow

	Q119	Q418	Q318	Q218	Q118	Q119 Net inflow
EURbn						
Nordic Retail funds	61.2	56.3	61.1	60.0	58.6	-0.2
Private Banking	84.1	80.7	98.0	96.3	96.1	0.7
Institutional sales	103.8	98.3	101.6	100.9	92.5	0.1
Life & Pensions	51.1	47.3	50.8	49.8	72.9	0.4
Total*	**300.2**	**282.6**	**311.5**	**307.0**	**320.1**	**1.0**

* The divestment of 45 % stake in Nordea Life & Pensions Denmark has reduced Assets under Management by EUR 11bn in Q2 2018.

Nordic Private Banking

EURm	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1
Net interest income	14	14	15	16	16	0%	-13%
Net fee and commission income	42	46	40	45	31	-9%	35%
Net result from items at fair value	15	7	6	9	8		88%
Equity method & other income	0	0	0	0	0		
Total income incl. allocations	**71**	**67**	**61**	**70**	**55**	**6%**	**29%**
Total expenses incl. allocations	**-67**	**-52**	**-53**	**-56**	**-57**	**29%**	**18%**
Profit before loan losses	**4**	**15**	**8**	**14**	**-2**		
Net loan losses	0	0	0	0	0		
Operating profit	**4**	**15**	**8**	**14**	**-2**		
Cost/income ratio, %	94	78	87	80	104		
ROCAR, %	3	12	6	10	-2		
Economic capital (EC)	432	446	388	419	406	-3%	6%
Risk exposure amount (REA)	2,421	2,506	1,912	2,051	2,052	-3%	18%
Number of employees (FTEs)	850	848	850	885	893	0%	-5%
Volumes, EURbn:							
AuM	83.9	80.1	86.6	85.0	84.2	5%	0%
Household mortgage lending	6.4	6.3	6.1	5.9	6.2	2%	3%
Consumer lending	1.8	1.7	1.7	1.7	1.8	6%	0%
Total lending	**8.2**	**8.0**	**7.8**	**7.6**	**8.0**	**2%**	**2%**
Household deposits	11.4	11.0	9.8	9.5	9.9	4%	15%
Total deposits	**11.4**	**11.0**	**9.8**	**9.5**	**9.9**	**4%**	**15%**

Asset Management

EURm	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1
Net interest income	-1	0	-1	-1	-1		
Net fee and commission income	220	222	219	229	229	-1%	-4%
Net result from items at fair value	0	2	-1	3	5		
Equity method & other income	1	5	1	2	1		
Total income incl. allocations	**220**	**229**	**218**	**233**	**234**	**-4%**	**-6%**
Total expenses incl. allocations	**-73**	**-79**	**-72**	**-71**	**-74**	**-8%**	**-1%**
Profit before loan losses	**147**	**150**	**146**	**162**	**160**	**-2%**	**-8%**
Net loan losses	0	0	0	0	0		
Operating profit	**147**	**150**	**146**	**162**	**160**	**-2%**	**-8%**
Cost/income ratio, %	33	34	33	30	32		
Income/AuM in bp p.a.	42	43	41	44	43		
Economic capital (EC)	262	261	266	266	256	0%	2%
Risk exposure amount (REA)	942	1,001	951	956	996	-6%	-5%
AuM, Nordic sales channels incl. Life, EURbn	113.4	106.5	115.2	112.5	110.5	6%	3%
AuM, Ext. Inst. & 3rd part. dist., EURbn	103.8	98.3	101.6	100.9	105.3	6%	-1%
Net inf., Nordic sales channels incl. Life, EURbn	-0.4	-0.2	0.3	-0.2	-0.8		
Net inf., Ext. Ins. & 3rd part. dis., EURbn	0.1	-1.2	-0.4	-4.3	-1.6		
Number of employees (FTEs)	820	800	796	752	753	3%	9%

Life & Pensions

EURm	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1
Net interest income	0	0	0	0	0		
Net fee and commission income	74	75	75	76	92	-1%	-20%
Net result from items at fair value	31	26	23	26	49	19%	-37%
Equity method & other income	4	10	8	5	3		
Total income incl. allocations	**109**	**111**	**106**	**107**	**144**	**-2%**	**-24%**
Total expenses incl. allocations	**-29**	**-33**	**-32**	**-34**	**-52**	**-12%**	**-44%**
Profit before loan losses	**80**	**78**	**74**	**73**	**92**	**3%**	**-13%**
Net loan losses	0	0	0	0	0		
Operating profit	**80**	**78**	**74**	**73**	**92**	**3%**	**-13%**
Cost/income ratio, %	26	30	30	32	36		
Return on Equity, %	21	19	18	16	17		
Equity	1,234	1,524	1,448	1,576	1,526		
AuM, EURbn	45.1	41.9	45.0	44.0	67.3	8%	-33%
Premiums	1,298	961	932	987	1,867	35%	-30%
Risk exposure amount (REA)	1,910	1,815	1,823	1,802	1,802	5%	6%
Number of employees (FTEs)	618	616	689	700	1,184	0%	-48%
Profit drivers							
Profit Traditional products	4	5	0	-1	18		
Profit Market Return products	53	52	56	53	63	2%	-16%
Profit Risk products	18	18	18	18	23	0%	-22%
Total product result	**75**	**75**	**74**	**70**	**104**	**0%**	**-28%**
Return on Shareholder equity, other profits and group adj.	5	3	0	3	-12		
Operating profit	**80**	**78**	**74**	**73**	**92**	**3%**	**-13%**

Asset & Wealth Management Other

EURm	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1
Net interest income	0	1	4	3	3		
Net fee and commission income	1	-1	8	12	9		
Net result from items at fair value	-1	-2	2	0	2		
Equity method & other income	4	0	1	1	0		
Total income incl. allocations	**4**	**-2**	**15**	**16**	**14**		
Total expenses incl. allocations	**-20**	**-30**	**-25**	**-19**	**-21**		
Profit before loan losses	**-16**	**-32**	**-10**	**-3**	**-7**		
Net loan losses	0	-4	0	0	0		
Operating profit	**-16**	**-36**	**-10**	**-3**	**-7**		
Economic capital (EC)	40	45	105	179	170		
Number of employees (FTEs)	411	448	590	611	633	-8%	-35%
Volumes, EURbn:							
Total lending	0	0.1	1.4	1.5	1.5		
Total deposits	0	0.2	2.9	2.6	2.7		

Group functions, Other & Eliminations

	Q119	Q418	Q318	Q218	Q118	Q1/Q4	Q1/Q1
EURm							
Net interest income	-21	15	35	5	5		
Net fee and commission income	11	-8	-9	-6	-3		
Net result from items at fair value	47	13	-12	42	7		
Equity method & other income	43	55	52	389	31		
Total operating income	**80**	**75**	**66**	**430**	**40**		
Total operating expenses	**-152**	**-215**	**-18**	**-33**	**-28**		
Profit before loan losses	**-72**	**-140**	**48**	**397**	**12**		
Net loan losses	-1	13	8	9	-4		
Operating profit	**-73**	**-127**	**56**	**406**	**8**		
Economic capital (EC)	2,716	2,237	2,560	2,385	2,395		
Risk exposure amount (REA)	17,911	16,264	17,559	17,512	18,668		
Number of employees (FTEs)	9,358	9,363	9,215	9,272	9,202	0%	2%

Income statement

EURm	Note	Q1 2019	Q1 2018	Full year 2018
Operating income				
Interest income calculated using the effective interest rate method		1,497	1,378	5,843
Other interest income		343	348	1,410
Interest expense		-784	-610	-2,762
Net interest income		**1,056**	**1,116**	**4,491**
Fee and commission income		955	980	3,846
Fee and commission expense		-218	-210	-853
Net fee and commission income	**3**	**737**	**770**	**2,993**
Net result from items at fair value	4	264	441	1,088
Profit from associated undertakings and joint ventures accounted for under the equity method		14	28	124
Other operating income		44	23	476
Total operating income		**2,115**	**2,378**	**9,172**
Operating expenses				
General administrative expenses:				
Staff costs		-718	-798	-2,998
Other expenses	5	-594	-503	-1,566
Depreciation, amortisation and impairment charges of tangible and intangible assets		-140	-71	-482
Total operating expenses		**-1,452**	**-1,372**	**-5,046**
Profit before loan losses		**663**	**1,006**	**4,126**
Net loan losses	6	-42	-40	-173
Operating profit		**621**	**966**	**3,953**
Income tax expense		-178	-229	-872
Net profit for the period		**443**	**737**	**3,081**
Attributable to:				
Shareholders of Nordea Bank Abp (Nordea Bank AB (publ))		417	726	3,070
Additional Tier 1 capital holders		26	7	7
Non-controlling interests		-	4	4
Total		**443**	**737**	**3,081**
Basic earnings per share, EUR		0.10	0.18	0.76
Diluted earnings per share, EUR		0.10	0.18	0.76

Statement of comprehensive income

EURm	Q1 2019	Q1 2018	Full year 2018
Net profit for the period	**443**	**737**	**3,081**
Items that may be reclassified subsequently to the income statement			
Currency translation differences during the period	102	-101	-240
Tax on currency translation differences during the period	-2	16	-2
Hedging of net investments in foreign operations:			
Valuation gains/losses during the period	-70	4	67
Tax on valuation gains/losses during the period	18	0	-19
Fair value through other comprehensive income[1]:			
Valuation gains/losses during the period, net of recycling	41	7	-58
Tax on valuation gains/losses during the period	-9	-2	13
Cash flow hedges:			
Valuation gains/losses during the period, net of recycling	-2	11	44
Tax on valuation gains/losses during the period	1	-2	-10
Items that may not be reclassified subsequently to the income statement			
Changes in own credit risk related to liabilities classified as fair value option:			
Valuation gains/losses during the period	-14	5	20
Tax on valuation gains/losses during the period	2	-1	-4
Defined benefit plans:			
Remeasurement of defined benefit plans	-159	-35	-173
Tax on remeasurement of defined benefit plans	34	7	36
Other comprehensive income, net of tax	**-58**	**-91**	**-326**
Total comprehensive income	**385**	**646**	**2,755**
Attributable to:			
Shareholders of Nordea Bank Abp (Nordea Bank AB (publ))	359	635	2,744
Additional Tier 1 capital holders	26	7	7
Non-controlling interests	-	4	4
Total	**385**	**646**	**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 Mar 2019	31 Dec 2018	31 Mar 2018
Assets				
Cash and balances with central banks		45,764	41,578	35,587
Loans to central banks	7	8,473	7,642	2,977
Loans to credit institutions	7	14,389	11,320	17,243
Loans to the public	7	325,577	308,304	310,926
Interest-bearing securities		70,559	76,222	73,198
Financial instruments pledged as collateral		11,582	7,568	9,618
Shares		16,137	12,452	17,176
Assets in pooled schemes and unit-linked investment contracts		27,003	24,583	25,750
Derivatives		39,491	37,025	42,306
Fair value changes of the hedged items in portfolio hedge of interest rate risk		212	169	150
Investments in associated undertakings and joint ventures		1,620	1,601	1,237
Intangible assets		4,319	4,035	3,971
Property and equipment		2,067	546	612
Investment properties		1,698	1,607	1,516
Deferred tax assets		110	164	138
Current tax assets		335	284	333
Retirement benefit assets		195	246	225
Other assets		19,335	14,749	14,253
Prepaid expenses and accrued income		1,307	1,313	1,495
Assets held for sale	11	-	-	21,478
Total assets		**590,173**	**551,408**	**580,189**
Liabilities				
Deposits by credit institutions		51,634	42,419	50,437
Deposits and borrowings from the public		176,285	164,958	173,985
Deposits in pooled schemes and unit-linked investment contracts		28,120	25,653	26,185
Liabilities to policyholders		19,067	18,230	19,165
Debt securities in issue		193,263	190,422	174,750
Derivatives		41,448	39,547	38,307
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,828	1,273	1,180
Current tax liabilities		386	414	574
Other liabilities		33,933	23,315	26,432
Accrued expenses and prepaid income		1,933	1,696	1,892
Deferred tax liabilities		562	706	614
Provisions		398	321	332
Retirement benefit obligations		489	398	283
Subordinated liabilities		10,332	9,155	8,320
Liabilities held for sale	11	-	-	26,761
Total liabilities		**559,678**	**518,507**	**549,217**
Equity				
Additional Tier 1 capital holders		750	750	750
Non-controlling interests		52	6	172
Share capital		4,050	4,050	4,050
Share premium reserve		-	-	1,080
Invested unrestricted equity		1,080	1,080	-
Other reserves		-1,934	-1,876	-1,641
Retained earnings		26,497	28,891	26,561
Total equity		**30,495**	**32,901**	**30,972**
Total liabilities and equity		**590,173**	**551,408**	**580,189**
Assets pledged as security for own liabilities		177,910	171,899	195,207
Other assets pledged		4,169	4,788	5,038
Contingent liabilities		18,902	17,819	18,809
Credit commitments[1]		71,436	73,287	73,525
Other commitments		1,302	1,192	2,473

[1] Including unutilised portion of approved overdraft facilities of EUR 28,865m (31 Dec 2018: EUR 29,626m, 31 Mar 2018: EUR 29,440m).

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 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**
Balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**103**	**120**	**-**	**28,811**	**32,398**	**750**	**168**	**33,316**
Restatement due to changed accounting policy, net of tax[3]	-	-	-	-	1	-	-8	-237	-244	-	-	-244
Restated opening balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**104**	**120**	**-8**	**28,574**	**32,154**	**750**	**168**	**33,072**
Net profit for the period	-	-	-	-	-	-	-	3,070	3,070	7	4	3,081
Other comprehensive income, net of tax	-	-	-194	34	-45	-137	16	-	-326	-	-	-326
Total comprehensive income	-	-	-194	34	-45	-137	16	3,070	2,744	7	4	2,755
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-7	-	-7
Dividend 2017	-	-	-	-	-	-	-	-2,747	-2,747	-	-	-2,747
Purchase of own shares[2]	-	-	-	-	-	-	-	-6	-6	-	-	-6
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-166	-166
Balance at 31 Dec 2018	**4,050**	**1,080**	**-1,914**	**-12**	**59**	**-17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**
Balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**103**	**120**	**-**	**28,811**	**32,398**	**750**	**168**	**33,316**
Restatement due to changed accounting policy, net of tax[3]	-	-	-	-	1	-	-8	-237	-244	-	-	-244
Restated opening balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**104**	**120**	**-8**	**28,574**	**32,154**	**750**	**168**	**33,072**
Net profit for the period	-	-	-	-	-	-	-	726	726	7	4	737
Other comprehensive income, net of tax	-	-	-81	9	5	-28	4	-	-91	-	-	-91
Total comprehensive income	-	-	-81	9	5	-28	4	726	635	7	4	646
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-7	-	-7
Dividend 2017	-	-	-	-	-	-	-	-2,747	-2,747	-	-	-2,747
Divestment of own shares[2]	-	-	-	-	-	-	-	8	8	-	-	8
Balance at 31 Mar 2018	**4,050**	**1,080**	**-1,801**	**-37**	**109**	**92**	**-4**	**26,561**	**30,050**	**750**	**172**	**30,972**

[1] Total shares registered were 4,050 million (31 Dec 2018: 4,050 million, 31 Mar 2018: 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 19.7 million (31 Dec 2018: 15.9 million, 31 Mar 2018: 12.9 million). The total holdings of own shares related to LTIP were 9.6 million (31 Dec 2018: 9.6 million, 31 Mar 2018: 10.2 million).

[3] Related to the implementation of IFRS 9 and IFRS 15, see Annual report 2018.

Cash flow statement, condensed

EURm	Jan-Mar 2019	Jan-Mar 2018	Full year 2018
Operating activities			
Operating profit	621	966	3,953
Adjustments for items not included in cash flow	1,749	524	1,238
Income taxes paid	-297	-378	-1,024
Cash flow from operating activities before changes in operating assets and liabilities	**2,073**	**1,112**	**4,167**
Changes in operating assets and liabilities	5,258	-3,751	-1,536
Cash flow from operating activities	**7,331**	**-2,639**	**2,631**
Investing activities			
Sale of business operations	-569	-	646
Acquisition/sale of associated undertakings and joint ventures	-	-	9
Acquisition/sale of property and equipment	-33	-13	-18
Acquisition/sale of intangible assets	-135	-119	-608
Sale/acqusition of other financial fixed assets	-	-2	-
Cash flow from investing activities	**-737**	**-134**	**29**
Financing activities			
Issued/Amortised subordinated liabilities	1,101	-500	-28
Divestment of own shares including change in trading portfolio	-28	8	-6
Dividend paid	-2,788	-2,747	-2,747
Paid interest on Additional Tier 1 capital	-26	-7	-7
Cash flow from financing activities	**-1,741**	**-3,246**	**-2,788**
Cash flow for the period	**4,853**	**-6,019**	**-128**

Cash and cash equivalents EURm	31 Mar 2019	31 Mar 2018	31 Dec 2018
Cash and cash equivalents at beginning of the period	46,009	46,213	46,213
Translation difference	294	-1,298	-76
Cash and cash equivalents at end of the period	51,156	38,896	46,009
Change	**4,853**	**-6,019**	**-128**
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	45,764	35,587	41,578
Loans to central banks	4,002	1,827	2,759
Loans to credit institutions	1,390	942	1,672
Assets held for sale	-	540	-
Total cash and cash equivalents	**51,156**	**38,896**	**46,009**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal systems under government authority, where the following conditions are fulfilled:
- the central bank or the postal giro system is domiciled in the country where the institution is established.
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1 Accounting policies

The consolidated interim financial statements are presented in accordance with IAS 34 “Interim Financial Reporting”, as endorsed by the EU commission.

The accounting policies and methods of computation are unchanged in comparison with Note G1 in the Annual Report 2018, except for related to the items presented in the section “Changed accounting policies and presentation” below. For more information see Note G1 in the Annual Report 2018.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea 1 January 2019.

IFRS 16 ”Leases”

The 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) are accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments are recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019. The standard was endorsed by the EU-commission in 2017.

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.

The impact in Q1 2019 can be found in the below table. At transition to IFRS 16 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.

More information about the transition to IFRS 16 can be found in Note G49 in the Annual Report 2018.

	Q1 2019		
EURm	Old policy	Change	New policy
Interest expense	-781	-3	-784
Other expenses	-637	43	-594
Depreciation, amortisation and impairment charges of tangible and intangible assets	-96	-44	-140
Income tax expense	-179	1	-178
Impact on net profit for the period		-3	

	31 Mar 2019		
EURm	Old policy	Change	New policy
Properties and equipment	543	1,524	2,067
Prepaid expenses and accrued income	1,629	-322	1,307
Other liabilities	32,727	1,206	33,933
Current tax liabilities	387	-1	386
Retained earnings	26,500	-3	26,497

Changed recognition and presentation of resolution fees

As from the first quarter 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 Q1 2019, can be found in the below table.

	Q1 2019			Q1 2018			Full year 2018		
EURm	Old policy	Change	New policy	Old policy	Change	New policy	Old policy	Change	New policy
Interest expense	-836	52	-784	-673	63	-610	-2,929	167	-2,762
Other expenses	-387	-207	-594	-336	-167	-503	-1,399	-167	-1,566
Income tax expense	-215	37	-178	-250	21	-229	-872	-	-872
Impact on net profit for the period		-118			-83			-	
Impact on EPS/DEPS, EUR		-0.03			-0.02			-	

	31 Mar 2019			31 Dec 2018			31 Mar 2018		
EURm	Old policy	Change	New policy	Old policy	Change	New policy	Old policy	Change	New policy
Current tax liabilities	423	-37	386	414	-	414	595	-21	574
Accrued expenses and deferred income	1,778	155	1,933	1,696	-	1,696	1,788	104	1,892
Retained earnings	26,615	-118	26,497	28,891	-	28,891	26,644	-83	26,561

Presentation of fair value adjustments
As from Q1 2019 Nordea presents all other valuation adjustments than DVA as an adjustment to derivatives with positive fair value and DVA as an adjustment to derivatives with negative fair value on the balance sheet. The impact in Q1 2019 was a decrease of derivatives with positive fair value and derivatives with negative fair value by EUR 292m. Comparative figures have not been restated.

Other amendments
The following new and amended standards issued by IASB were implemented by Nordea 1 January 2019 but have not had any significant impact on the financial statements of Nordea:

- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle

Changes in IFRSs not yet applied

IFRS 17 "Insurance contracts"
The IASB has published the new standard IFRS 17 "Insurance contracts". The new standard will change the accounting requirements for recognition, measurement, presentation and disclosure of insurance contracts.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on the three measurement models Building Block Approach (BBA), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with variable fee or short term). The three measurement models include consistent definitions of the contractual cash-flows, risk adjustment margin and discounting. These definitions are based on the similar principles as the measurement principles for technical provisions in the Solvency II capital requirement directives. Unearned future premiums will be recognised as a provision on the balance sheet and released to revenue when the insurance service is provided. Any unprofitable contracts will be recognised in the income statement at the time when the contract is signed and approved.

IFRS 17 is effective for annual report period beginning on or after 1 January 2021 with earlier application permitted. However, due to comments from the global insurance industry, the IASB board has proposed to amend IFRS 17. The amendments include a one-year deferral of the effective date to 1 January 2022. The standard is not yet endorsed by the European Commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

Other amendments to IFRS
Other amendments to IFRS are not assessed to have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application.

Acquisition of Gjensidige Bank

On 2 July 2018, Nordea entered into an agreement with Gjensidige Forsikring to acquire all shares in Gjensidige Bank. The transaction was closed on 1 March 2019, when Nordea received final approval from the Norwegian regulators. 1 March is the acquisition date and the date from which the acquired assets and liabilities are recognised on Nordea's balance sheet. Assets and liabilities acquired are disclosed in the table below.

The following purchase price allocation (PPA) has been established as of 1 March 2019. The PPA is still preliminary and may be updated during 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	575
Estimated additional purchase price	1
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 to fair value for loans and debt securities in issue measured at amortised cost in Gjensidige

Nordea has identified as number of intangible assets in the acquisition. Two different customer related intangibles have been identified, one for deposit customers and one for lending customers. The value of the deposit customers is related to the funding they provide at interest rates lower than other funding. The customer intangible related to lending reflects the profit generated in specific portfolios. The amortisation of the deposit related intangible is made over eight years, while the intangible related to the loans is amortised over four years, reflecting the pace at which customers can be expected to leave. The consumer finance business in Gjensidige is distributed through the brand Oppfinans, which is included in the acquisition. The brand has been valued using a royalty rate of 3.5%. Goodwill arises mainly due to the synergies Nordea expects to achieve. Integrating the business in Gjensidige into Nordea will create cost synergies as well as some income synergies. The brand and the goodwill are expected to have indefinite lives and are consequently not amortised.

The Additional Tier 1 instrument accounted for as equity in Gjensidige will be reported as a non-controlling interest in the Nordea consolidated accounts.

The impact on Nordea’s net profit for the year is insignificant.

Exchange rates

	Jan-Mar 2019	Jan-Dec 2018	Jan-Mar 2018
EUR 1 = SEK			
Income statement (average)	10.4181	10.2608	9.9765
Balance sheet (at end of period)	10.4098	10.2330	10.2843
EUR 1 = DKK			
Income statement (average)	7.4636	7.4533	7.4468
Balance sheet (at end of period)	7.4649	7.4672	7.4530
EUR 1 = NOK			
Income statement (average)	9.7459	9.6033	9.6366
Balance sheet (at end of period)	9.6805	9.9470	9.6770
EUR 1 = RUB			
Income statement (average)	74.9659	74.0484	69.9590
Balance sheet (at end of period)	73.4988	79.3826	70.8897

Note 2 Segment reporting

Jan-Mar 2019	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance & Treasury	Other operating segments	Total operating segments	Recon-ciliation	**Total Group**
	Operating segments								
Total operating income, EURm	878	513	396	406	25	23	2,241	-126	**2,115**
- of which internal transactions[1]	-151	-61	-120	-6	330	8	0	-	**-**
Operating profit, EURm	291	158	138	215	10	14	826	-205	**621**
Loans to the public[2], EURbn	150	82	50	7	-	0	289	37	**326**
Deposits and borrowings from the public[2], EURbn	71	42	36	9	-	0	158	18	**176**
Jan-Mar 2018									
Total operating income, EURm	932	611	505	447	21	23	2,539	-161	**2,378**
- of which internal transactions[1]	-128	-59	-98	-3	276	12	0	-	**-**
Operating profit, EURm	381	286	174	246	24	13	1,124	-158	**966**
Loans to the public[2], EURbn	143	80	46	8	-	2	279	32	**311**
Deposits and borrowings from the public[2], EURbn	67	39	37	10	-	2	155	19	**174**

[1] IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Finance & Treasury.
[2] The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision Maker.

Breakdown of Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management

	Personal Banking Denmark		Personal Banking Finland		Personal Banking Norway		Personal Banking Sweden		Personal Banking Other		**Personal Banking**	
	Jan-Mar		**Jan-Mar**		**Jan-Mar**		**Jan-Mar**		**Jan-Mar**		**Jan-Mar**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Total operating income, EURm	265	301	189	200	139	128	282	307	3	-4	**878**	**932**
- of which internal transactions	-51	-42	-26	-40	-45	-24	-31	-23	2	1	**-151**	**-128**
Operating profit, EURm	128	143	27	64	39	51	96	135	1	-12	**291**	**381**
Loans to the public, EURbn	37	37	32	33	35	28	45	45	1	0	**150**	**143**
Deposits and borrowings from the public, EURbn	17	17	21	21	11	8	22	21	0	0	**71**	**67**

	Business Banking		Business Banking Direct		Commercial & Business Banking Other		**Commercial & Business Banking**	
	Jan-Mar		**Jan-Mar**		**Jan-Mar**		**Jan-Mar**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Total operating income, EURm	404	518	110	98	-1	-5	**513**	**611**
- of which internal transactions	-62	-57	1	-2	0	0	**-61**	**-59**
Operating profit, EURm	149	286	33	24	-24	-24	**158**	**286**
Loans to the public, EURbn	70	68	12	12	0	0	**82**	**80**
Deposits and borrowings from the public, EURbn	31	29	11	10	0	0	**42**	**39**

Note 2 Continued

	Corporate & Investment Banking		Financial Institutions & International Banks		Banking Russia		Capital Markets unallocated		Wholesale Banking Other		**Wholesale Banking**	
	Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total operating income, EURm	328	325	87	78	15	22	-31	83	-3	-3	**396**	**505**
- of which internal transactions	-84	-75	-9	-10	-14	-14	-11	3	-2	-2	**-120**	**-98**
Operating profit, EURm	210	135	5	15	19	14	-80	45	-16	-35	**138**	**174**
Loans to the public, EURbn	46	42	2	2	2	2	-	-	-	-	**50**	**46**
Deposits and borrowings from the public, EURbn	25	24	10	12	1	1	-	-	-	-	**36**	**37**

	Private Banking		Asset Management		Life & Pension unallocated		Asset & Wealth Management Other		**Asset & Wealth Management**	
	Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total operating income, EURm	134	139	221	234	112	143	-61	-69	**406**	**447**
- of which internal transactions	-5	-2	0	0	0	0	-1	-1	**-6**	**-3**
Operating profit, EURm	40	40	147	160	80	91	-52	-45	**215**	**246**
Loans to the public, EURbn	7	8	-	-	-	-	-	-	**7**	**8**
Deposits and borrowings from the public, EURbn	9	10	-	-	-	-	-	-	**9**	**10**

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	
	2019	2018	2019	2018	2019	2018
Total operating segments	826	1,124	289	279	158	155
Group functions[1]	-31	-44	-	-	-	-
Unallocated items	-65	21	39	32	19	20
Differences in accounting policies[2]	-109	-135	-2	0	-1	-1
Total	**621**	**966**	**326**	**311**	**176**	**174**

[1] Consists of Group Business Risk Management, Group Internal Audit, Chief of staff office, Group Legal, Group Corporate Centre and Group Risk and Compliance.

[2] Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

Measurement of operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business areas" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Financial results are presented for the main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management, with a further breakdown on operating segments, and the operating segment Group Finance & Treasury. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions (and eliminations) as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Note 3 Net fee and commission income

EURm	Q1 2019	Q4 2018	Q1 2018
Asset management commissions	347	361	358
Life & Pensions	62	64	81
Deposit Products	5	7	5
Brokerage, securities issues and corporate finance	30	54	34
Custody and issuer services	3	15	7
Payments	86	72	76
Cards	57	49	54
Lending Products	102	92	97
Guarantees	24	22	33
Other	21	-16	25
Total	**737**	**720**	**770**

Break-down
Jan-Mar 2019

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance and Treasury	Other and elimination	Nordea Group
Asset management commissions	42	7	1	297	0	0	347
Life & Pensions	14	6	1	41	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	21	47	18	0	0	0	86
Cards	36	10	3	0	0	8	57
Lending Products	31	27	43	1	0	0	102
Guarantees	2	7	14	0	1	0	24
Other	9	6	9	-6	1	2	21
Total	**163**	**121**	**105**	**337**	**1**	**10**	**737**

Break-down
Jan-Mar 2018

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance and Treasury	Other and elimination	Nordea Group
Asset management commissions	41	14	10	293	0	0	358
Life & Pensions	15	5	1	60	0	0	81
Deposit Products	2	3	0	0	0	0	5
Brokerage, securities issues and corporate finance	8	5	17	6	-2	0	34
Custody and issuer services	3	0	8	-2	-2	0	7
Payments	23	40	13	0	0	0	76
Cards	46	5	3	0	0	0	54
Lending Products	30	27	40	0	0	0	97
Guarantees	2	11	19	0	0	1	33
Other	10	4	7	4	-2	2	25
Total	**180**	**114**	**118**	**361**	**-6**	**3**	**770**

Note 4 Net result from items at fair value

EURm	Q1 2019	Q4 2018	Q1 2018
Equity related instruments	235	52	-45
Interest related instruments and foreign exchange gains/losses	-14	119	404
Other financial instruments (including credit and commodities)	12	-16	34
Investment properties	0	0	-1
Life insurance[1]	31	27	49
Total	**264**	**182**	**441**

[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 2019	Q4 2018	Q1 2018
Equity related instruments	668	-605	-306
Interest related instruments and foreign exchange gains/losses	150	-82	-84
Other financial instruments	0	0	0
Investment properties	20	36	39
Change in technical provisions[1]	-687	295	196
Change in collective bonus potential	-130	373	194
Insurance risk income	16	16	42
Insurance risk expense	-6	-6	-32
Total	**31**	**27**	**49**

[1] Premium income amounts to EUR 81m for Q1 2019 (Q1 2018: EUR 644m).

Note 5 Other expenses

EURm	Q1 2019	Q4 2018	Q1 2018
Information technology	-128	-120	-123
Marketing and representation	-12	-26	-11
Postage, transportation, telephone and office expenses	-18	-20	-22
Rents, premises and real estate	-30	-83	-74
Resolution fees	-207	0	-167
Other	-199	-141	-106
Total	**-594**	**-390**	**-503**

Note 6 Net loan losses

EURm	Q1 2019	Q4 2018	Q1 2018
Net loan losses, stage 1	-1	21	11
Net loan losses, stage 2	-9	18	70
Net loan losses, non-defaulted	**-10**	**39**	**81**
Stage 3, defaulted			
Net loan losses, individually assessed, collectively calculated	-7	2	-71
Realised loan losses	-85	-129	-108
Decrease of provisions to cover realised loan losses	66	81	82
Recoveries on previous realised loan losses	7	13	9
Reimbursement right	14	-	-
New/increase in provisions	-80	-150	-127
Reversals of provisions	53	114	94
Net loan losses, defaulted	**-32**	**-69**	**-121**
Net loan losses	**-42**	**-30**	**-40**

Key ratios

	Q1 2019	Q4 2018	Q1 2018
Loan loss ratio, basis points	7	5	7
- of which stage 1	0	-4	-2
- of which stage 2	2	-3	-12
- of which stage 3	5	12	21

Note 7 Loans and impairment

EURm	Total 31 Mar 2019	31 Dec 2018	31 Mar 2018
Loans measured at fair value	95,517	77,521	90,640
Loans measured at amortised cost, not impaired (stage 1 and 2)	250,422	247,204	237,574
Impaired loans (stage 3)	4,555	4,581	5,212
- of which servicing	2,080	2,097	2,539
- of which non-servicing	2,475	2,484	2,673
Loans before allowances	**350,494**	**329,306**	**333,426**
-of which central banks and credit institutions	*22,862*	*18,977*	*20,243*
Allowances for individually assessed impaired loans (stage 3)	-1,600	-1,599	-1,877
-of which servicing	-711	-720	-866
-of which non-servicing	-889	-879	-1,011
Allowances for collectively assessed impaired loans (stage 1 and 2)	-455	-441	-403
Allowances	**-2,055**	**-2,040**	**-2,280**
-of which central banks and credit institutions	*-15*	*-15*	*-24*
Loans, carrying amount	**348,439**	**327,266**	**331,146**

Exposures measured at amortised cost and fair value through OCI, before allowances

EURm	31 Mar 2019 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**

EURm	31 Mar 2018 Stage 1	Stage 2	Stage 3
Loans to central banks, credit institutions and the public	222,687	14,887	5,212
Interest-bearing securities	37,790	-	-
Total	**260,477**	**14,887**	**5,212**

Allowances and provisions

EURm	31 Mar 2019 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**

EURm	31 Mar 2018 Stage 1	Stage 2	Stage 3
Loans to central banks, credit institutions and the public	-123	-280	-1,877
Interest-bearing securities	-1	-	-
Provisions for off balance sheet items	-9	-34	-84
Total allowances and provisions	**-133**	**-314**	**-1,961**

Movements of allowance accounts for loans measured at amortised cost

EURm	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2019	**-146**	**-295**	**-1,599**	**-2,040**
Changes due to origination and acquisition	-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**

EURm	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2018	**-133**	**-360**	**-1,816**	**-2,309**
Changes due to origination and acquisition	-2	-1	-2	-5
Changes due to change in credit risk (net)	4	68	-138	-66
Changes due to repayments and disposals	7	12	16	35
Write-off through decrease in allowance account	-	-	80	80
Other changes	1	0	-22	-21
Translation differences	0	1	5	6
Balance as at 31 Mar 2018	**-123**	**-280**	**-1,877**	**-2,280**

Note 7 Continued

Key ratios[1]	31 Mar 2019	31 Dec 2018	31 Mar 2018
Impairment rate (stage 3), gross, basis points	179	182	215
Impairment rate (stage 3), net, basis points	116	118	137
Total allowance rate (stage 1, 2 and 3), basis points	81	81	94
Allowances in relation to impaired loans (stage 3), %	35	35	36
Allowances in relation to loans in stage 1 and 2, basis points	18	1	17

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	45,764	-	-	-	-	45,764
Loans to central banks	4,001	4,472	-	-	-	8,473
Loans to credit institutions	6,593	7,796	-	-	-	14,389
Loans to the public	242,328	83,249	-	-	-	325,577
Interest-bearing securities	3,537	30,213	6,863	-	29,946	70,559
Financial instruments pledged as collateral	-	11,045	-	-	537	11,582
Shares	-	16,137	-	-	-	16,137
Assets in pooled schemes and unit-linked investment contracts	-	26,688	116	-	-	26,804
Derivatives	-	37,391	-	2,100	-	39,491
Fair value changes of the hedged items in portfolio hedge of interest rate risk	212	-	-	-	-	212
Other assets	3,612	14,574	-	-	-	18,186
Prepaid expenses and accrued income	795	-	-	-	-	795
Total 31 Mar 2019	**306,842**	**231,565**	**6,979**	**2,100**	**30,483**	**577,969**
Total 31 Dec 2018	296,819	200,342	7,287	3,110	33,564	541,122

		Fair value through profit or loss (FVPL)			
EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Total
Financial liabilities					
Deposits by credit institutions	28,290	23,344	-	-	51,634
Deposits and borrowings from the public	163,485	12,800	-	-	176,285
Deposits in pooled schemes and unit-linked investment contracts	-	-	28,120	-	28,120
Liabilities to policyholders	-	-	3,427	-	3,427
Debt securities in issue	137,144	-	56,119	-	193,263
Derivatives	-	39,673	-	1,775	41,448
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,828	-	-	-	1,828
Other liabilities	5,524	22,180	-	-	27,704
Accrued expenses and prepaid income	346	-	-	-	346
Subordinated liabilities	10,332	-	-	-	10,332
Total 31 Mar 2019	**346,949**	**97,997**	**87,666**	**1,775**	**534,387**
Total 31 Dec 2018	339,700	71,463	83,665	923	495,751

Note 9 Fair value of financial assets and liabilities

	31 Mar 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
EURm				
Financial assets				
Cash and balances with central banks	45,764	45,764	41,578	41,578
Loans	348,651	355,314	327,435	330,681
Interest-bearing securities	70,559	70,702	76,222	76,334
Financial instruments pledged as collateral	11,582	11,582	7,568	7,568
Shares	16,137	16,137	12,452	12,452
Assets in pooled schemes and unit-linked investment contracts	26,804	26,804	24,425	24,425
Derivatives	39,491	39,491	37,025	37,025
Other assets	18,186	18,186	13,428	13,428
Prepaid expenses and accrued income	795	795	989	989
Total	**577,969**	**584,775**	**541,122**	**544,480**
Financial liabilities				
Deposits and debt instruments	433,342	434,482	408,227	409,014
Deposits in pooled schemes and unit-linked investment contracts	28,120	28,120	25,653	25,653
Liabilities to policyholders	3,427	3,427	3,234	3,234
Derivatives	41,448	41,448	39,547	39,547
Other liabilities	27,704	27,704	18,817	18,817
Accrued expenses and prepaid income	346	346	273	273
Total	**534,387**	**535,527**	**495,751**	**496,538**

The determination of fair value is described in the Annual report 2018, Note G40 "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	-	-	4,472	-	-	-	4,472
Loans to credit institutions	-	-	7,796	-	-	-	7,796
Loans to the public	-	-	83,249	-	-	-	83,249
Interest-bearing securities[2]	33,487	*3,594*	44,940	*3,468*	177	*11*	78,604
Shares	13,998	*8,955*	341	*339*	1,798	*902*	16,137
Assets in pooled schemes and unit-linked investment contracts	26,483	*22,715*	275	*275*	46	*46*	26,804
Derivatives	35	-	38,188	*215*	1,268	-	39,491
Other assets	-	-	14,491	-	83	*40*	14,574
Total 31 Mar 2019	**74,003**	***35,264***	**193,752**	***4,297***	**3,372**	***999***	**271,127**
Total 31 Dec 2018	65,343	*32,969*	175,791	*4,304*	3,169	*991*	244,303
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	-	-	23,344	-	-	-	23,344
Deposits and borrowings from the public	-	-	12,800	-	-	-	12,800
Deposits in pooled schemes and unit-linked investment	-	-	28,120	*23,924*	-	-	28,120
Liabilities to policyholders	-	-	3,427	*3,427*	-	-	3,427
Debt securities in issue	13,002	-	40,488	-	2,629	-	56,119
Derivatives	31	-	40,278	*13*	1,139	-	41,448
Other liabilities	9,784	-	12,395	-	1	-	22,180
Total 31 Mar 2019	**22,817**	**-**	**160,852**	***27,364***	**3,769**	**-**	**187,438**
Total 31 Dec 2018	19,639	-	132,748	*25,003*	3,664	-	156,051

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

[2] Of which EUR 11,582m 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 475m from Level 1 to Level 2 and EUR 1,682m from Level 2 to Level 1 of the fair value hierarchy. In addition, Nordea has transferred derivative assets of EUR 5m and derivative liabilities of EUR 0m from Level 2 to Level 1. Further Nordea transferred other liabilities from Level 1 to Level 2 of EUR 1m and EUR 213m from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Note 10 Continued

Movements in Level 3

EURm	1 Jan	Fair value gains/losses recognised in the income statement during the year: Rea-lised	Un-realised	Recog-nised in OCI	Purchases/ Issues	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Transla-tion diff-erences	31 Mar
Intererest-bearing securities	329	0	8	-	189	-357	1	7	-	0	177
- of which Life	*4*	-	-	-	-	-	*1*	*6*	-	*0*	*11*
Shares	1,697	-2	13	-	130	-60	-9	21	-	8	1,798
- of which Life	*916*	*9*	*0*	-	*4*	*-20*	*-9*	*0*	-	*2*	*902*
Assets in pooled schemes and unit-linked investment contracts	31	1	13	-	1	-1	1	-	-	0	46
- of which Life	*31*	*1*	*13*	-	*1*	*-1*	*1*	-	-	0	*46*
Derivatives (net)	15	-107	117	-	-	0	107	0	-2	-1	129
Other assets	74	-	9	-	0	-	-	0	-	-	83
- of which Life	*40*	-	-	-	-	-	-	*0*	-	-	*40*
Debt securities in issue	2,627	20	73	-3	91	-	-179	0	-	-	2,629
Other liabilities	14	-	0	-	-	-13	-	0	-	-	1
Total 2019, net	**-495**	**-128**	**87**	**3**	**229**	**-405**	**279**	**28**	**-2**	**7**	**-397**
Total 2018, net	-1,613	25	168	-5	858	-78	285	-1	9	6	-346

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3

For information about valuation processes for fair value measurement in Level 3, see the Annual report 2018 Note G40 "Assets and liabilities at fair value".

Deferred day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see the Annual report 2018 Note G1 "Accounting policies". The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the period (movement of deferred Day 1 profit).

Deferred day 1 profit - Derivatives, net

EURm	2019	2018
Opening balance at 1 Jan	81	58
Deferred profit on new transactions	19	19
Recognised in the income statement during the period[1]	-10	-14
Closing balance at 31 Mar	**90**	**63**

[1] Of which EUR -m (EUR -m) due to transfers of derivatives from Level 3 to Level 2.

Note 10 Continued

Valuation techniques and inputs used in the fair value measurements in Level 3

EURm	Fair value	*Of which Life*[1]	Valuation techniques	Unobservable input	Range of fair value[4]
Interest-bearing securities					
Mortgage and other credit institutions[2]	172	*7*	Discounted cash flows	Credit spread	-17/17
Corporates	5	*4*	Discounted cash flows	Credit spread	0/0
Total 31 Mar 2019	**177**	***11***			**-17/17**
Total 31 Dec 2018	329	*4*			-32/32
Shares					
Private equity funds	752	*449*	Net asset value[3]		-84/84
Hedge funds	108	*86*	Net asset value[3]		-9/9
Credit funds	381	*175*	Net asset value/market consensus[3]		-31/31
Other funds	305	*186*	Net asset value/Fund prices[3]		-27/27
Other[5]	298	*53*	-		-25/25
Total 31 Mar 2019	**1,844**	***949***			**-176/176**
Total 31 Dec 2018	1,728	*947*			-165/165
Derivatives, net					
Interest rate derivatives	281	-	Option model	Correlations Volatilities	-20/11
Equity derivatives	3	-	Option model	Correlations Volatilities Dividends	-9/6
Foreign exchange derivatives	-7	-	Option model	Correlations Volatilities	-0/0
Credit derivatives	-154	-	Credit derivative model	Correlations Volatilities Recovery rates	-25/26
Other	6	-	Option model	Correlations Volatilities	-0/0
Total 31 Mar 2019	**129**	**-**			**-54/43**
Total 31 Dec 2018	15	-			-59/55
Debt securities in issue					
Issued structured bonds	2,629	-	Credit derivative model	Correlations Recovery rates Volatilities	-13/13
Total 31 Mar 2019	**2,629**	**-**			**-13/13**
Total 31 Dec 2018	2,627	-			-13/13
Other, net					
Other assets and Other liabilities, net	82	*40*	-	-	-9/9
Total 31 Mar 2019	**82**	***40***			**-9/9**
Total 31 Dec 2018	60	40			-7/7

[1] Investments in financial instruments is a major part of the life insurance business, acquired to fulfill the obligations behind the insurance- and investments contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

[2] Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

[3] The fair values are based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/ custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are a range of 6% to 100% compared to the values received from suppliers/custodians.

[4] The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information see the Annual Report 2018, Note G40 "Assets and liabilities at fair value".

[5] Of which EUR 46m related to assets in pooled schemes and unit-linked investment.

Note 11 Disposal group held for sale

Balance sheet - Condensed[1]

	31 Mar 2019	31 Dec 2018	31 Mar 2018
EURm			
Assets			
Loans to credit institutions	-	-	540
Loans to the public	-	-	1,234
Interest-bearing securities	-	-	6,140
Financial instruments pledged as collateral	-	-	146
Shares	-	-	10,070
Derivatives	-	-	370
Investments	-	-	268
Investment property	-	-	1,895
Other assets	-	-	815
Total assets held for sale	**-**	**-**	**21,478**
Liabilities			
Deposits by credit institutions	-	-	170
Deposits and borrowings from the public			2,008
Liabilities to policyholders	-	-	23,168
Derivatives	-	-	297
Current tax	-	-	87
Other liabilities	-	-	1,031
Total liabilities held for sale	**-**	**-**	**26,761**

[1] Includes the external assets and liabilities held for sale.

Assets and liabilities held for sale as of 31 March 2018 related to Nordea's earlier announced decisions to sell an additional 45 per cent of the shares in Danish Nordea Liv & Pension, livsforsikringsselskab A/S and parts of its Luxembourg-based private banking business. The sale of the shares in Danish Nordea Liv & Pension, livsforsikringsselskab A/S has been closed and the assets and liabilities held for sale were derecognised from Nordea's balance sheet during the second quarter 2018. The disposal group was included in "Life & Pension unallocated" in Note 2 "Segment reporting". Also the sale of parts of the Luxembourg-based private banking business has been closed and the assets and liabilities held for sale were derecognised from Nordea's balance during the fourth quarter 2018. The disposal group was included in "Private Banking" in Note 2 "Segment reporting".

Note 12 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including those of the Nordic countries, the European Union and the United States. Governmental authorities that administer and enforce those regimes regularly conduct investigations with regards to Nordea's regulatory compliance, including the compliance with anti-money laundering (AML) and economic sanctions requirements.

The supervisory authorities have conducted ongoing investigations with regards to Nordea's compliance in several areas, e.g. investment advice, AML, external tax rules, competition law and governance and control. The Nordea Group is also responding to inquiries from US governmental authorities regarding historical compliance with certain US financial sanctions during 2008–2014. The outcome of some investigations is pending, and it cannot be excluded that these investigations could lead to criticism or sanctions.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding anti-money laundering (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 is consequently making a provision for ongoing AML-related matters.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Amongst other Nordea established in 2015 the Financial Crime Change Programme and has strengthened the organisation significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Business Ethics and Values Committee and a culture transformation programme 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 are in addition investigating whether there is a basis for raising a claim for damages against Nordea 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. At this point in time, it is not possible to assess the potential risk related to the case.

Glossary

Return on equity
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on tangible equity
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital and is reduced with intangible assets.

Return on Risk Exposure Amount
Net profit for the period as a percentage of average Risk Exposure Amount for the period. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued).

Return on equity with amortised resolution fees
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is in the calculation considered as being classified as a financial liability. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued) and is adjusted for the effect of resolution fees on an amortised basis after tax. Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Total shareholders return (TSR)
Total shareholders return measured as growth in the value of a shareholding during the year, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

Tier 1 capital
The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution. Common Equity Tier 1 capital includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations, the full expected shortfall deduction (the negative difference between expected losses and provisions) and finally other deductions such as cash flow hedges.

Tier 1 capital ratio
Tier 1 capital as a percentage of Risk Exposure Amount. The Common Equity Tier 1 capital ratio is calculated as Common Equity Tier 1 capital as a percentage of Risk Exposure Amount.

Loan loss ratio
Net loan losses (annualised) divided by quarterly closing balance of loans to the public (lending) measured at amortised cost.

Impairment rate (Stage 3), gross
Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.

Impairment rate (Stage 3), net
Impaired loans (Stage 3) after allowances divided by total loans measured at amortised cost before allowances.

Total allowance rate (Stage 1, 2 and 3)
Total allowances divided by total loans measured at amortised cost before allowances.

Allowances in relation to credit impaired loans (stage 3)
Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

Allowance in relation to loans in stage 1 and 2
Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

Economic capital
Economic Capital is Nordea's internal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business Risk and Life Insurance Risk arising from activities in Nordea's various business areas. The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

ROCAR
ROCAR, % (Return on Capital at Risk) is defined as Net profit excluding items affecting comparability, in percentage of Economic capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic Capital.

For a list of further Alternative Performance Measures and business definitions, http://www.nordea.com/en/investor-relations/reports-and-presentations/select-reports-and-presentations/ and the Annual Report.

Nordea Bank Abp

Income statement

EURm	Reported Q1 2019	Pre-decessor Q1 2018	Combined Full year 2018	Reported 15 month 2018[1]
Operating income				
Interest income	1,104	979	4,203	1,116
Interest expense	-507	-405	-1,730	-474
Net interest income	**597**	**574**	**2,473**	**642**
Fee and commission income	592	553	2,244	584
Fee and commission expense	-133	-101	-457	-157
Net fee and commission income	**459**	**452**	**1,787**	**427**
Net result from securities trading and foreign exchange dealing	228	271	868	199
Net result from securities classified at fair value through other comprehensive income	26	7	25	8
Net result from hedge accounting	-29	-15	-61	-55
Net result from investment properties	0	-1	-1	0
Dividends	665	-1	1,735	1,167
Other operating income	85	105	377	94
Total operating income	**2,031**	**1,392**	**7,203**	**2,482**
Operating expenses				
Staff costs	-601	-654	-2,478	-616
Other administrative expenses	-234	-238	-980	-274
Other operating expenses	-356	-222	-539	-100
Depreciation, amortisation and impairment charges of tangible and intangible assets	-102	-74	-355	-115
Total operating expenses	**-1,293**	**-1,188**	**-4,352**	**-1,105**
Profit before loan losses	**738**	**204**	**2,851**	**1,377**
Net loan losses	15	-16	-122	-12
Impairment on other financial assets	0	0	-239	-21
Operating profit	**753**	**188**	**2,490**	**1,344**
Income tax expense	-61	-64	-514	-211
Net profit for period	**692**	**124**	**1,976**	**1,133**

[1] Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Nordea Bank Abp reports under Finnish GAAP. The columns labelled "Predecessor" include restated income statements of the former parent company Nordea Bank AB (publ). The columns labelled "Combined" include combinations of Nordea Bank Abp's reported income statements and restated income statements for the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ)'s income statements have been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in Equity, as well as to that the presentation of the income statement complies with Finnish requirements.

Nordea Bank Abp
Balance sheet

EURm	Reported 31 Mar 2019	Reported 31 Dec 2018[1]	Predecessor 31 Mar 2018
Assets			
Cash and balances with central banks	43,728	39,562	35,194
Debt securities eligible for refinancing with central banks	63,297	72,677	69,982
Loans to credit institutions	68,986	64,772	64,958
Loans to the public	164,652	154,419	156,976
Interest-bearing securities	9,081	1,890	6,063
Shares and participations	8,424	4,813	8,143
Investments is associated undertakings and joint ventures	1,050	1,049	1,039
Investments in group undertakings	13,330	12,175	12,531
Derivatives	39,470	37,221	43,444
Fair value changes of the hedged items in portfolio hedge of interest rate risk	85	72	67
Intangible assets	2,385	2,331	2,140
Tangible assets			
Properties and equipment	333	338	378
Investment properties	4	4	2
Deferred tax assets	71	130	105
Current tax assets	268	234	274
Retirement benefit assets	194	243	231
Other assets	18,402	15,681	14,721
Prepaid expenses and accrued income	1,149	1,111	1,217
Total assets	**434,909**	**408,722**	**417,465**
Liabilities			
Deposits by credit institutions and central banks	62,815	51,427	63,894
Deposits and borrowings from the public	180,341	171,102	179,607
Debt securities in issue	78,153	82,667	67,616
Derivatives	42,700	40,591	41,019
Fair value changes of the hedged items in portfolio hedge of interest rate risk	933	536	374
Current tax liabilities	288	249	329
Other liabilities	29,711	21,257	26,317
Accrued expenses and prepaid income	1,514	1,330	1,465
Deferred tax liabilities	80	223	59
Provisions	428	352	402
Retirement benefit obligations	426	349	252
Subordinated liabilities	10,274	9,157	8,321
Total liabilities	**407,663**	**379,240**	**389,655**
Equity			
Share capital	4,050	4,050	4,050
Additional Tier 1 capital holders	750	750	750
Invested unrestriced equity	1,080	1,080	1,080
Other reserves	-282	-150	1,317
Retained earnings	20,956	22,619	20,489
Profit or loss for the period[2]	692	1,133	124
Total equity	**27,246**	**29,482**	**27,810**
Total liabilities and equity	**434,909**	**408,722**	**417,465**
Off balance sheet commitments			
Commitments given to a third party on behalf of customers			
Guarantees and pledges	48,802	50,026	51,974
Other	1,386	1,406	1,434
Irrevocable commitments in favour of customers			
Securities repurchase commitments	-	-	-
Other	76,542	80,102	74,309

[1] Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

[2] In 2018 including anticipated dividends of EUR 436m from its subsidiaries.

Nordea Bank Abp reports under Finnish GAAP. The column labelled "Predecessor" includes a restated balance sheet of the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ)'s balance sheet has been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in Equity, as well as to that the presentation of the balance sheet complies with Finnish requirements.

Nordea Bank Abp

Note 1 Accounting policies

The financial statements for the parent company, Nordea Bank Abp, are prepared in accordance with the Finnish Accounting Act, the Finnish Credit Institutions Act, the Decision of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions as well as Finnish Financial Supervision Authority's Regulations.

International Financial Reporting Standards (IFRS) as endorsed by the EU commission have been applied to the extent possible within the framework of Finnish accounting legislation and considering the close tie between financial reporting and taxation.

Nordea Group's consolidated interim financial statements are presented in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the EU commission.

The accounting policies and methods of computation are unchanged in comparison with the Annual Report 2018, except from changed accounting policies and presentation described below in the section "Changed accounting policies and presentation". For more information see Note P1 in the Annual Report 2018.

Changed accounting policies and presentation

Information on new and amended IFRS standards implemented by Nordea on 1 January 2019 can be found in the section "Changed accounting policies and presentation" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company. However, IFRS 16 "Leases" is not applied in the parent company.

Nordea Bank Abp has recognised the resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents them as Other expenses in the income statement. Hence, there is no change in the accounting policy of resolution fees and no restatements are needed in the parent company.

Changes in IFRSs not yet applied

Information on forthcoming changes in IFRS not yet implemented can be found in the section "Changes in IFRSs not yet applied" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company. However, IFRS 17 "Insurance contracts" will not be applied in the parent company.

Other amendments

Other amendment to IFRS are not assessed to have any significant impact on the financial statements of Nordea Bank Abp.

For further information

- A webcast for media, investors and equity analysts will be held on 30 April at 09.00 EET (08.00 CET), at which Casper von Koskull, President and Group CEO, will present the results.
- To participate in the webcast (starting at 09:00 EET) please use the webcast link or dial +44 333 300 0804 or +46 8 566 426 51 or +358 9 817 103 10 or +45 35 44 55 77 PIN code 68301225# no later than 08.50 EET.
- The webcast will be directly followed by a Q&A audio session (starting at approximately 09.30) with Christopher Rees, Group CFO and Rodney Alfvén, Head of Investor Relations.
- After the call an indexed on-demand replay will be available here. A replay will also be available until 7th May 2019. Please dial one of the following numbers +44 333 300 0819, +46 8-519 993 85, +358 9 817 105 15, +45 82 33 31 90, confirmation code 301285308#.
- An analyst and investor presentation will be held in London on 2 May at 11.00 local time at Autonomous, 50 Berkeley Street, London, W1J 8HA in which Casper von Koskull, President and Group CEO, Christopher Rees, Group CFO, Rodney Alfvén, Head of Investor Relations and Pawel Wyszynski, Senior Investor Relations Officer will participate.
- The presentation, including Q&A, is expected to last approximately one hour.
- To attend please contact: Rachel Griffin at Autonomous Research via e-mail: rgriffin@autonomous.com
- The Q1 2019 report, an investor presentation and a fact book are available on www.nordea.com.

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Financial calendar

18 July – Second Quarter Report 2019 (silent period starts 5 July 2019)

24 October 2019 – Third Quarter Report 2019 (silent period starts 7 October 2019)

Helsinki 29 April 2019

Nordea Bank Abp

Board of Directors

This report is published in one additional language version, in Swedish. In the event of any inconsistencies between the Swedish language version and this English version, the English 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.

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Report on review of interim financial information of Nordea Bank Abp for the three months period ended 31 March 2019

To the Board of Directors of Nordea Bank Abp

Introduction
We have reviewed the condensed interim financial information of Nordea Bank Abp, which comprise the balance sheet as at 31 March 2019, 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 2019 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. 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union.

Helsinki 29 April 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

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