IMPORTANT NOTICE

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

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

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

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

For a more complete description of restrictions on offers and sales of the securities described in the Base Prospectus, see pages 318 to 322 and the section "*Subscription and Sale*".

NORDEA BANK ABP

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

€15,000,000,000
Structured Note Programme

Nordea Bank Abp ("**Nordea**", or the "**Issuer**") has established a €15,000,000,000 Structured Note Programme (the "**Programme**"). This base prospectus supersedes any previous Base Prospectus, 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 notes (the "**Notes**") under the Programme on an unsubordinated basis, which expression shall include Bearer Notes and Registered Notes (each as defined below), denominated in any currency. Notes issued pursuant to the Programme may include Notes issued in bearer form ("**Bearer Notes**") or registered form ("**Registered Notes**") and Notes designated by the Issuer as "**VP Notes**", "**VPS Notes**", "**Finnish Notes**" or "**Swedish Notes**" in the relevant Final Terms. The maximum amount of all Notes from time to time outstanding will not exceed €15,000,000,000 (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 may be issued under the Programme which have a denomination of less than €100,000 or its equivalent in other currencies.

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

The requirement to publish a prospectus under the EU Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market for the purposes of EU MiFID II in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Articles 1(4) and/or 3(2) of the EU Prospectus Regulation.

Application will be made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for Notes issued under the Programme within twelve months after the date hereof to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Regulated Market**"). The Regulated Market of Euronext Dublin is a regulated market for the purposes of EU MiFID II.

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 determined by the Issuer.

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

Notes will be issued: (i) on the general terms and conditions set out under "*Terms and Conditions of the Notes – Part 1: General Conditions*" (the "**General Conditions**"), as completed by a final terms document (the "**Final Terms**"); and (ii) may also be subject to certain additional conditions set out under "*Terms and Conditions of the Notes – Part 2: Additional Conditions for Certain Structured Notes*", "*Terms and Conditions of the Notes – Part 3: Additional Conditions for Credit-Linked Notes*" and "*Terms and Conditions of the Notes – Part 4: Additional Conditions for Fund-Linked Notes*", if so specified in the relevant Final Terms (the "**Additional Conditions**", and together with the General Conditions, the "**Terms and Conditions**").

There are certain risks related to any issue of Notes under the Programme which investors should ensure they fully understand (see "*Risk Factors*" below). If any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

The date of this Base Prospectus is 17 December 2021

IMPORTANT NOTICES

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

Unless specified in the relevant Final Terms, copies of the Final Terms will be available from www.nordea.com.

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

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

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

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

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer 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 (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")). SEE "*SUBSCRIPTION AND SALE*".

EU MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes may include a legend entitled "EU 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 EU 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.

UK MIFIR PRODUCT GOVERNANCE/ TARGET MARKET - The Final Terms in respect of any Notes may include a legend entitled "UK MiFIR 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 distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") 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.

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 *" Risk Factors—Risks Relating to the Notes —There may be no active trading market for the Notes*". Investments in the Notes do not benefit from any protection provided pursuant to Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes, as amended or any national measures implementing this Directive in any jurisdiction. Therefore, if the Issuer becomes insolvent or defaults on its obligations, investors investing in such Notes in a worst case scenario could lose their entire investment. Further, as a result of the implementation of BRRD (as defined herein), holders of the Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool and non-viability loss absorption, which may result in such holders losing some or all of their investment. See "*Risk Factors—Legal and Regulatory Risks Relating to the Notes—Regulatory action in the event of a failure of the Issuer could materially adversely affect the value of the Notes, including in a manner which may result in Holders of the Notes losing all or a part of the value of their investment in the Notes or receiving a different security than the Notes*".

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 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 EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in the EU Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA would be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT - UK RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom (the "**UK**") has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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:

(a) 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;

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

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

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

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

Some 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.

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

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 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 a basis that permits offers that are not made within an exemption from the requirement to publish a prospectus under Article 1.4 of the EU Prospectus Regulation ("**Public Offers**") in each Member State of the EEA for which the Issuer has given its consent referred to in the relevant Final Terms (each a "**Public Offer Jurisdiction**" and together, the "**Public Offer Jurisdictions**").

Any person making or intending to make a Public Offer of Notes on the basis of this Base Prospectus must do so only with the Issuer's consent- see "*Consent to the use of this Base Prospectus*" below.

EU BENCHMARKS REGULATION - Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates or indices. Any such reference rate or index may constitute a benchmark for the purposes of Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**"). If any such reference rate or index 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 EU Benchmarks Regulation. Transitional provisions in the EU 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 EU Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

In this Base Prospectus, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**EU Member State"** are references to a Member State of the European Union and the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129 (as amended or superseded). References to "**U.S. dollars**" or "**USD**" are to United States dollars, references to "**Euro**", "**euro**", "**EUR**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the Euro, as amended; references to "**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 Krone; references to "**DKK**" are to Danish Krone and references to "**CAD**" are to Canadian Dollars. References to the "**Merger**" mean the merger of Nordea Bank AB (publ), the parent company of the Nordea Group before the Re-domiciliation (as defined below), into Nordea Bank Abp through a cross-border reversed merger by way of absorption on the Completion Date (as defined below). References to "**Nordea**" or "**Nordea Bank**" refer to Nordea Bank Abp except where it is clear from the context that the term refers to Nordea Bank AB (publ), the parent company of the Nordea Group before the Re-domiciliation. References to the "**Nordea Group**" or the "**Group**" are to the group of companies for which Nordea is the parent company, except where it is clear from the context that the term refers to any particular subsidiary or a group of subsidiaries. References to the "**Completion Date**" mean the date of completion of the Merger being 1 October 2018. References to the "**Re-domiciliation**" mean the re-domiciliation of the parent company of the Nordea Group from Sweden to Finland that was carried out through the Merger.

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

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

IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES

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

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

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

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

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

Consent to the use of this Base Prospectus

Conditions to Consent

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

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

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

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

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

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

(b) any financial intermediary appointed after the date of the relevant Final Terms and whose name is published on the website of the Issuer (www.nordea.com) and identified as an Authorised Offeror in respect of the relevant Public Offer.

The Issuer does not have any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer. Any Authorised Offeror using this Base Prospectus must state on its website that it is using the Base Prospectus in accordance with the Conditions to Consent specified above.

An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor

including as to price, allocation, settlement arrangements and any expenses or taxes to be charged to the Investor (the "Terms and Conditions of the Public Offer"). The Issuer will not be a party to any such arrangements with Investors in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer shall be provided to Investors by that Authorised Offeror at the relevant time. None of the Issuer or any Authorised Offeror has any responsibility or liability for such information.

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 (Nordics) AB	Aa3
S&P Global Ratings Europe Limited	AA-
Fitch Ratings Ireland Limited	AA

In accordance with:

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

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

- Fitch Ratings Limited Limited's rating definitions available as at the date of this Prospectus on https://www.fitchratings.com/site/definitions, obligations rated 'AA' denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

Moody's Investors Service (Nordics) AB ("**Moody's**"), Fitch Ratings Ireland Limited ("**Fitch**") and S&P Global Ratings Europe Limited ("**S&P**") are established in the EEA and registered under Regulation (EC) No. 1060/2009, as amended (the "**EU CRA Regulation**") and are, as of the date of this Base Prospectus, included in the list of credit rating agencies published by ESMA on its website (http://www.esma.europa.eu/page/list-registered-and-certified-CRAs) in accordance with the EU CRA Regulation. The rating Moody's has given to the Notes is endorsed by Moody's Investors Service Ltd, which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK CRA Regulation**"). The rating Fitch has given to the Notes is endorsed by Fitch Ratings Ltd which is established in the UK and registered under the UK CRA Regulation. The rating S&P has given to the Notes is endorsed by S&P Global Ratings UK Limited which is established in the UK and registered under the UK CRA Regulation.

Tranches of Notes to be issued under the Programme will not be separately rated.

ESMA is obliged to maintain on its website, at http://www.esma.europa.eu/page/list-registered-and-certified-CRAs, a list of credit rating agencies registered and certified in accordance with the EU 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 EU 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.

The Financial Conduct Authority ("**FCA**")'s Financial Services Register, available at https://register.fca.org.uk/s/, contains a list of credit rating agencies registered and certified in accordance with the UK CRA Regulation. Similarly to the ESMA list of credit rating agencies registered and certified in accordance with the EU CRA Regulation, there may be some delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated Financial Services Register.

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

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

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

There can be no assurance that a rating assigned to the Issuer will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances in the future so warrant. In the event that a rating assigned to the Issuer is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes, and the market value and liquidity of the Notes may be adversely affected. 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.

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.

GREEN NOTES

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply an amount equivalent to 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**") and any such Tranche of Notes being referred to as the "**Green Notes**" and the amount equivalent to the proceeds from an offer of those Green Notes being referred to as the "**Green Notes Proceeds**").

Prospective investors in any Green Notes should have regard to the information in the relevant Final Terms regarding such use of Green Notes Proceeds, seek advice from their independent financial adviser or other professional adviser regarding their purchase of any Green Notes before deciding to invest and must determine for themselves the relevance of such information for the purpose of any investment in such Green Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or any other person that the use of such Green Notes 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 bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental impact of any projects or uses, the subject of or related to, the relevant Green Assets.

Furthermore, no assurance is or can be given by the Issuer or any other person that the Green Assets will meet investor expectations or requirements regarding such "green" or any similar labels (including under Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called "**EU Taxonomy**") or Regulation (EU) 2020/852 as it forms part of domestic law in the United Kingdom by virtue of the EUWA) or that any adverse environmental 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 by the Issuer or any other person 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 Green Notes and in particular with any Green Assets to fulfil any environmental and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor shall it be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Green Notes. Any such opinion or certification is only current as of the date on which it was initially issued and the criteria and/or considerations that underlie such opinion or certification provider may change at any time. Prospective investors in any Green Notes 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 Green Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

If any such Green Notes are listed or admitted to trading or otherwise displayed on any dedicated "green", "environmental" or other equivalently-labelled 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 or display 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 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 or display may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Issuer or any other person that any such listing or admission to trading or display will be obtained in respect of any such Green Notes or, if obtained, that any such listing or admission to trading or display will be maintained during the life of the Green Notes.

While it is the intention of the Issuer to apply Green Notes Proceeds for Green Assets in, or substantially in, the manner described in the relevant Final Terms, there can be no assurance that (i) the relevant Green Asset and the use of such Green Notes Proceeds 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 such Green Notes Proceeds will be wholly or partially used for such Green Assets or (ii) 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 to apply Green Notes Proceeds in, or substantially in, the manner described in the relevant Final Terms, or any failure to provide or publish any reporting or any (impact) assessment or to obtain any third party opinion, certification or label (or the withdrawal of any such opinion, certification or label), or any Green Assets ceasing to be classed as such prior to maturity of the relevant Green Notes, or the fact that the maturity of an Green Asset may not match the minimum duration of any Green Notes, will not (i) constitute an Event of Default under the relevant Green Notes, (ii) give rise to any other claim or right (including, for the avoidance of doubt, the right to accelerate the Green Notes) of a holder of such Green Notes against the Issuer or the Dealers or (iii) lead to an obligation of the Issuer to redeem such Green Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Green Notes.

Any such event or failure to apply Green Notes Proceeds in, or substantially in, the manner described in the relevant Final Terms 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 Green Notes no longer being listed or admitted to trading or displayed on any stock exchange or securities market as aforesaid, may have a material adverse effect on the value of such Green Notes and also potentially the value of any other Green 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.

For the avoidance of doubt, (i) there is no direct or contractual link between Green Notes and the Green Assets (or any other environmental or similar targets set by the Issuer) and consequently neither payments of principal and interest (as the case may be) on, nor an investor's right to accelerate repayment of, the Green Notes shall depend on the performance of the relevant Green Assets or the performance of the Issuer in respect of any such environmental or similar targets, (ii) Green Notes will be subject to the bail-in tool and to write down and conversion powers, and in general to the powers that may be exercised by the

Relevant Resolution Authority, to the same extent and with the same ranking as any other Note which is not a Green Note (see the section entitled "*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 (iii) Green Notes, as any other Notes, will be fully available to cover any and all losses arising on the balance sheet of the Issuer (in the same way as the Issuer's other instruments not classified as Green Notes) regardless of their "green" or other similar label.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

CONTENTS

Page

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 are exhaustive.

RISKS RELATING TO THE NORDEA GROUP AND ITS BUSINESS

A. Risks Relating to Macroeconomic Conditions

The global coronavirus outbreak, which has negatively impacted the economies exposed to the outbreak, could have a material adverse effect on the Nordea Group's business, financial condition and results of operations and adversely affect the Nordea Group's ability to access capital and liquidity.

The outbreak of COVID-19 (also commonly referred to as the "coronavirus") spread globally in the first half of 2020 and disrupted various markets and has resulted in significant uncertainty about the development of the economies affected by the outbreak both in Europe and elsewhere. The majority of the Nordea Group's operations are concentrated in the Nordic countries that have been, and are expected to continue to be, exposed to the coronavirus outbreak in a similar manner as a number of other European countries. The Nordea Group is affected by the coronavirus outbreak through its direct and indirect impact on the customers, counterparties, employees and other stakeholders of the Nordea Group, both in the Nordic countries and elsewhere, as a result of, among others, public health measures, such as business closings and restrictions on travel and gatherings. For example, the coronavirus outbreak and the preventive measures implemented in the Nordic countries and elsewhere to contain its spread could have an adverse effect on borrowers, which, in turn, could result in decreased credit quality and increased provisioning levels.

Reflective of this, the net loan losses and similar net result of the Nordea Group increased in 2020 compared to 2019 to EUR 860 million, driven by loan loss provisions of EUR 443 million that were made to provide coverage for the likely near-term increase in loan losses related to the effects of the coronavirus pandemic as well as by underlying net loan losses of EUR 465 million, primarily reflecting individual provisions, particularly for the Oil, Gas & Offshore segment and other sectors, and updated macroeconomic scenarios in "*IFRS 9 – Financial Instruments*" provisioning models. There is also no certainty that such public health and other preventive measures will be sufficient to mitigate the risks posed by the coronavirus outbreak, and the implementation of such measures (or their insufficiency) could have an adverse effect on the Nordea Group's operations, including the Nordea Group's ability to perform some of its critical functions and serve its customers. The exact ramifications of the coronavirus outbreak are uncertain and, as of the date of this Base Prospectus, it is difficult to predict the duration of the pandemic, including the current "third wave" and any subsequent future resurgence, or the full effect of the pandemic on global and local economies or on the Nordea Group.

There can also be no assurances that the adverse impact of the coronavirus outbreak will not lead to a tightening of liquidity conditions or funding uncertainty, or adversely affect the credit ratings assigned to Nordea or its subsidiaries. New regulatory requirements may also be introduced to address any liquidity concerns or other adverse effects the coronavirus outbreak may have on the financial sector, and financial institutions, such as the Nordea Group, could also become subject to related heightened supervisory demands. Any such requirements or demands may result in the Nordea Group having to modify its operational practices and incur substantial monitoring and compliance costs. Financial institutions are, due to the coronavirus outbreak, also activating business continuity and contingency plans, which, depending on the duration and overall adverse impact of the outbreak, could result in significant additional cost and adversely affect existing business models. In order to mitigate the economic effects of the coronavirus outbreak, national governments and regulators have also implemented, and are expected to continue to implement, measures intended to provide debt relief to various sectors of the economy, including but not limited to payment deferrals, limits on interest rates charged, and temporary relief from insolvency and bankruptcy measures. Many financial institutions, including the Nordea Group, have also offered support programmes to their customers in the form of, among others, instalment-free periods for outstanding loans of certain customer groups. These measures may have an adverse impact on the Nordea Group's ability to realise obligations owed by customers in a timely manner and could require it to find alternative sources of income or funding to address any such impact. Regulators have also issued rules and other guidance to financial institutions that aimed to encourage capital conservation, including recommendations by the European Central Bank ("**ECB**"") that significant credit institutions, such as the Nordea Group, refrain from dividend payments and certain other distributions. The board of directors of Nordea acknowledged the ECB's recommendations, including the most recent recommendation issued on 15 December 2020 that banks not consider distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until 30 September 2021 and, on 18 February 2021 announced that, based on the recommendation of, and after a dialogue with, the ECB, it had decided to distribute a dividend of EUR 0.07 per share to shareholders in accordance with the authorisation by the 2020 AGM. The 2021 AGM of Nordea authorised the board of directors to decide on the second instalment of the dividend for 2019 (EUR 0.33 per share) and the dividend for 2020 (EUR 0.39 per share). Nordea has subsequently paid out these remaining dividends for 2019 and 2020 and has implemented a share buyback of up to EUR 2 billion.

Any further restrictions on discretionary distributions, or any future adverse consequences related to the coronavirus outbreak not yet known, could have a material adverse effect on the Nordea Group's business, financial condition and results of operations and adversely affect the Nordea Group's ability to, among others, meet its financial targets or access capital and liquidity on financial terms acceptable to the Nordea Group. To the extent the coronavirus pandemic adversely affects the business, financial condition and results of operations of the Nordea Group, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

***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 through Nordea's minority ownership in Luminor, a Baltic bank active in Estonia, Latvia and Lithuania, the Baltic countries, can also affect the Nordea Group's performance. In recent years, the economic conditions in the Nordic region have, in general, developed more favourably relative to the rest of Europe, benefiting from generally sound public finances. However, there have been differences between countries within the region. In 2018, growth continued in the Nordic economies, and unemployment levels continued to decrease in each Nordic country. In Denmark, the economy grew by 0.9 per cent., supported by high employment levels, while the growth rate was adversely affected due to an unusually warm and dry summer leading to a poor harvest. In Finland, the economy continued to grow with a rate of 2.3 per cent. driven both by domestic demand and increased exports. In Norway, the economy grew by 2.9 per cent. and in Sweden the economy continued to grow with a rate of 2.3 per cent. In 2019, the slowing down of the global economy affected the Nordic countries, albeit to varying degrees. Finland and Sweden were impacted to a greater degree, particularly in their business cycle development, while Norway and Denmark fared better due to their somewhat different corporate sector structures. The Norwegian economy had the highest growth rate in the Nordic region in 2019 with 2.5 per cent., followed by the economy in Denmark that grew with a rate of 2.1 per cent., Finland with a rate of 1.5 per cent. and Sweden with a rate of 1.1 per cent. In 2020, economic activity declined across all Nordic countries due to the spread of the coronavirus pandemic. The Swedish economy decreased by 2.8 per cent. in 2020, followed by the Finnish economy that was reduced at a rate of 3.2 per cent., Norway at 3.4 per cent. and Denmark at 3.7 per cent.

Adverse economic developments have affected and may continue to affect the Nordea Group's business in a number of ways, including, among others, the income, wealth, liquidity, business and/or financial condition of the Nordea Group's customers, which, in turn, could further reduce the Nordea Group's credit quality and demand for the Nordea Group's financial products and services. As a result, any or all of the conditions described above could continue to have a material adverse effect on the Nordea Group's business, financial condition and results of operations, and measures implemented by the Nordea Group might not be satisfactory to reduce any credit, market and liquidity risks.

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

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

In recent years, the global financial markets have experienced significant disruptions and volatility as a result of, among other things, concerns regarding the overall stability of the euro area, fears related to a slowdown of the Chinese economy and uncertainty relating to the timing of monetary policy changes in the United States. In Europe, the continued modest GDP growth and low inflation have raised concerns, as evidenced by the quantitative easing programme introduced by the ECB in January 2015 which was extended to the end of 2018, and subsequently resumed in September 2019 and expanded in March and June 2020, and the uncertainty over the continued weak economic development of certain countries in the euro area, in particular Greece and Italy, and their remaining a member in the euro area has continued. The market conditions have also been, and are likely to continue to be, affected by the slower economic growth and increased debt levels in China, the timing of monetary policy changes in the United States and the volatile global oil prices. Geopolitical events, such as continued tensions in the Middle East and the Korean Peninsula, the UK's withdrawal from the EU (see also "*—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—The United Kingdom's withdrawal from the EU may adversely affect the Nordea Group's operations*" below), past changes in certain policy goals of the U.S. government and changes in trade policies globally, including the introduction of protectionist initiatives such as new or higher tariffs, pandemics and widespread public health crises have also caused, and are likely to continue to cause, uncertainty in the markets and concern about the development of the global economy. For example, the coronavirus outbreak, which spread globally in the first half of 2020, has disrupted various markets and resulted in significant uncertainty about the development of the economies affected by the outbreak (see also "*—The global coronavirus outbreak, which has negatively impacted the economies exposed to the outbreak, could have a material adverse effect on the Nordea Group's business, financial condition and results of operations and adversely affect the Nordea Group's ability to access capital and liquidity*" above). There can also be no assurances that a potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of certain European countries will not lead to new funding uncertainty, resulting in increased volatility and widening credit spreads. Risks related to the economic development in Europe have also had and, despite the recent periods of moderate stabilisation, may continue to have, a negative impact on global economic activity and the financial markets. If these conditions continue to persist, or should there be any further turbulence in these or other markets, this could have a material adverse effect on the Nordea Group's ability to access capital and liquidity on financial terms acceptable to the Nordea Group. Further, any of the foregoing factors could have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

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

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

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Nordea Group's businesses. The Nordea Group makes provisions for loan losses in accordance with IFRS. However, the provisions made are based on available information, estimates and assumptions and are subject to uncertainty, and there can be no assurances that the provisions will be sufficient to cover the amount of loan losses as they occur. Adverse changes in the credit quality of the Nordea Group's borrowers and counterparties, or a decrease in collateral values, are likely to affect the recoverability and value of the Nordea Group's assets and require an increase in the Nordea Group's individual provisions and potentially in collective provisions for impaired loans, which in turn would adversely affect the Nordea Group's financial performance. In particular, the Nordea Group's exposure to corporate customers is subject to adverse changes in credit quality should the economic environment in the Nordea Group's markets deteriorate. For example, the Oil, Gas & Offshore segment was particularly adversely affected by the coronavirus pandemic in 2020, resulting in increased individual provisions compared to 2019. The ability of the Nordea Group's borrowers may also be affected by foreign exchange risk to the extent their loans are denominated in a currency other than the currency they earn their main income in. For more information see also "*—Risks Relating to Macroeconomic Conditions—Negative economic developments and conditions in the markets in which the Nordea Group operates can adversely affect the Nordea Group's business and results of operations*" above and "*—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—Changes in the Nordea Group's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations*" and "*—Other Risks Relating to the Nordea Group's Business—The operations of the Nordea Group outside the Nordic markets are subject to risks that do not apply, or apply to a lesser degree, to its businesses in the Nordic markets*" below. Further, actual loan losses vary over the business cycle. A significant increase in the size of the Nordea Group's allowance for loan losses and loan losses not covered by allowances would have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

The Nordea Group is exposed to counterparty credit risk.

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

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

C. Risks Relating to Market Exposure

The Nordea Group is exposed to market price risk.

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

The Nordea Group is exposed to structural market risk.

Structural Interest Rate Risk

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

Structural Foreign Exchange Risk

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

D. Risks Relating to Liquidity and Capital Requirements

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

The Nordea Group is required to maintain certain capital adequacy ratios pursuant to EU and Finnish legislation. The Basel Committee on Banking Supervision (the "**BCBS**") has introduced a number of fundamental reforms to the regulatory capital framework for internationally active banks, the principal elements of which are set out in its papers released on 16 December 2010 (together with a 13 January 2011 press release setting out minimum requirements for additional tier 1 and tier 2 instruments to ensure loss absorbency at the point of non-viability, "**Basel III**"). Basel III has been implemented in the EU by way of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (as amended), (the "**Capital Requirements Directive**") and the direct application of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (as amended, the "**CRR**" and, together with the Capital Requirements Directive and the CRD Implementing Measures (as such term is defined in the Conditions), the "**CRD**") in each EU Member State. The CRR has applied in all EU Member States from 1 January 2014 and the Finnish legislation implementing the Capital Requirements Directive entered into force in 2014. The rules applicable to the capital and liquidity of financial institutions have been amended across the EU as part of the banking package (as defined below). The amendments to the CRR entered into force between June 2019 and June 2021, while the amendments to the Capital Requirements Directive entered into force on 28 December 2020. The Finnish national transposition of the CRD amendments entered into force on 1 April 2021 (the "**Finnish Banking Package**"). The Finnish Banking Package includes, among other things, the introduction of a binding net stable funding ratio, a binding leverage ratio requirement, treatment of non-preferred senior debt in the minimum requirement for own funds and eligible liabilities ("**MREL**") and a cumulative treatment of the other systemically important institution buffer (the "**O-SII buffer**") and the systemic risk buffer. The resulting changes may lead to further enhanced requirements in relation to the Nordea Group's capital, liquidity and funding ratios or alter the way such ratios are calculated and, as a result, adversely affect the Nordea Group's capital position.

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

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

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

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

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

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

The Nordea Group faces competition in all markets.

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

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

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

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

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

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

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

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

The operations of the Nordea Group outside the Nordic markets 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 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. The results of the Nordea Group's operations may therefore be negatively impacted by any such occurrence in the jurisdictions in which it operates, and have a material adverse effect on the Nordea Group's business, financial condition and results of operations.

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

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

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

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

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

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

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

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

As a result of 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 requirement is the obligation under the Bank Recovery and Resolution Directive 2014/59/EU ("**BRRD**") for banks, such as Nordea, to contribute to resolution funds, the purpose of which are to finance the resolution of failing banks without having to resort to taxpayer money. Nordea contributes to the EU-wide Single Resolution Fund ("**SRF**"). See also "*— The supervision of the Nordea Group was recently transferred to the ECB and the Nordea Group became subject to the European Single Supervisory Mechanism and the European Single Resolution Mechanism*".

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

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

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

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

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

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

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

There is a risk that the MREL requirements could require the Nordea Group to issue additional MREL eligible liabilities, which, in turn, may increase the Nordea Group's funding costs and have an adverse effect on the Nordea Group's business, financial condition and results of operations.

The regulatory framework to which the Nordea Group is subject imposes restrictions on discretionary payments if certain capital requirements or loss absorbing capacity requirements are not met.

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

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

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

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

The SRB has the authority to exercise the specific resolution powers pursuant to the SRM Regulation similar to those of the national resolution authorities under the BRRD. These specific resolution powers include the sale of business tool, the bridge institution tool, the asset separation tool and the bail-in tool and, as a pre-resolution tool in respect of capital instruments, the mandatory write-down and conversion power. 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 has prepared and adopted a resolution plan for the entities subject to its powers, including the Nordea Group. It has also determined, after consulting competent authorities including the ECB, the MREL requirements which the Nordea Group is expected to be required to meet at all times. The SRB also has the powers of early intervention as set forth in the SRM Regulation, including the power to require the Nordea Group to contact potential purchasers in order to prepare for resolution of the Nordea Group. These will be launched if the SRB assesses that the following conditions are met: (i) the Nordea Group is failing or is likely to fail; (ii) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action or the write-down or conversion of relevant capital instruments, taken in respect of the Nordea Group, would prevent its failure within a reasonable timeframe; and (iii) a resolution action is necessary in the public interest.

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

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

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

The Nordea Group is involved in a variety of claims, disputes, legal proceedings and investigations in jurisdictions where it is active. For example, in June 2015 the Danish financial supervisory authority investigated the compliance of Nordea Bank Danmark A/S with applicable anti-money laundering regulations. The investigation resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the Danish police for further handling and possible sanctions. The Nordea Group expects to be fined in Denmark for past weaknesses in anti-money laundering processes and, consequently, recorded a provision of EUR 95 million for ongoing anti-money laundering related matters in 2019. The Nordea Group is also subject to administrative claims and tax proceedings from time to time. These types of claims, disputes, legal proceedings or investigations, the outcomes of which can be difficult to predict, expose the Nordea Group to monetary damages, direct or indirect costs (including legal costs), direct or indirect financial losses, disputes, litigation, civil and criminal penalties and other sanctions, 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 and the changes may have a retroactive effect in taxation. 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.

For instance, the Anti-Tax Avoidance Directive (EU) 2016/1164 ("**ATAD**") and Directive (EU) 2017/952 amending Directive (EU) 2016/1164 ("**ATAD II**") may require Member States to amend their tax legislation or taxation practices and to implement, among other things, exit tax rules, limitations on the right to deduct interest expense and controlled foreign company rules as well as rules as regards to hybrid mismatches. Finland has, for example, enacted a new law on hybrid mismatches and, as of 2022, Finland must comply with ATAD II rules on reverse hybrid mismatches. Amendments due to ATAD or ATAD II and other possible future amendments could increase the Nordea Group's tax burden.

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

The United Kingdom left the EU on 31 January 2020 ("**Brexit**") and the transitional period agreed in the withdrawal agreement expired on 31 December 2020. Although an agreement in principle was reached in relation to the EU–UK Trade and Cooperation Agreement (the "**Trade and Cooperation Agreement**") on 24 December 2020 which provides a broad framework intended to facilitate ongoing discussion and amendment of the relationship between the United Kingdom and EU, the Trade and Cooperation Agreement is not comprehensive in all respects. In particular, the Trade and Cooperation Agreement does not create a detailed framework to govern the cross-border provision of financial services from the United Kingdom into the EU and from the EU into the United Kingdom. As of the date of the Base Prospectus, it is therefore difficult to anticipate the eventual impact on the Nordea Group's business, financial condition and results of operations.

The uncertainty related to the effects of Brexit is also expected to increase market volatility and may have an economic impact on the countries in which the Nordea Group operates, particularly in the United Kingdom and euro area. It is still too early to judge the impact of Brexit as it is unclear how the trading relationships between the United Kingdom and the EU and other significant trading partners will develop.

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 United Kingdom-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 the publication of a temporary equivalence decision by the European Commission, it is not yet certain that Nordea Group entities will be permitted to continue to clear transactions through LCH once this temporary decision expires on 30 June 2022. 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 United Kingdom CCPs, including the Nordea Group. For example, any consequent migration of legacy transactions to an alternative CCP could be costly and operationally challenging and, even if legacy transactions could be maintained at LCH, clearing derivatives on multiple CCPs could increase costs for the Nordea Group.

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

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

From time to time, the International Accounting Standards Board, the EU and other regulatory bodies change the financial accounting and reporting standards that govern the preparation of the Nordea Group's financial statements. These changes can be difficult to predict and can materially impact how the Nordea Group records and reports its results of operations and financial condition. In some cases, the Nordea Group could be required to apply a new or revised standard retrospectively, resulting in restating prior period financial statements or adjusting the opening balances. Any such changes may affect the comparability of the Nordea Group's financial performance in prior periods, and therefore make it harder for investors to evaluate an investment in the Notes.

RISKS RELATING TO THE NOTES

A. Risks relating to the Notes

The Notes may be redeemed prior to maturity.

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

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

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may 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 also may be true prior to any redemption period.

Notes may be mandatorily redeemed prior to their scheduled maturity date for a number of reasons, such as taxation events, or in the case of Credit-Linked Notes following a Credit Event, or certain early redemption events such as the satisfaction of the Autocall Condition in Autocallable Notes or as a result of disruption events specified in the relevant Conditions for those Notes or, in the case of Autocallable Notes, if the Basket Return on any Observation Date (other than the final Observation Date) is at or above the relevant Call Barrier Level. Early redemption may result in Noteholders receiving a lower return on investment and in some circumstances may result in a loss of part or all of their investment. Prospective investors should consider reinvestment risk in light of other investments available at that time.

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

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

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, rather than being able to realise their investment during the lifetime of the Notes.

There may be no active trading market for the Notes.

The Notes issued under the Programme will be new securities which may not be widely distributed and for which there may be no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the prevailing prices for the Reference Asset(s), the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications may be made for Notes issued under the Programme to be admitted to listing on the Euronext Dublin and to trading on its Regulated Market, or for Notes to be admitted to listing and trading by such other listing authority, stock exchange, market and/or multilateral trading facility as may be specified in the Final Terms, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

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

Noteholders are subject to market volatility.

Holders of Notes should be aware that the secondary market for the Notes and instruments of this kind may be illiquid due to, among other things, the disruptions and volatility in the global financial markets that have continued through recent years. The Issuer cannot predict when these circumstances will change. 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, as they cannot be certain of being able to realise their investment, or to do so at favourable prices, during the lifetime of the Notes.

Cancelled or scaled down issue

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

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

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

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

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

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

Noteholders are subject to credit risk on the Issuer.

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

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

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

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

The Issuer has the right to correct manifest errors in the Terms and Conditions without the Noteholders' consent and to make any amendment which the Issuer does not consider to be materially prejudicial to the interests of Noteholders. The Issuer may also change the listing venue or stock exchange where the Notes are admitted to listing and/or trading, or the clearing system or central securities depositary through which the Notes are cleared or settled without the consent of Noteholders. Any such amendment will be notified to Noteholders in accordance with Condition 16 (*Notices*) which may be via the website of the stock exchange where the relevant Notes are listed or the website of the Issuer.

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

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

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

B. Legal and regulatory risks relating to the Notes

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

The BRRD entered into force in July 2014. The stated aim of the BRRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The BRRD was implemented in Finland on 1 January 2015. BRRD has been amended in the banking package (as described in "*The Nordea Group— Capital Adequacy and Regulatory Considerations*") that was published in the Official Journal on 7 June 2019 and the majority of amendments have taken effect from January 2021.

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

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

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

The Notes could be subject to the bail-in power. The determination that all or a part of the principal amount of the Notes will be subject to bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Nordea Group's control. The application of the bail-in tool with respect to the Notes, 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. Accordingly, potential investors in the Notes should consider the risk that the bail-in tool 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 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 or to have that decision reviewed by a judicial or administrative process or otherwise.

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

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

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

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

Changes in laws, regulations or administrative practice, or the interpretation thereof, after the date of this Base Prospectus may affect the Notes in general, the rights of Holders as well as the market value of the Notes. The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by English law, Finnish Law, Swedish Law, Norwegian Law or Danish Law (as specified in the relevant final terms) except that (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 Euronext VPS which will be governed by, and construed in accordance with, Norwegian law; (iii) the registration of Finnish Notes in Euroclear Finland will be governed by, and construed in accordance with, Finnish Law; and (iv) the registration of Swedish Notes in the Euroclear Sweden Register which will be governed by, and construed in accordance with, Swedish law. There can be no assurances as to the impact of any possible judicial decision or change to the laws 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 Norway or Denmark and therefore may not apply to Norwegian or Danish investors.

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

Extraordinary Events affecting the Notes

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

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

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

As a result of Brexit, the 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) has ceased to apply to the United Kingdom (and to English court judgments).

Further, the United Kingdom is no longer 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 United Kingdom Government stated that it will seek to participate in the Lugano Convention on leaving the EU, which would mean English judgments would once again be recognised and enforced in Finland (and other contracting states). In the same White Paper, the United

Kingdom Government also stated that it will seek a new bilateral agreement with the EU27 concerning cooperation in the area of civil justice including arrangements for the continued mutual recognition and enforcement of judgments. However, no such agreement has yet been reached and there can be no assurances as to the terms of any final agreement.

A judgment obtained in the courts of England against a Finnish company would be recognised and enforceable in Finland in accordance with and subject to the procedural steps and on the material conditions imposed by the 2005 Hague Convention on Choice of Court Agreements (the "Hague Convention"). Based on the communication by the European Commission dated 27 August 2020, Finnish courts would likely give effect to the Hague Convention as the applicable source of law only in respect of exclusive choice of court agreements concluded after 1 January 2021. As regards non-exclusive choice of court agreements and exclusive choice of court agreements concluded prior to 1 January 2021, a judgment rendered by an English court would not be enforceable nor recognized in Finland by operation of the Hague Convention and, as a result, it is possible that a judgment entered against the Issuer in a United Kingdom court would not be recognised or enforceable in Finland as a matter of law without a re-trial on its merits (but would be of persuasive authority as a matter of evidence before the courts of law, arbitral tribunals or executive or other public authorities in Finland). Hence, unless the United Kingdom ratifies the Lugano Convention or an agreement is reached between the United Kingdom and the EU27, a judgment entered against the Issuer in an English court in respect of the Notes may not be recognised or enforceable in Finland as a matter of law without a re-trial on its merits.

C. Risks relating to form and mechanics of the Notes

Total cost

Costs are incurred by the Issuer in connection with the issuance of structured Notes due to, among other things, production, distribution, licences, exchange listing and risk management. In order to cover these costs, the Issuer charges production fees. Such fees and commissions may be factored into the issue price of the Notes or may be charged separately. The amount of the commission may vary and is affected by the fluctuations in interest rates and the price of the financial instruments included in the product.

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

The final coupon rate or other pricing terms applicable in relation to any tranche of Notes may differ from the indicative coupon rate or pricing information specified by the Issuer or on its behalf. The indicative pricing terms are based upon the market conditions prevailing at the time the relevant information is provided to any investor.

Hedging activities of the Issuer and affiliates

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

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

Conflicts of interest

The Issuer and/or its affiliates may also purchase and sell the Reference Asset(s), components of the Reference Assets and/or debt obligations of the Reference Entities on a regular basis as part of their securities businesses or lend to Reference Entities as part of their commercial lending operations. Any of these activities could potentially affect the value or level of the Reference Asset(s) and the debt obligations of such Reference Entities and in turn the value of the Notes.

The Issuer and/or its affiliates may from time to time advise the issuers of or obligors in respect of a Reference Asset or any component of a Reference Asset and/or any Reference Entity regarding transactions to be entered into by them, or engage in transactions involving any Reference Asset and/or Reference Entity for their proprietary accounts and for other accounts under their management. Any such transactions may have a positive or negative effect on the value of such Reference Asset, the value or level of such Reference Asset and/or the value of such Reference Entity's debt obligations generally and therefore on the value of the Notes.

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

Alternative cost risks

The market risks vary depending on the note structure and the term to maturity for different Notes. The value of a Note varies with changes in market interest rates. A structured Note often operates as a combination of an interest-bearing investment and, for example, an investment in equities. An investor thus takes an additional risk when investing in a structured Note if the alternative had been a pure interest-bearing investment. A structured Note generates no interest or other yield if the market performance is unfavourable and it is redeemable only at the principal amount. If the Note is not principal protected, the entire invested amount may be lost. The investor in such a structured Note assumes an alternative risk corresponding to the interest that the investor would have received had the alternative been, instead, to invest the money in pure interest-bearing instruments. If the investor sells such Note prior to the expiry of the term to maturity, the investor bears the risk of receiving less than the principal amount of the Note.

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 a 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 may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of the Notes such that its holding amounts to the minimum Specified Denomination in order to be able to trade its holding of Notes or (in the case of Bearer Notes) obtain a Definitive Note (if printed).

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.

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 S.A. ("**Clearstream, Luxembourg**"). 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 any recourse against the Issuer to the extent the relevant clearing systems do not pass on any payments made to them by the Issuer.

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

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

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

The Issuer will discharge its payment obligations in respect of the Notes by making payments directly to the relevant clearing system. Investors in VP Notes, VPS Notes, Finnish Notes or Swedish Notes will not have any recourse against the Issuer to the extent that the VP, Euronext VPS, Euroclear Finland or Euroclear Sweden, as the case may be, do not pass on any payments made to them by the Issuer.

D. Risks relating to interest features of the Notes

There are risks that certain benchmarks may be administered differently or discontinued in the future, which may adversely affect the trading market for, value of and return on, Notes based on such benchmarks.

Rates and indices which are deemed to be "benchmarks" are the subject of ongoing 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 EU Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The EU 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 EU 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 discontinuance or unavailability of the benchmark.

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

The Copenhagen, Norwegian and Stockholm interbank offered rates are also in the process of reform to comply with the requirements of the Benchmark Regulation, and it is uncertain how long they will continue in their current forms or whether they will be replaced with risk free notes or alternative benchmarks.

Where the Interest Base Rate specified in the relevant Final Terms is not SOFR, 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(bbb) (*Benchmark Replacement — Independent Adviser*)) and, if applicable, an Adjustment Spread. If the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser and the Issuer cannot agree upon, or cannot select, the Successor Rate or Alternative Benchmark Rate, the Issuer may determine the replacement rate, provided that if the Issuer is unable or unwilling to determine the Successor Rate or Alternative Benchmark Rate, the further fallbacks described in the Terms and Conditions of the Notes shall apply. If the Issuer is unable to appoint an Independent Adviser or if the Issuer fails to agree a Successor Rate or an Alternative Benchmark Rate or adjustment spread, if applicable with the Independent Adviser, the Issuer may have to exercise its discretion to determine (or to elect not to determine) an Alternative Benchmark Rate or adjustment spread, if applicable in a situation in which it is presented with a conflict of interest.

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

The use of a Successor Rate, an Alternative Benchmark Rate or a Benchmark Replacement may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Notes if the relevant benchmark remained available in its current form.

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

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

The market continues to develop in relation to risk-free rates (including overnight rates) as reference rates for Floating Rate Notes

The use of risk-free rates - including those such as the Sterling Overnight Index Average ("**SONIA**"), the Secured Overnight Financing Rate ("**SOFR**") and the euro short-term rate ("**€STR**"), as reference rates for Eurobonds continues to develop. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Notes that reference risk-free rates issued under this Programme. The Issuer may in the future also issue Notes referencing SONIA, the SONIA Compounded Index, SOFR, the SOFR Compounded Index or €STR that differ materially in terms of interest determination when compared with any previous Notes issued by it under this Programme. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the Eurobond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives 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 such risk-free rates.

In particular, investors should be aware that several different methodologies have been used in risk-free rate notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Notes, will gain widespread market acceptance. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. If the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used.

Investors should consider these matters in particular when making their investment decision with respect to any Notes which reference SONIA, SOFR, €STR or any related indices.

Risk-free rates may differ from LIBOR and other inter-bank offered rates in a number of material respects and have a limited history

Risk-free rates may differ from The London Interbank Offered Rate ("**LIBOR**") and other inter-bank offered rates in a number of material respects. These include (without limitation) being backwards-looking, in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

Furthermore, interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk-free rates reliably to estimate 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 Notes linked to interbank offered rates, if Notes referencing backwards-looking rates are redeemed early on a date which is not an Interest Payment Date, the final rate of interest payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

The administrator of SONIA, SOFR or €STR or any related indices may make changes that could change the value of SONIA, SOFR or €STR or any related index, or discontinue SONIA, SOFR or €STR or any related index.

The Bank of England, the Federal Reserve, Bank of New York or the European Central Bank (or their successors) as administrators of SONIA (and the SONIA Compounded Index), SOFR (and the SOFR Compounded Index) or €STR, respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, SOFR or €STR, or timing related to the publication of SONIA, SOFR or €STR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA, SOFR or €STR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

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.

Interest on floating rate Notes may fall below the margin.

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

Risks relating to fixed/floating rate Notes.

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

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

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

Risks relating to inverse floating rate Notes.

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

Risks relating to Range Accrual Notes.

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

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

E. Risks relating to particular Reference Assets

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

With structured Notes (for example, equity-linked Notes, currency-linked Notes, credit-linked Notes, fund-linked Notes, commodity-linked Notes and other possible structures) the yield, and sometimes also the repayment of principal, depends on the performance of one or more Reference Assets, such as equities, indices, interest rates, currencies, credit exposures (one or more), fund units, commodities or baskets thereof, or combinations or the relationship between assets. If the repayment of part of or an invested amount is linked to the performance of Reference Assets, the investor may risk losing the entire invested amount. Structured Notes are often designed on the basis of a combination of different types of traditional instruments such as equities, fund units or a derivative instrument. These combinations of products may have elements of different instruments. The value of a structured Note will be affected by the value of the Reference Asset and can fluctuate above or below the issue price of the Notes during the lifetime of the Notes. The valuations of the Reference Asset may take place both during the term and on the Redemption Date and the performance may be positive or negative for the holder. The Holder's right to yield, and where applicable repayment, thus depends on the performance of the Reference Asset and applicable performance structure. The value of a structured Note may, in addition to changes in the price of the Reference Asset, be determined by the intensity of the price fluctuations of the Reference Asset (commonly referred to as volatility), expectations regarding future volatility, market interest rates and expected dividends or other distributions on the Reference Asset.

Potential investors should be aware that:

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

(b) they may receive no interest;

(c) payment of principal or interest may occur at a different time;

(d) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

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

(f) if the performance of the Notes contains a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and

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

Further, Noteholders and prospective purchasers of such Notes should ensure that they understand the nature of such Notes and the extent of their exposure to risk and that they consider the suitability of such

Notes as an investment in light of their own circumstances and financial condition. A small movement in the value of one or more Reference Asset may result in a significant change in the value of such Notes. Noteholders, and prospective purchasers of such Notes, should form their own views of the merits of an investment based upon such investigations.

No ownership rights

An investment in the Notes is not the same as an investment in the Reference Asset(s) and does not confer any legal or beneficial interest in the Reference Asset(s) or any component of the Reference Asset(s) or any voting rights, rights to receive dividends or other rights that a holder of the Reference Asset(s) or any component of the Reference Asset(s) would have. The Notes are unsubordinated and unsecured obligations of the Issuer. No security has been taken in respect of the Reference Asset(s) or any component of the Reference Asset(s). In the event of the Issuer's insolvency, the Noteholders will have an unsecured claim against the Issuer. In such a case, an investor will accordingly risk losing some or all of its investment in the Notes. See "*Noteholders are subject to credit risk on the Issuer*".

Risks associated with Baskets comprising various constituents as Reference Assets

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

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

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

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

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

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

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

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

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

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

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

Risk relating to limited information in relation to certain Reference Assets

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

Currency fluctuations

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

Risks relating to market disruption and extraordinary events

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

Reading of closing values of Reference Assets

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

Risks associated with Equities as Reference Assets

An investment in equity linked Notes entails significant risks in addition to those associated with investments in a conventional debt security.

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

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

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

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

In the case of Notes relating to equities, no issuer of such equities will have participated in establishing the terms of the Notes and the Issuer will not make any investigation or enquiry in connection with such offering with respect to the information concerning any such issuer of equities contained in the relevant Final Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant Issue Date (including events that would affect the accuracy or completeness of the publicly available documents described in this paragraph or in any relevant Final Terms) that would affect the trading price of the equities will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer of equities could affect the trading price of the equities and therefore the trading price of the Notes.

Risks associated with Indices as Reference Assets

An investment in Index Linked Notes entails significant risks in addition to those associated with investments in a conventional debt security.

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

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

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

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

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

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

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

(e) *Proprietary Indices*

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

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

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

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

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

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

Risks associated with Inflation Indices as Reference Assets

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

Index Delay and Disruption Events affecting Inflation Indices

Where there is a delay in publication of the level of an Inflation Index, the level of such Inflation Index ceases to be published, such Inflation Index is rebased, there is a material change to such Inflation Index or there has been a manifest error in the publication of the level of such Inflation Index, the Issuer may determine if such event has a material effect on the Notes and, if so, to make such addition, adjustment or amendment to the Conditions as the Issuer deems necessary.

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

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

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

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

An investment in currency-linked Notes entails significant risks in addition to those associated with investments in a conventional debt security.

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

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

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

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

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

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

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

Risks associated with Commodities as Reference Assets

An investment in commodity-linked Notes entails significant risks in addition to those associated with investments in a conventional debt security.

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

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

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

Commodities comprise both (i) "**physical**" commodities, which need to be stored and transported, and which are generally traded at a "**Spot**" price, and (ii) commodity contracts, which are agreements either to (A) buy or sell a set amount of an underlying physical commodity at a predetermined price and delivery period (which may be referred to as a delivery month) or to (B) make and receive a cash payment based on changes in the price of the underlying commodity. The costs of storage and transport of physical commodities may have a significant impact on both spot prices and commodity contracts at times of unexpectedly low demand for the underlying physical asset.

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

(c) *Notes which are linked to commodity futures contracts may provide a different return than Notes linked to the relevant physical commodity and will have certain other risks*

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

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

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

Rolling of Commodity Indices

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

Commodity indices apply "**rolling**" of the component commodity contracts in order to maintain an ongoing exposure to such commodities. Specifically, as a commodity contract is required to be rolled pursuant to the relevant index rules, the commodity index is calculated as if exposure to the commodity contract was liquidated and exposure was taken to another (generally longer-dated) commodity contract for an equivalent exposure. Accordingly, the same effects as described below with regard to "**rolling**" on the value of a Reference Asset of the Notes also apply with regard to the index level of a Commodity index. In particular, gains or losses on component commodity contracts may increase or decrease the investor's exposure to the relevant commodity contract over time, which may have an adverse effect on the price or value of the index and therefore an investment in Notes referencing that index.

Risks associated with Futures Contracts as Reference Assets

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

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

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

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

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

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

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

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

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

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

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

In the case of Notes which are linked to a commodity contract, the referenced commodity contract will simply be changed without liquidating or entering into any positions in the commodity contracts. Accordingly, the effects of "**rolling**" described above do not apply directly to the Reference Asset and the Notes. Thus, an investor will not participate directly in possible effects of "**rolling**". However, other market participants may act in accordance with the mechanism of "**rolling**" and such behaviour may have an indirect adverse impact on the value of the Reference Asset and therefore on the Notes.

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

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

Risks related to Credit-Linked Notes

Correlation risk

An investment in credit-linked Notes will entail significant risks not associated with a conventional fixed rate or floating rate debt security. Such risks include exposure to the credit risk of the particular Reference Entity or basket of Reference Entities (and, where applicable, one or more specific reference obligations) in addition to that of the Issuer. Depending on the manner in which the particular series of credit-linked Notes is linked to the credit of a Reference Entity or basket of Reference Entities, a fall in the creditworthiness of a particular Reference Entity (or where perceptions worsen regarding the creditworthiness of a particular Reference Entity), may greatly reduce the market value of the related Notes and any payments of principal or interest then due. If a series of credit-linked Notes is linked to the credit risk of a single Reference Entity, then the investors in the Notes will have a concentration risk compared to a more broadly weighted basket. If a series of Notes is linked to a basket of Reference Entities, a credit deterioration in one reference entity may however be strongly correlated with credit deterioration of other reference entities included in the basket, resulting in substantial decreases over a relatively short period of time in the market value of the related Notes and any payments of principal or interest then due. In a **"N^{th} to Default"** or "**N^{th} and N^{th} + 1"** to Default structure, the occurrence of a credit event in relation to particular Reference Entities will have a greater than proportionate impact on the market value and payment of principal and interest in relation to the relevant Notes.

Nature of payments of principal and/or interest

In the event of the occurrence of certain circumstances (which may include, amongst other things, Bankruptcy, Failure to Pay, Obligation Acceleration, Repudiation/Moratorium, Restructuring, Governmental Intervention or another Credit Event) in relation to a Reference Entity or Reference Entities, in each case, as specified in the relevant Final Terms, the Issuer's obligation to pay interest and/or redemption amounts under the Notes may be replaced by an obligation to pay other amounts calculated by reference to the value of the Reference Asset(s) or the number of Credit Events which have occurred. In addition interest bearing credit-linked Notes may cease to bear interest on or prior to the date of occurrence of such circumstances.

Potential investors in any such Notes should be aware that depending on the terms of the credit-linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment.

Credit Event Determination

Under the terms and conditions of the credit-linked Notes it is the Issuer's responsibility to determine whether or not a Credit Event has occurred in respect of a particular Reference Entity. The ISDA Credit Event Determinations Committee will not necessarily publish a determination in respect of every potential Credit Event, and therefore the Issuer may need to consult public information sources or use its own observations and judgment in determining whether and when a Credit Event may have occurred. Although the Issuer will endeavour to take reasonable care in making any such determination, it may be difficult to obtain information to support the occurrence of a Credit Event, and the Issuer has no fiduciary duty to act in the interests of Noteholders in making any such determination. The Issuer may also have exposure to the debt obligations of one or more Reference Entities, and there may therefore be a conflict of interest between the Issuer's role in determining one or more Credit Events and the interests of Noteholders.

No need for Issuer to suffer loss with respect to any Reference Entity

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

No information regarding Reference Entities

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

Debt obligations may consist of subordinated debt

Any debt obligations for credit-linked Notes may include subordinated debt obligations. Such subordinated debt obligations will rank junior to, and the value of such subordinated debt obligations may be less than that of, senior obligations in respect of the same Reference Entity, and the value of such subordinated debt obligations may even be zero in circumstances where a Credit Event has occurred. The Issuer is under no fiduciary duty to select Reference Assets or deliverable assets of any particular value or that maximise value for Noteholders.

Substitution of a Reference Entity

As a result of mergers or other events, the Reference Entity or, in the case of more than one Reference Entity, the Reference Entities within the basket of Reference Entities may change. This could result in the risk that the Reference Entity or the basket of Reference Entities, as the case may be, following such changes being, in economic terms, no longer comparable to the relevant Reference Entity or the basket of Reference Entities prior to such changes. Any risk which may result from such a change of a Reference Entity will be borne by the Noteholders.

Succession events may also affect the Notes in circumstances where the Succession Date has occurred before the Issue Date of the Notes.

Notes linked to the performance of funds

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

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

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

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

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

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

3. Funds may have differing investment restrictions and some funds may invest in assets which are illiquid or difficult to transfer. This may have an effect on the realisation of such assets and in turn, the value and performance of the fund. In addition, a fund's assets or investments may be concentrated in a few markets, countries, industries, commodities, sectors of an economy or issuers. If so, adverse movements in a particular market, country, industry, commodity, economy or industry or in the value of the securities of a particular issuer could have a severely negative effect on the value of such a fund. In addition, a fund may use a single advisor or employ a single strategy, which could mean a lack of diversification and higher risk.

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

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

F. Risks relating to particular performance structures

Risks related to the complexity of the product

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

Risks relating to Notes which are not principal protected

The Notes may or may not be principal protected, either in whole or in part. If the Note is not principal protected there is no guarantee that the return that an investor receives on the Notes upon their redemption will be greater than or equal to the Principal Amount (or, if different, the level of principal protection). If the Redemption Amount of the Notes is not principal protected, but is to be determined solely by reference to the value or level of one or more Reference Assets, any change in the value of the Reference Asset may result in a reduction in the Redemption Amount of the Notes. Accordingly, it is possible that the return on Notes linked to such Reference Asset(s) may be considerably less than the amount paid by investors for such Notes and may be zero.

Risk relating to premium and participation ratio

The relationship between the value of a structured Note and the performance of the Reference Assets or changes between them is not always linear but, rather, sometimes depends on the yield structure and one or several participation ratio(s) which determines the extent to which the performance of the Reference Asset is reflected in the value of the Note. The participation ratio is set by the Issuer and determined, among other things, by term to maturity, volatility, market interest rates and expected dividends on the Reference Asset. In certain structures, the participation ratio may differ depending on whether or not the performance of the relevant Reference Assets is positive or negative. Variations in the participation ratio may increase or decrease the extent to which a Noteholder is exposed to the performance of the relevant Reference Assets. The amount that the investor risks is greater in those structured Notes that are subscribed for/purchased at a premium, i.e. when the investor pays more than the nominal amount, due to the risk that these might be redeemed only at the nominal amount.

Volatility in the value of the Notes

If, pursuant to the relevant Final Terms, a Note is designed to include variables such as multipliers or leverage factors, cap/floor, another combination of these variables or other similar elements, the market value of such Notes may be more volatile than the market value of a note without such elements.

"Best of"/"Worst of" features in respect of Baskets

Where the return on the Notes is linked to the performance of a Basket and that the "**Best of**" feature is applicable, the value of the Basket will depend on the Reference Asset in the Basket that has shown the best performance in comparison to the other components comprising the Basket over a specified period of time. Conversely, where the "**Worst of**" feature is applicable, the value of the Basket will depend on the Reference Asset in the Basket that has shown the worst performance in comparison to the other components in the Basket over a specified period of time. As the best-performing components, or the worst-performing components, of a Basket, as applicable, are not representative of the performance of the Basket as a whole, any calculations or determinations of value that involve the "**Best of**" or "**Worst of**" feature may produce results that are very different to those that take into account the performance of the Basket as a whole. Potential investors should examine the manner in which the "**Best of**" and "**Worst of**" features affect the value of any Basket and examine the context in which the such value affects the determination of any payouts. Potential investors in any such Notes should be aware that the returns they receive (if any) on investment in Notes which have a "**Best of**" and/or "**Worst of**" feature may be substantially different from the return on investment in Notes without such features.

Caps and floors

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

Risk of automatic early redemption

In relation to certain types of Notes, the Notes will be automatically redeemed prior to their maturity if certain conditions are met. Notes of this type have an uncertain maturity date. Certain types of Notes may also be automatically redeemed early if a specified trigger is breached during a specified period or on a specified date or dates. If a Reference Asset or Basket performs poorly, Noteholders may receive little or no interest during the term of the Notes and/or receive low or even zero return at maturity, and in some circumstances may result in a loss of part or all of their investment. Prospective investors should consider reinvestment risk in light of other investments available at that time. Because the costs associated with structuring the Notes are paid up front as part of the initial issue price, a product which is subject to automatic early redemption may result in relatively higher costs to the investor than if the product had not redeemed early.

Risks relating to Delta 1 structures

In a Delta 1 structure, the investor in the Notes receives the current value of the relevant Reference Assets on the redemption date, less any applicable fees and taxes. In order to hedge the Issuer's obligations in respect of the Notes, the Issuer or another Hedging Party will enter into one or more Hedge Transactions in order to generate the sums necessary to pay the redemption amount and any applicable interest payments in respect of the Notes. Holders are therefore exposed to the risks that there may be delays or difficulties experienced by the Hedging Party in unwinding its Hedge Transactions. The obligation of the Issuer to make payments in respect of the Notes shall never exceed the aggregate Hedge Proceeds which the Hedging Party has received (or is deemed to have received) on or prior to the relevant Back Stop Date less any applicable fees and taxes. Holders may therefore receive any redemption amounts or interest payments later than expected, or may lose all or part of their investment in the Notes if the Issuer reasonably determines that the Hedging Party will not receive all or part of the Hedge Proceeds prior to the relevant Back Stop Date.

DOCUMENTS INCORPORATED BY REFERENCE

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

Terms and Conditions

(a) The Terms and Conditions of the Notes contained in the Base Prospectus dated 18 December 2020, pages 67 to 193 (inclusive) available at:

https://www.nordea.com/en/doc/base-prospectus-for-structured-note-programme-18-december-2020.pdf

(b) The Terms and Conditions of the Notes contained in the Base Prospectus dated 18 December 2019, pages 68 to 193 (inclusive) available at:

https://www.nordea.com/Images/33-343851/Base%20Prospectus%20for%20Structured%20Note%20Programme%2018%20December%202019.pdf

(c) The Terms and Conditions of the Notes contained in the Base Prospectus dated 18 December 2018, pages 101 to 222 (inclusive) available at:

https://www.nordea.com/Images/33-281704/Base%20Prospectus%20for%20Structured%20Note%20Programme%2018%20December%202018.pdf

(d) The Terms and Conditions of the Notes contained in the Base Prospectus dated 19 December 2017, pages 101 to 221 (inclusive) available at:

https://www.nordea.com/Images/37-240221/Base%20prospectus%20for%20Structured%20Note%20Programme%2019%20December%202017.pdf

(e) The Terms and Conditions of the Notes contained in the Base Prospectus dated 19 December 2016, pages 178 to 296 (inclusive) available at:

https://www.nordea.com/Images/37-161086/2016-12-19_Base-prospectus-for-Structured-Note-Programme-19-December-2016_EN.pdf

(f) The Terms and Conditions of the Notes contained in the Base Prospectus dated 18 December 2015, pages 174 to 291 (inclusive), the supplement to the Base Prospectus dated 15 April 2016, pages 3 to 4 (inclusive) and the supplement to the Base Prospectus dated 3 October 2016, pages 6 to 7 (inclusive) available at:

https://www.nordea.com/Images/37-97875/2015-12-18_Base-prospectus-for-Structured-Note-Programme-18-December-2015_EN.pdf, https://www.nordea.com/en/doc/2015-12-22supplement-3-dated-15-april-2016-to-base-prospectus-structured-note-program-18-dec and https://www.nordea.com/en/doc/2016-10-03supp-5-dated-3-october-2016-to-base-prospectus-structured-note-program-18-dec-2015en

(g) The Terms and Conditions of the Notes contained in the Base Prospectus dated 19 December 2014, pages 170 to 278 (inclusive), the supplement to the Base Prospectus dated 11 February 2015, pages 4 to 7 (inclusive) and the supplement to the Base Prospectus dated 24 April 2015, pages 4 to 7 (inclusive) available at:

https://www.nordea.com/Images/37-39038/2014-12-19_Base-prospectus-for-Structured-Note-Programme-19-December-2014_EN.pdf, https://www.nordea.com/en/doc/2014-02-11supplement-11-february-to-base-prospectus-for-structured-note-programme-19-dec-2014en and https://www.nordea.com/en/doc/2014-04-24supplement-24-april-to-base-prospectus-for-structured-note-programme-19-dec-2014en

(h) The Terms and Conditions of the Notes contained in the Base Prospectus dated 20 December 2013, pages 154 to 251 (inclusive), and the supplement to the Base Prospectus dated 14 February 2014, pages 3 to 6 (inclusive), available at:

https://www.nordea.com/Images/37-39039/2013-12-20_Base-prospectus-for-Structured-Note-Programme-20-December-2013_EN.pdf and https://www.nordea.com/en/doc/2013-02-14supplement-14-february-to-base-prospectus-for-structured-note-programme-20-december

(i) The Terms and Conditions of the Notes contained in the Base Prospectus dated 16 April 2013, pages 147 to 233 (inclusive), available at:

https://www.nordea.com/Images/37-39037/2013-04-16_Base-prospectus-for-Structured-Note-Programme-16-April-2013_EN.pdf

Copies of the document incorporated by reference in this Base Prospectus can be obtained from https://www.nordea.com. Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus and, for the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on websites referred to in this Base Prospectus do not form part of this Base Prospectus.

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

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

Any websites referred to herein have not been reviewed or approved by the Central Bank and do not form part of this Base Prospectus.

FORM OF THE NOTES

Notes may be issued as Bearer Notes (as defined below), Registered Notes (as defined below), VP Notes, VPS Notes, Finnish 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

A Note in bearer form is a Note that is payable to the bearer, i.e. it is not registered. Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Notes in NGN form are in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. Arrangements for Notes in NGN form have been offered by Euroclear and Clearstream, Luxembourg since 30 June 2006 and debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg since 31 December 2006 are only eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "**Temporary Global Note exchangeable for a Permanent Global Note**", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation or, in the case of final exchange, presentation and surrender, of the Temporary Global Note to or to the order of the Fiscal Agent; and

(ii) receipt by the Fiscal Agent of a certificate or certificates, as applicable, of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership **provided**, **however**, **that** in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

(a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**") if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention permanently to cease business or does in fact do so.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer 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 bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 6.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or

(c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 6.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 6.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 6.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

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

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer 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 bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 6.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 6.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 6.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

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

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

In relation to any issue of Notes which are a "**Global Note exchangeable to Definitive Notes**" in circumstances other than in the limited circumstances specified in the Global Note, such notes may only be issued in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form 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."

Form of Registered Notes

Notes of each Tranche of each Series to be issued in registered form ("**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**"), in each case as specified in the relevant Final Terms.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. Arrangements for Notes to be held in NSS form have been offered by Euroclear and Clearstream, Luxembourg since 30 June 2010 and registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 are only eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Global Registered Note will either be: (a) in the case of a Note which is not to be held under the New Safekeeping Structure, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary and will be exchangeable in accordance with its terms; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Note Certificates in accordance with its terms.

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

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

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

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

If:

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

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

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

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "**Terms and Conditions of the Notes**" below, the terms and conditions set out under "*Specific Terms and Conditions*" below (as applicable) and the provisions of the relevant Final Terms which complete those terms and conditions.

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

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. 1767 of 27 November 2020, as amended from time to time) (*Lov om kapitalmarkeder*), the Danish Executive Order No. 1175 of 31 October 2017, as amended from time to time (*Bekendtgørelse om registrering m.v. af fondsaktiver i en værdipapircentral (CSD)*) (the "**Danish Executive Order**"), and the VP Rule Book in force, and 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 Danmark, Filial af Nordea Bank Abp, Finland is, on the date of issue of a Tranche of VP Notes, entered in the VP as the account holding institute (*kontoførende institute*) for the duly registered owners of the Notes of such Tranche. Title thereto will pass on due registration in the Danish Note Register to be maintained by the VP Issuing Agent. Title to the VP Notes will pass by transfer between accountholders of the VP, perfected 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 Danish Note Register. 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.

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 settled through Euronext VPS. Legal title to the VPS Notes will be evidenced by book entries in the records of Euronext VPS.

Settlement of sale and purchase transactions in respect of the VPS Notes in Euronext 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 Euronext VPS.

Title to the VPS Notes will pass by registration in the registers between the direct or indirect accountholders at Euronext VPS in accordance with the rules and procedures of Euronext VPS. The holder of a VPS Note will be the person evidenced as such by a book entry in the records of Euronext 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 Finnish Notes

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

Title to Finnish Notes will pass by transfer between accountholders of Euroclear Finland, perfected in accordance with the legislation, rules and regulations applicable to and/or issued by Euroclear Finland that are in force and effect from time to time. On the issue of Finnish Notes, the Issuer will send a copy of the relevant Final Terms to the Finnish Issuing Agent.

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

The person evidenced (including any nominee) as a holder of the Finnish Notes shall be treated as the holder of such Finnish Notes for the purposes of payment of principal or interest on such Finnish 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 (*Sw. lag (1998:1479) om värdepapperscentraler och 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 (*Sw. förvaltare*) in accordance with the SFIA Act is so evidenced it shall be treated by the Issuer as the holder of the relevant Swedish 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. Issuances of Swedish Notes under the Programme will be issued with the benefit of the Fiscal Agency Agreement.

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

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

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

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

Conditions applicable to Global Notes

Each Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

Payments*:* All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

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

Payment 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.

Exercise of put option*:* In order to exercise the option contained in Condition 6(n) (*Optional Early Redemption (Put)*) the bearer of the Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option*:* In connection with an exercise of the option contained in Condition 6(m) (*Optional Early Redemption (Call)*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures 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 principal amount, at their discretion).

Notices*:* Notwithstanding Condition 16 (*Notices*), 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 for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

CLEARING AND SETTLEMENT

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

General

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

Euroclear

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.

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.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions by book entry transfers between their accounts.

VP

VP is a Danish limited liability company and is subject to the Danish Capital Markets Act (*Lov om kapitalmarkeder*), as amended from time to time, the Danish Executive Order and the VP Rule Book. VP is the central organisation for registering securities in Denmark and is authorised as a central securities depository under Regulation (EU) No 909/2014.

Settlement of sale and purchase transactions in respect of Notes in the VP will take place on a registration-against-payment basis two 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, P.O. Box 4040, DK-2300 Copenhagen S, Denmark.

Euronext VPS

Verdipapirsentralen ASA (trading as Euronext VPS) is a Norwegian public limited company authorised to register rights to financial instruments in Norway in accordance with the Act of 5 July 2002 no. 64 on the Registration of Financial Instruments (the "**VPS Act**"). The VPS Act requires that, among other things, all notes and bonds issued in Norway shall be registered in Euronext VPS (the "**VPS Securities**").

From 1 January 2020, the VPS Act has been repealed and replaced by the Act of 15 March 2019 no. 6 on Central Securities Depositories (the "**CSD Act**"), which implements Regulation (EU) No. 909/2014 ("**CSDR**") into Norwegian law. However, transitional rules have been passed to allow Euronext VPS to operate under the old rules in the VPS Act until such time when Euronext VPS is authorised as a central securities depository under the CSD Act/CSDR.

Euronext VPS settles trades in the Norwegian securities market, and provides services relating to stock issues, distribution of dividends and other corporate actions for companies registered in Euronext VPS.

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

The address of Euronext VPS is Norwegian Central Securities Depository, Verdipapirsentralen ASA, P.O. 1174 Sentrum, 0107 Oslo, Norway.

Euroclear Sweden

Euroclear Sweden is a Swedish public company which operates under the supervision of the Swedish Financial Supervisory Authority and is authorised as a central securities depository under Regulation (EU) No 909/2014.

Settlement of sale and purchase transactions in respect of Notes in Euroclear Sweden will take place two 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 AB, Swedish Clearing System, Box 191, SE-101 23 Stockholm, Sweden.

Euroclear Finland

Euroclear Finland Ltd is a Finnish limited company which operates under the supervision of the Finnish Financial Supervisory Authority ("**FFSA**") and is authorised as a central securities depository and clearinghouse under Regulation (EU) No 909/2014.

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

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

NOTES – OVERVIEW OF KEY FEATURES

The Issuer has established the Programme for the purpose of issuing Notes on the international capital markets with maturities ranging from 30 days up to perpetual maturity. The aggregate nominal amount of Notes outstanding from time to time will not exceed €15,000,000,000.

What is a Note?

Freely transferable debt instrument

Notes are freely transferable debt securities, often referred to as bonds. A Note manifests a debt owed by the Issuer to the investor and the investor is normally entitled to a cash payment from the Issuer upon maturity (and sometimes also interest payments during the term). Therefore, Notes differ from convertible debt instruments as investors in such instruments may under certain circumstances receive a physical delivery of shares instead of a payment on maturity. Once the Note has been issued and the investor in the Note has paid the issue price to the Issuer, the investor is generally entitled to receive payments from the Issuer and will not owe any further obligation to make payments to the Issuer.

Combination of instruments

The Issuer may issue structured Notes pursuant to the Programme. In terms of structure and economics, a structured Note often operates as a combination of different types of more traditional instruments, for example, a bond combined with a share, a fund unit or a derivative instrument. The product may be composed of and resemble several instruments. However, all structured Notes constitute a claim of the investor towards the Issuer pursuant to which the investor, subject to the terms of the Notes, is entitled to receive a cash payment from the Issuer. In this context it is important to note that, even though the Note is composed of a derivative element, the so called counterparty risk in the derivative instrument remains with the Issuer. However the market risk is transferred to the investor.

Principal protected or not

The Terms and Conditions provide that the Issuer may issue "**non-principal protected**" Notes, meaning Notes under which the investor stands the risk of losing all or part of its investment in the event of a negative performance in the Reference Asset. A Note where the terms of which are such that the investor is always entitled to receive a nominal amount (or a certain minimum amount) are normally referred to as "**principal protected**" Notes. It should be noted however that the investor also risks losing its investment where it invests in a principal protected Note, since repayment of the investment is dependent on the Issuer having sufficient funds to perform its payment obligations. The principal protection, therefore, only means that the investor is entitled to receive repayment of a certain minimum amount on the redemption date irrespective of the performance in the relevant Reference Asset of the Note. Further information with respect to different types of Reference Assets for structured Notes is provided under the heading "*Different types of Notes*" below.

Listing

Notes may be listed for trading on any of the stock exchanges or marketplace specified in this Base Prospectus; however, certain Notes may be tailored specifically to suit a particular investor or group of investors that seek exposure to a specific risk or market. Such Notes will normally not be intended for public trading or frequent transfer, although the Notes will in principle be a freely transferable instrument.

Status

Notes issued under the Programme constitute direct and unsecured obligations of the Issuer and will rank *pari passu* with the Issuer's unsecured and unsubordinated obligations.

Terms and Conditions – Final Terms

Terms and Conditions

The Programme is one of the Issuer's platforms for borrowings in the debt capital markets and is primarily intended to be used for issuance in certain Member States of the European Economic Area. The Programme constitutes an efficient platform upon which the Issuer can relatively frequently and quickly raise funding in the aforementioned markets. One of the most important features of the Programme is the Terms and

Conditions, set out in their entirety in this Base Prospectus, as these apply to all Notes issued pursuant to the Programme. The Terms and Conditions are standardised and general in nature and are intended to cover a large number of different types of Notes. The Terms and Conditions are therefore relatively extensive and complicated.

Final Terms

Final Terms are prepared for each series of Notes. A form of Final Terms is set out in this Base Prospectus. The Final Terms specifies the terms and conditions for each series of Notes and constitute the full terms and conditions for the relevant series of Notes when applied together with the Terms and Conditions. Thus, the Final Terms must always be read together with the Terms and Conditions in order to obtain a complete understanding of the terms and conditions applicable to a tranche of Notes. The Final Terms will specify, among other things, the nominal amount, denomination, type of note and method of calculation of yield or interest under the specific series of Notes. The Final Terms will also contain the relevant Issue Price, which may be an indicative value, or a range of values, pending feedback from the offering process. Where the Issue Price is indicative, the Issuer will determine the final Issue Price of the Notes pursuant to Article 17 of the EU Prospectus Regulation, in its sole discretion, taking into account investor demand during the offering process. The Issue Price will, if applicable, also include expenses to the extent known. If the Issue Price is determined after publication of the final terms, the Issue Price will be announced by the Issuer through the Company Announcements Office of Euronext Dublin.

Final Terms for Notes which are offered to the public or otherwise admitted to trading on an exchange are filed with the Central Bank of Ireland. Final Terms that are filed accordingly will be published and made available on the Issuer's website (www.nordea.com, www.nordea.no, www.nordea.dk, www.nordea.fi or www.nordea.se).

Different types of Notes

As described above, a Note represents a right to demand and receive a certain performance from the Issuer, in the form of a cash payment. A Note is usually interest bearing or carries another form of yield. Notes where the redemption amount or the yield is linked to and determined on the basis of a Reference Asset are often referred to as structured Notes (see further below). The interest or other yield under a structured Note is often variable and not guaranteed and, where also the redemption amount is linked to the Reference Asset, the investor may under certain structured Notes bear the risk of losing a significant part of the investment (or the entire investment) in certain cases of negative performance in the Reference Asset.

This section contains a presentation of the main types of Notes that the Issuer intends to issue pursuant to the Programme and the most common types of Reference Assets. The main types of Notes and their interest and repayment features, are presented immediately below.

Reference Assets and Baskets

The Redemption Amount and/or interest payments in relation to the Notes may be determined by reference to the performance of one or more Reference Assets. Reference Assets may include shares, indices, commodities, futures contracts, interest rates, exchange rates, fund units and/or the credit standing of one or more Reference Entities. A group of reference assets is referred to as a Basket.

In a mixed portfolio Note, the yield and/or redemption amount is linked to the performance of one or more Baskets of Reference Assets which may contain different types of asset. The assets in a Basket may be assigned different weights and will thereby influence the yield and/or redemption amount according to their respective weight. Different asset types can form part of the same Basket and there may be several Baskets with different types of assets that are compared against each other.

Coupon and zero coupon Notes

Coupon or interest-bearing Notes pay interest and/or yield on a continuing basis during the term of the Note or, alternatively, on the conditions specified for the Note.

Zero coupon Notes are non interest bearing. These Notes are normally issued at a discount, i.e. the Issuer receives an amount on the issue date which is lower than the nominal amount of the Note and pays the nominal amount on the redemption date or, alternatively, the Issuer receives the nominal amount for the Note on issue and pays the nominal amount plus an enhanced amount on the redemption date.

Notes may be issued as coupon notes or as zero coupon Notes or as a combination of both. Structured Notes under which the redemption amount is linked to the performance of various types of Reference Assets may or may not provide for payment of interest or other yield on a continuing basis.

Amortising Notes

The Issuer may issue amortising Notes, being Notes where the principal amount is repaid in instalments.

Interest bearing Notes

Interest-bearing Notes typically accrue a fixed, floating or variable interest. A floating rate of interest is often composed of a variable interest base rate such as STIBOR, EURIBOR or such other relevant rate as may be specified in the Final Terms, plus or minus a fixed interest margin; instruments with floating interest rates are frequently referred to as *floating rate notes*, whereas under Notes with fixed interest, the rate of interest is fixed. Under a Note with inverse floating interest, there may be a fixed rate of interest less a rate of interest based on a reference rate such as STIBOR, EURIBOR or such other relevant rate as may be specified in the Final Terms. The interest may be adjustable and adjusted after each interest period. There are also Notes where the interest structure is changed during the term to maturity. For example, a fixed rate may be paid initially but the interest may subsequently change to a floating rate; or the interest may, for example, be increased after a certain period of time, referred to as interest step-up.

Structured Notes may be interest and/or inflation based in the sense that they are structured with a yield based on one or more rates of interest and/or Inflation Indices. The structure of such Notes may include multipliers, caps/floors, swaptions and/or combinations thereof. The structured yield can depend on whether one or more specified interest rates or Inflation Indices move within certain predetermined ranges. The structured yield can also depend on the yield in previous periods and the structured Notes can contain interest or inflation based triggers that can alter the structure of the yield or force early redemption.

Interest Deferral

If Interest Deferral is specified as applicable to the Notes then all payments of interest that would otherwise fall due in accordance with the interest structure(s) applicable to the Notes, shall be deferred until the earlier of the Redemption Date or the Early Redemption Date on which the Notes are redeemed in full.

Inflation-linked Notes or Notes with Inflation Indices as Reference Assets

Inflation linked Notes are Notes with or without an inflation-linked rate of interest and with an inflation-linked redemption amount. The rate of interest may be fixed or floating. If Notes are not interest-bearing, an inflation-linked redemption amount is paid only upon maturity. Notes may also be issued which have one or more Inflation Indices as a Reference Asset. The calculation of inflation is based on a consumer price index or other similar measure of the relative prices of assets, goods and/or services over time. Such index may be comprised of statistics that do not necessarily reflect the actual inflation exposure of the individual investor. The interest amount and the principal amount payable in relation to the Notes will be determined by the Issuer in accordance with the Conditions and the relevant Final Terms.

Equity-linked Notes

Under an equity-linked Note, the yield and/or redemption amount depend on the performance of one or more equities (including units in exchange-traded funds), equity indices or baskets of equities, and/or equity indices or equity markets. The risk exposure under an equity-linked Note may be directed at certain markets or certain industries. There may be Notes where the underlying index or equity/equities relate to companies with a certain credit rating, as well as Notes where the Reference Assets are shares in venture capital companies.

An equity-linked Note may (but does not always) provide for a minimum predetermined yield, normally in the form of interest, in addition to the equity-linked yield. The Issuer may structure an equity-linked Note so that the yield increases or decreases depending on the movements in the relevant equity instrument or index during the term.

Equity-linked Notes may have a variable degree of exposure to the Reference Asset. The Notes may be issued at a premium which is lost, or the right to repayment of an invested amount may be lost in whole or in part, if the Reference Asset performs disadvantageously for the investor or in relation to a relevant comparison figure (and *vice versa* if the performance of the Reference Asset is positive). Alternatively, there may be a more limited link to the value of the Reference Asset, and thus a lower exposure to the relevant equity. For example, there are Notes which pay a predetermined minimum yield despite that the Reference Asset performs negatively. However, such Notes generally provide a more limited yield in a scenario where the Reference Asset performs well, as compared to Notes without minimum yield.

Reverse Convertible Notes

In a reverse convertible Note, the Reference Asset is normally composed of a share index or a basket of shares indices, or exchange-tracked fund units. Repayment of the principal amount will depend on the performance of the underlying Reference Assets, and the Redemption Amount may be less than the principal amount of the Notes if the performance of the Reference Assets falls below a pre-determined barrier level. A reverse convertible Note may include a fixed yield element.

Credit-linked Notes

Credit-linked Notes are notes where the right to receive interest and/or the redemption amount is linked to certain reference credits or credit indices. The interest and/or redemption amount depend on whether a so-called "**credit event**" occurs during the term of the Note (as further described below). The reference credits may be credits or baskets of credits related to specified companies or sovereigns such as governments, municipalities county councils (each a so-called reference entity) or credit indices. The reference credits may consist of existing, future, conditional or unconditional payment obligations under debt instruments, for example, loan- or credit agreements, bonds or commercial paper (irrespective of term to maturity), financing commitments, payment obligations in respect of deposits, letters of credit, guarantee or surety commitments or other undertakings in respect of the payment obligations of a third party. These payment obligations may include both subordinated and unsubordinated obligations of the relevant reference entity. Generally speaking, subordinated obligations will carry a higher degree of credit risk than unsubordinated obligations of the same reference entity.

The interest and/or the redemption amount under a credit-linked Note may thus depend on the credit risk associated with one or more reference entities, i.e. the companies or other entities which are obliged to perform under the relevant reference credits. Credit-linked Notes are often issued and priced on the basis of the credit ratings of the reference credits or reference entities. The rate of interest on the Notes is higher the lower the credit rating of the reference credits/entities. The higher interest on the Notes is intended to compensate for the higher risk associated with a low rating of the reference credits/entities, i.e. an increased anticipated likelihood that a credit event will occur. A credit event normally consists of payment default, bankruptcy or other insolvency related proceeding or other event that would typically affect the likelihood of a creditor to receive repayment in full pursuant to the terms and conditions of the reference credit. A credit event may result in an investor losing the right to receive interest and/or the redemption amount (in full or in part) on the Notes. Some credit-linked Notes are structured so that the interest and/or redemption amount is determined only on the basis of the first credit event, while other structures may take one or several credit events into account and gradually reduce the yield/redemption amount. The relevant reference credits as well as the reference entities may (if applicable) be clearly stated in the relevant Final Terms of each series of credit-linked Notes.

Credit-linked Notes may be issued in several tranches, all of which relate to the same reference credits/entities. The tranches would then generally have different ranking and risk so that credit events are allocated towards the tranches in their order of seniority (i.e. the lowest ranking would bear the first losses etc).

Fund-linked Notes

Under a fund-linked Note, the yield and/or the redemption amount depends on the performance of one or more funds, including hedge funds, so-called fund of funds (a fund of funds is a fund which invests in one or more funds), fund indices or baskets of funds. The funds may be domestic or foreign and managed by well-known or less well known fund managers. Some of the funds are so called UCITS funds whereas other funds have not been approved by (and thus not under supervision of) any relevant supervisory authority. The funds may be organised as mutual funds or in corporate form. Examples of funds that are often organised in corporate form are the private equity funds, hedge funds and/or fund of funds. Not all funds are subject to investor protection rules similar to those that apply to UCITS. Funds and fund of funds have different types of investment strategies and different risk levels and a fund index may relate to a number of different funds. The investment scope and strategy of the individual funds and other material information will be clearly stated in the relevant Final Terms. Further, it is important to note that the fund rules of many funds or funds of funds provide various restrictions with respect to redemption of fund units, for example, it may be possible to redeem units only on a limited number of times during a year or in a minimum or maximum amount and there may be circumstances under which redemption is closed entirely. Further it is important to note that in certain funds or funds of funds the liquidity might be limited or non existent. Such liquidity restrictions are generally mirrored in the fund-linked Notes and are therefore relevant to the investor in the Notes as they may result in delayed (or cancelled) redemption of the Notes.

Commodity-linked Notes

In a commodity-linked Note, the yield or redemption amount depends on the value of one or more commodities, a commodities index or a basket of commodities and/or commodities indices, or a relevant comparison figure for the Reference Asset. Commodities that may be used as Reference Assets include, but are not limited to, electricity, oil, gold, emission rights, aluminium, copper and zinc.

Currency-linked Notes

In a currency-linked Note, the yield or redemption amount depends on the value of one or more currencies or baskets thereof, or a relevant comparison figure for the underlying currency and/or rates of exchange of one or more currencies in relation to each other. The value of one or more currencies or relevant exchange rates may be determined by reference to spot or forward rates and may be generated from official sources such as published benchmarks, but also by reference to private trades on the currency market or on the basis of quotes from a number of independent banks.

Index-linked Notes

In an index-linked Note, the yield and/or redemption amount depends on the performance of one or more indices or baskets of indices. The risk exposure under an index-linked Note may be directed at certain markets, industries or certain types of assets. Examples of indices which may be relevant include property indices, commodities indices, equity indices, inflation indices and indices for other types of assets.

Proprietary Indices

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

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

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

Index Tracker	Index Name	Index Sponsor	Currency	Website for obtaining information about the Index
NQNDMOT	**Nasdaq Nordea SmartBeta Momentum TR Index**	**Nasdaq/Nordea**	**SEK**	**www.nasdaq.com**
NQNDVOT	**Nasdaq Nordea SmartBeta Volatility TR Index**	**Nasdaq/Nordea**	**SEK**	**www.nasdaq.com**

Index Tracker	Index Name	Index Sponsor	Currency	Website for obtaining information about the Index
NQNDDIT	Nasdaq Nordea SmartBeta Dividend TR Index	Nasdaq/Nordea	SEK	www.nasdaq.com
NQNDDMT	Nasdaq Nordea SmartBeta Dividend Momentum Swe TR	Nasdaq/Nordea	SEK	www.nasdaq.com
NQNDDVT	Nasdaq Nordea SmartBeta Dividend Volatility Swe TR	Nasdaq/Nordea	SEK	www.nasdaq.com
NQNDMVT	Nasdaq Nordea SmartBeta Momentum Volatility Swe TR	Nasdaq/Nordea	SEK	www.nasdaq.com
NQNDMVEUROP	Nasdaq Nordea SmartBeta Momentum Volatility Eurozone PR	Nasdaq/Nordea	EUR	www.nasdaq.com
NQNDMVEUROT	Nasdaq Nordea SmartBeta Momentum Volatility Eurozone TR	Nasdaq/Nordea	EUR	www.nasdaq.com
NQNDMVEURON	Nasdaq Nordea SmartBeta Momentum Volatility Eurozone NTR	Nasdaq/Nordea	EUR	www.nasdaq.com
NQNDDMBEUROP	Nasdaq Nordea SmartBeta Dividend Momentum Beta Eurozone PR	Nasdaq/Nordea	EUR	www.nasdaq.com
NQNDDMBEUROT	Nasdaq Nordea SmartBeta Dividend Momentum Beta Eurozone TR	Nasdaq/Nordea	EUR	www.nasdaq.com
NQNDDMBEURON	Nasdaq Nordea SmartBeta Dividend Momentum Beta Eurozone NTR	Nasdaq/Nordea	EUR	www.nasdaq.com

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

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

Green Notes

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply an amount equivalent to 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**") and any such Tranche of Notes being referred to as the "**Green Notes**" and the amount equivalent to the proceeds from an offer of those Green Notes being referred to as the "**Green Notes Proceeds**").

Prospective investors in any Green Notes should have regard to the information in the relevant Final Terms regarding such use of Green Notes Proceeds, seek advice from their independent financial adviser or other professional adviser regarding their purchase of any Green Notes before deciding to invest and must determine for themselves the relevance of such information for the purpose of any investment in such Green Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or any other person that the use of such Green Notes 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 bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental impact of any projects or uses, the subject of or related to, the relevant Green Assets.

Furthermore, no assurance is or can be given by the Issuer or any other person that the Green Assets will meet investor expectations or requirements regarding such "green" or any similar labels (including under Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called "**EU Taxonomy**") or Regulation (EU) 2020/852 as it forms part of domestic law in the United Kingdom by virtue of the EUWA) or that any adverse environmental 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 by the Issuer or any other person 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 Green Notes and in particular with any Green Assets to fulfil any environmental and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor shall it be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Green Notes. Any such opinion or certification is only current as of the date on which it was initially issued and the criteria and/or considerations that underlie such opinion or certification provider may change at any time. Prospective investors in any Green Notes 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 Green Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

If any such Green Notes are listed or admitted to trading or otherwise displayed on any dedicated "green", "environmental" or other equivalently-labelled 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 or display 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 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 or display may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Issuer or any other person that any such listing or admission to trading or display will be obtained in respect of any such Green Notes or, if obtained, that any such listing or admission to trading or display will be maintained during the life of the Green Notes.

While it is the intention of the Issuer to apply Green Notes Proceeds for Green Assets in, or substantially in, the manner described in the relevant Final Terms, there can be no assurance that (i) the relevant Green Asset and the use of such Green Notes Proceeds 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 such Green Notes Proceeds will be wholly or partially used for such Green Assets or (ii) 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 to apply Green Notes Proceeds in, or substantially in, the manner described in the relevant Final Terms, or any failure to provide or publish any reporting or any (impact) assessment or to obtain any third party opinion, certification or label (or the withdrawal of any such opinion, certification or label), or any Green Assets ceasing to be classed as such prior to maturity of the relevant Green Notes, or the fact that the maturity of an Green Asset may not match the minimum duration of any Green Notes, will not (i) constitute an Event of Default under the relevant Green Notes, (ii) give rise to any other claim or right (including, for the avoidance of doubt, the right to accelerate the Green Notes) of a holder of such Green Notes against the Issuer or the Dealers or (iii) lead to an obligation of the Issuer to redeem such Green Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Green Notes.

Any such event or failure to apply Green Notes Proceeds in, or substantially in, the manner described in the relevant Final Terms 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 Green Notes no longer being listed or admitted to trading or displayed on any stock exchange or securities market as aforesaid, may have a material adverse effect on the value of such Green Notes and also potentially the value of any other Green 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.

For the avoidance of doubt, (i) there is no direct or contractual link between Green Notes and the Green Assets (or any other environmental or similar targets set by the Issuer) and consequently neither payments of principal and interest (as the case may be) on, nor an investor's right to accelerate repayment of, the Green Notes shall depend on the performance of the relevant Green Assets or the performance of the Issuer in respect of any such environmental or similar targets, (ii) Green Notes will be subject to the bail-in tool and to write down and conversion powers, and in general to the powers that may be exercised by the Relevant Resolution Authority, to the same extent and with the same ranking as any other Note which is not a Green Note (see the section entitled "*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 (iii) Green Notes, as any other Notes, will be fully available to cover any and all losses arising on the balance sheet of the Issuer (in the same way as the Issuer's other instruments not classified as Green Notes) regardless of their "green" or other similar label.

The performance structure – a description

The performance structures described below determine the manner in which the performance of the relevant Reference Assets (as described for each type of Note described above) affects the yield and/or the redemption amount under the Notes. The performance structures set forth below may be applied to several of the aforementioned types of Notes. Structured Notes may, in many cases, correspond in terms of risk and functionality to combinations of several types of traditional instruments, for example, a bond combined with a share, a fund unit and/or a derivative instrument. The value of a structured Note will be affected by the value of the Reference Asset. The value of the Reference Asset is sometimes determined at a number of occasions during the term of the Notes and sometime only at maturity. The performance may be positive or negative for the investor. Thus, the investor's right to yield and, where applicable, payment of the redemption amount is a function of the performance of the Reference Asset and the applicable performance structure. Investors will be notified of the relevant performance as well as yield and redemption amount in accordance with (and to the extent required by) the Terms and Conditions and Final Terms of the relevant Notes.

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

The Redemption Amount of the Notes may be a combination of a fixed amount (the "**Base Redemption Amount**") and one or more additional amounts (an "**Additional Amount**") determined in accordance with one or more of the performance structures specified below.

The Additional Amount may be added to, or subtracted from, the Base Redemption Amount for the purposes of calculating the Redemption Amount payable at maturity, and may be negative. As a result, a Noteholder may in certain circumstances receive less than the Principal Amount of the Notes upon their final redemption. The Final Terms will specify which of the performance structures is applicable to each Series of Notes.

The Additional Amount may alternatively be payable on a different date to the Redemption Date, the date on which the Additional Amount is payable being the "**Alternative Additional Amount Payment Date**" as specified in the relevant Final Terms. Notwithstanding the foregoing, the Base Redemption Amount will be payable on the Redemption Date.

"Basket Long" and "Basket Short" structures

The basic method for calculation of performance under a structured Note compares the change between the initial price and the Final Price of one or more Reference Assets (a group of Reference Assets being referred to as a "**Basket**"). In order to mitigate the impact of temporary value fluctuations in the Reference Asset, the performance of the Reference Asset may be determined on the basis of an average value during the term of the Notes (i.e. there are several valuation points during the term of the Notes). In some Notes however, the value is determined on the basis of a single valuation. In a "**Basket Long**" structure, the positive performance of the Reference Assets within the Basket will have a positive effect on the return on the Notes, whereas in a "**Basket Short**" structure, the positive performance of the Reference Assets will have a negative effect on the return on the Notes.

The performance of an individual Reference Asset, or the Basket as a whole, may also be subject to a floor, which acts as a minimum level of performance, or a cap, which acts as a maximum level of performance. The Basket Long and Basket Short structures are building blocks which form part of many other performance structures.

"Barrier" structures

This structure provides for a fixed return on the Basket which replaces the actual final return if the Basket Return reaches and/or exceeds a price cap (a "**Barrier Outperformance**" structure) or is less than a price floor (a "**Barrier Underperformance**" structure). The structure may also be linked to one or more best or worst performing Reference Assets, rather than the performance of the Basket as a whole.

Autocallable structures

The return on the Notes depends on (i) the Basket Return, (ii) different barrier levels and (iii) the Coupon (if any), as defined below.

If the Basket Return on any Observation Date is at or above a specified call barrier level, then the Notes will be called for early redemption on the Early Redemption Date immediately following that Observation Date and the whole Principal Amount of the Notes will be repaid. A pre-determined Coupon may also be payable, either on the relevant early redemption date or such other dates(s) as may be specified in the relevant Final Terms.

If the Basket Return is below the Risk Barrier Level on any Risk Barrier Observation Date, the relevant Redemption Amount will be equal to the sum of the Base Redemption Amount of the Notes and an Additional Amount equal to the Principal Amount of the Notes multiplied by the Participation Ratio and the lower of the Basket Return on the Valuation Date, and a pre-determined maximum Basket Return (if applicable); and

If the Basket Return is at or above the Risk Barrier Level on the Risk Barrier Observation Date(s), the relevant Redemption Amount will be equal to the sum of the Base Redemption Amount of the Notes and an Additional Amount which will be equal to the Principal Amount of the Notes multiplied by the Participation Ratio 2 and the higher of a pre-determined minimum Basket Return or the Basket Return (if applicable) on the Valuation Date.

Different fixing methods and different weighting methods (e.g. worst of, best of, momentum etc.) may be used for the purposes of determining the Basket Return on any Observation Date.

If the Basket Return is above the Coupon Barrier Level on any Valuation Date, the Notes may also pay Interest (known as the "**Coupon**"). The Coupon may be structured in one of the following ways:

If the Coupon type is "**Flat**", the Coupon will be the Principal Amount of the Notes multiplied by the relevant Coupon Rate.

If the Coupon type is "**Memory**", the Coupon will depend on the number of Coupons already paid in the lifetime of the Notes. The Coupon will be the Principal Amount of the Notes multiplied by a predefined Coupon Rate and multiplied by the number of preceding Interest Payment Dates, (up to and including the current Interest Payment Date), for which a Coupon has not been paid.

If the Coupon type is "**Plus Flat**", the Coupon will be the Principal Amount of the Notes multiplied by the higher of the Basket Return and the Coupon Rate.

If the Coupon type is "**Plus Memory**", the Coupon will be equal to the Principal Amount of the Notes multiplied by the higher of: a) the Coupon Rate multiplied by the number of preceding Interest Payment Dates, (up to and including the current Interest Payment Date), for which a Coupon has not been paid; and (b) the Basket Return.

If the "*Best of/Worst of Modifier*" (as set out below) is applied to the Autocallable Structure, the Additional Amount (and any early redemption amount) will be determined by reference to the Final Price of the Nth best or worst performing Reference Asset rather than the Basket as a whole. The value of N will be specified in the relevant Final Terms.

Autocallable Rate structure

If the value of an underlying Reference Rate either out-performs or under-performs a pre-determined risk barrier level, as specified in the relevant Final Terms (the "**Autocall Condition**"), the Notes will be subject to early redemption. If the Autocall Condition is not satisfied prior to the final Valuation Date, the Notes will be redeemed on the Redemption Date.

"Replacement Basket" structures

In a Replacement Basket structure, the return generated by certain Reference Assets is replaced with a pre-determined figure. The performance of each Reference Asset is measured separately at the end of the Notes' term, and the performances are ranked based on the relative percentage return of each Reference Asset. The returns relating to a certain number of the best ranked Reference Assets are replaced by pre-determined percentage value for the purposes of determining the overall Basket Return.

"Locally Capped Basket" structures

In a Locally Capped basket structure, the return generated by each Reference Asset is subject to a pre-determined cap on the Reference Asset Return.

"Rainbow Basket" structures

For the Rainbow Basket, the weightings of each Reference Asset will be set at maturity in a pre-determined manner. All Reference Asset Returns are measured separately at the maturity and ranked based on the relative performance. The weightings for each Reference Asset are then set based on this order in the manner specified in the Final Terms. Depending on the relationship between the relative ranking of each Reference Asset and the applicable weighting within the Basket, the Rainbow Basket structure may increase or decrease the relative contribution that either the best or worst performing Reference Assets will make to the overall Redemption Amount.

"Booster" structures

Booster structures can have a positive or negative return, based on the performance of the underlying Reference Asset(s). The return will be added to, or subtracted from, the Principal Amount of the Notes for the purposes of calculating the Redemption Amount payable at maturity. As a result, a Noteholder may in certain circumstances receive less than the Principal Amount of the Notes upon their final redemption. Booster structures may also have different participation ratios depending on whether or not the performance of the Reference Assets is positive or negative, thereby increasing or decreasing the Noteholders' exposure to the performance of the relevant Reference Assets.

"Twin Win" structure

The Additional Amount is calculated in a manner similar to the Basket Long structure – if the performance of the Basket is positive the Additional Amount will also be positive. Additionally, if the performance of the Basket is negative but above a predetermined barrier level, then the Additional Amount will also be positive. If the performance of the Basket is negative but below the relevant barrier level, then the Additional Amount will also be negative and the Redemption Amount will be less than the Principal Amount of the Notes.

Risk Barrier structures

Risk barrier structures deliver a positive or negative return depending on the performance of the Basket as compared to both: (i) the Initial Basket Level on the final Valuation Date and (ii) a pre-determined barrier level on certain other days during the lifetime of the Notes.

Bonus Booster structures

The product is similar to the basic Booster structure described above, except that at maturity a pre-determined bonus payout may apply if the Basket Return is never below the relevant barrier level on the relevant Valuation Date(s).

Cliquet structure

The payout in the Cliquet structure is dependent on the accumulated sum of the relative (percentage) changes in the underlying Basket for a number of pre-determined Valuation Periods during the lifetime of the Notes. The Cliquet structure also has some specific features that can be used:

- The relative changes in the underlying Basket can also be locally capped and/or floored for each individual Valuation Period.
- The accumulated sum of the relative changes can also be subject to a global cap or floor.

The product may also have a lock-in feature. This means that if the cumulative return on any Valuation Date has reached a predefined Lock-in Level, the final payment will be at least that Lock-in Level. There can be many different Lock-in Levels, and there can be no assurance that any given Lock-in Level will be reached during the lifetime of the Notes.

Reverse Cliquet structure

A Reverse Cliquet structure, rather than accumulating returns, pays out a sum at maturity equivalent to a set percentage rate minus the accumulated sum of the relative changes in the underlying Basket for a number of pre-determined Valuation Periods during the lifetime of the Notes.

Replacement Cliquet structure

Similarly to a standard Cliquet structure, the return generated in a Replacement Cliquet structure is equal to the cumulative sum of the Basket's periodic performances. However, whereas a standard Cliquet structure often has local caps and floors for the periodic performance, the Replacement Cliquet structure instead replaces the returns of a certain number of the best performing Valuation Periods with a predefined value.

Reverse Replacement Cliquet structure

The Reverse Replacement Cliquet structure is a variation of the basic Replacement Cliquet Structure, but it replaces the returns of a certain number of the best performing Valuation Periods with a predefined value.

Rainbow Replacement Cliquet structure

The Rainbow Replacement Cliquet structure describes a Note where the weight of each Reference Asset is determined after the performance of each Reference Asset is known, following the principle that the best performing underlying is given the highest weight, and so forth. The performance of each individual Reference Asset is calculated on the same basis as the basic Cliquet structure, and represents the accumulated sum of the relative changes in the underlying Reference Asset for each Valuation Period during the lifetime of the Notes.

Reverse Convertible structure

Reverse convertibles are structured Notes offering interest payments which are not dependent on the performance of the underlying Basket. At maturity the proportion of the Principal Amount which is paid back will depend on the performance of the underlying Basket.

If the aggregate underlying performance of the Reference Assets within the Basket is positive then the Redemption Amount will be equal to the Principal Amount of the Notes.

If the aggregate underlying performance of the Reference Assets within the Basket is below a set threshold, then the Redemption Amount will be equal to the Principal Amount of the Notes, less an amount calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the relevant Basket Return.

Reverse Convertible Risk Barrier structure

The structure is similar to the basic Reverse Convertible structure, except that the possible negative payout is determined by reference to a pre-determined barrier level on certain days during the lifetime of the Notes.

If on any applicable Valuation Date the aggregate underlying performance of the Reference Assets within the Basket is below a certain pre-determined barrier level and is below the specified strike level on the final Valuation Date, the Principal Amount of the Notes will not be paid back in full. Instead, the Redemption Amount will be dependent on the performance of the Basket and will be equal to the Principal Amount of the Notes less an amount calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the relevant Basket Return.

"Best of/Worst of" Reverse Convertible structure

The structure is the same as the basic Reverse Convertible Risk Barrier structure, except that the possible reduced Redemption Amount is determined by reference to the worst performing Reference Asset. The performance of each Reference Asset is measured separately, and the payout on the Notes is based on the performance of the Nth best performing Reference Asset.

Worst of Digital Memory Coupon structure

The Worst of Digital Memory Coupon structure is a memory coupon structure with a payout that is conditional on the performance of the Reference Assets exceeding certain pre-determined barrier levels on a number of consecutive Valuation Dates.

Worst of Call Option structure

The Worst of Call Option structure gives the Noteholder an exposure to the worst performing Reference Asset in the Basket. The additional amount payable to the Noteholder will be the greater of zero, and the performance of the worst performing Reference Asset.

Outperformance Option structure

The Outperformance Option structure offers the investor the possibility of a ranked return on a Basket of underlying Reference Assets. Whereas the Additional Amount payable in relation to a normal Basket structure is dependent on the absolute performance of the relevant Basket, the pay out of an Outperformance Option structure is dependent on the relative performance of two Baskets ("**Basket A**" and "**Basket B**"), not on the absolute performance of either Basket. The outperformance option may compare the performance of two long baskets, two short baskets, or the performance of one long basket and one short basket.

Credit-Linked Notes

A credit-linked note ("**CLN**") is a Note where the Redemption Amount and, if relevant, Interest Payments depend on the occurrence of Credit Events in selected obligations of one or more Reference Entities. A Credit Event is a corporate event which typically is due to a credit deterioration of a Reference Entity, e.g. bankruptcy, failure to pay or restructuring of its debt (e.g. a lowering of future coupon payments or an extension of maturity). In addition, the interest and redemption payments depend on the ability of the Reference Entity/ies to make payments of principal or interest on its outstanding debt obligations.

In case of a Credit Event affecting a Reference Entity, the Redemption Amount and, if relevant, any Interest Payments, may be reduced. The reduction of the nominal amount may be calculated using market recovery values or a predetermined fixed recovery value. If a fixed recovery value is used, the fixed recovery value may be zero.

The interest in relation to a CLN is typically paid over time, but may also be paid at maturity. The interest may or may not depend on the occurrence of Credit Events.

A distinction can be drawn between three principal types of CLN structures:

(a) Non-tranched CLN,

(b) Tranched CLN, and

(c) Nth-to-Default / Nth and Nth+1-to-Default CLN.

For the tranched and non-tranched CLN, the Redemption Amount and, if relevant, Interest Payments, are based on the weighted losses in the same or different portfolios of Reference Entities as a result of the occurrence of one or more Credit Events.

For the Nth to default and Nth and Nth+1 to default CLNs, the Redemption Amount and, if relevant, Interest Payments, are based on the number and possibly order of Credit Events in the same reference portfolio.

For tranched CLNs, the occurrence of a Credit Event may have no impact or a more than proportional impact on the future redemption value and, if relevant, coupon payments depending on the specific structure.

For non-tranched CLNs, the reduction of the nominal amount due to Credit Events will affect the future redemption and, if relevant, coupon payments. Non-tranched CLN's may also be callable or puttable (i.e. redeemed at a single pre-specified point in time before scheduled maturity) at the discretion of the Issuer or the investor. In addition, Non-tranched CLN's may involve one or more additional payments.

For Nth-to-Default CLNs, the occurrence of the first N-1 Credit Events will have no impact on the future redemption value and, if relevant, coupon payments. However, the impact of the Nth Credit Event will have a more than proportional impact on the future redemption value and, if relevant, coupon payments.

Similarly, for Nth & Nth+1 to Default CLN's, the impact of the Nth and Nth+1 Credit Event will have a more than proportional impact on the future redemption value and, if relevant, coupon payments.

Option CLN structure

The purpose of the structure is to provide exposure to the development of credit risk (i.e. the risk of Credit Events occurring) in a specific market, such as European or US investment grade entities, or high yield borrowers. The exposure is provided through the issuance of Notes which are linked to index CDS spreads. Index CDS spreads represent the cost of buying protection against the occurrence of Credit Events affecting the entities comprising the relevant index. Index CDS spreads may be viewed as proxies for the development of credit risk in specific markets as a whole, as they generally represent diversified portfolios of some of the most freely traded individual credit exposures in the relevant market. Index based credit default swaps are among the most widely traded credit derivatives, and are used by financial institutions and asset managers to manage the credit risk inherent in their investment portfolios.

Using a single option payout, the Issuer may offer structures whereby the investor will benefit from a directional movement in credit spreads, e.g. either if credit spreads increase above a specified level or decrease below a specified level over the lifetime of the CLN.

By combining two option payouts, the Issuer may offer structures where the investor would benefit both if credit spreads increase above a specified level and decrease below a specified level. The Issuer may also offer structures where the investor would benefit from a directional move in credit spreads, but where the potential benefit is limited. e.g. where the investor would benefit if credit spreads decrease down to a certain level, but where a further decrease below that level will not generate any incremental return.

By combining three or four option payouts, the Issuer may offer additional structures.

Mark to Market CDS structure

The structure provides exposure to the mark-to-market (i.e. termination) value of one or more credit default swaps referencing the Reference Entities, or index of Reference Entities, specified in the relevant Final Terms.

Digital Long and Short structures

In a Digital Long structure, the Additional Amount will equal the Principal Amount of the Notes multiplied by a pre-determined Coupon level if the Basket Return on the final Valuation Date exceeds a pre-determined strike level. If the Basket Return does not exceed the strike level the Additional Amount is zero.

In a Digital Short structure the position is reversed, and the Additional Amount is zero if the Basket Return on the final Valuation Date is at or above the applicable strike level.

Digital structures may also be combined with a best of/worst of feature, which means that the valuation points and Additional Amount will be determined by reference to the best or worst performing Reference Asset rather than the Basket as a whole.

Series of Digitals

The Series of Digitals pays a redemption amount that is proportionate to the number of Reference Assets within the Basket whose performance exceeds a pre-specified barrier level. Where a Reference Asset's performance does not exceed the relevant barrier level, it does not contribute to the return an investor receives on the Notes.

"Delta 1" structure

Under a "**Delta 1**" structure the investor in the Notes receives the current value of the Reference Asset on the redemption date, less any applicable fees and taxes. In this type of structure the investor is fully exposed to the performance of the underlying Reference Asset and the Note is not capital protected.

Volatility Target structure

The deemed exposure to the underlying Reference Asset(s) (the "**Exposure**") is determined by comparing:

(i) the short term historical volatility of the underlying Reference Asset(s); and

(ii) a target volatility (the "**Target Volatility**"), subject to a pre-determined cap or floor.

When the short-term historical volatility of the underlying Reference Asset(s) increases, the deemed exposure to the underlying Reference Asset(s) decreases, and when the short-term historical volatility of the underlying Basket decreases, the deemed exposure to the underlying Reference Asset(s) increases.

If the short-term historical volatility is greater than the Target Volatility, then the Exposure of the Notes to the underlying Reference Asset(s) will be less than 100%. If the short-term historical volatility is equal to the Target Volatility, then the Exposure of the Notes to the underlying Reference Asset(s) will be 100%. If the short-term historical volatility is less than the Target volatility, then the Exposure of the Notes to the underlying Reference Asset(s) will be greater than 100% (subject to any maximum or minimum levels as discussed above).

On each Rebalancing Date, the terms and conditions will provide for the determination of a target level of Exposure (the "**Target Exposure**") in respect of the subsequent Rebalancing Period. The Hedging Party will then endeavour to establish Hedge Transactions which replicate a physical Exposure to the Reference Assets which is as near as possible to the Target Exposure. There may however be variations in the actual level of Exposure which the Hedging Party is able to generate, and the time at which the Exposure in relation to the Notes can be adjusted, as a result of the time lag between determination of the Target Exposure and the establishment of the relevant Hedge Transactions, and the terms and conditions applicable to the redemption, subscription and sale of the relevant Reference Assets by the Hedging Party. There will be no change in the actual Exposure in respect of the Notes until the relevant Hedge Transactions have been established by the Hedging Party. As a result of these factors, the actual Exposure in respect of the relevant Rebalancing Period may differ from the Target Exposure for such Rebalancing Period.

In and Out Options

The "**In**" and "**Out**" option structures are barrier options, which generate an Additional Amount depending on whether or not the Basket Return is above or below a predetermined barrier level specified in the Final Terms (the "**Barrier Level**"). The "**Up and In**" option structures will generate an Additional Amount linked to the performance of the relevant Basket if the Basket Return is at or above the relevant Barrier Level on any Valuation Date. In a "**Down and In**" option structure, an Additional Amount will be generated if the Basket Return is at or below the relevant Barrier Level on any Valuation Date. The Additional Amount may be positive or negative depending on whether or not the Option type is a "**bought**" option or a "**sold**" option respectively.

The "**Up and Out**" option structures generate an Additional Amount linked to the performance of the relevant Basket if the Basket return is at or below the relevant Barrier Level on all Valuation Dates. In a "**Down and Out**" option structure an Additional Amount will be generated if the Basket Return is at or above the relevant Barrier Level on all Valuation Dates. The Additional Amount may be positive or negative depending on whether or not the Option type is a "**bought**" option or a "**sold**" option respectively.

Each of the "**In**" and "**Out**" option structures may be based on either an underlying "Basket Long" or "Basket Short" structure. The "**In**" and "**Out**" option structures may also pay a fixed rate of return know as a 'coupon' or a 'rebate' in the event that they do not generate an Additional Amount linked to the performance of the relevant Basket. In a "**bought**" option structure the coupon or rebate will be payable to the Noteholder, whereas in a "**sold**" option structure the coupon or rebate will be payable by the Noteholder and may therefore result in a negative Additional Amount (which may be deducted from the Base Redemption Amount).

Booster Risk Barrier 2

The Booster Risk Barrier 2 structure is a combination of an "**at the money**" call option, and an "**out of the money**" put option. The strike price for the call option is set at the prevailing price of the Reference Asset or Basket as at the issue date of the relevant Notes. If the value of the Reference Assets or Basket exceeds a pre-determined barrier level, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return (calculated on the Basket Long basis described above). The strike price for the put option is set below the prevailing price of the Reference Asset or Basket at the issue date of the relevant Notes, and so if the value of the Reference Asset or Basket depreciates below the specified barrier level, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio 2 and the Basket Return (calculated on the Basket Short basis described above).

Steepner

The Steepner measures the relative performance of two underlying rates. If the difference between the first rate and the second rate is at or above the upper Barrier Level, the Notes will generate a positive return. If the difference between the first rate and the second rate is below the lower Barrier Level, the overall return on the Notes will be reduced in proportion to the downside performance. The product may have either one Barrier Level (in which case the upper and the lower Barrier Level will be the same) or two Barrier Levels; products with two Barrier Levels will repay the principal amount of the Notes if the difference between the two underlying rates falls between the respective Barrier Levels.

FX Components

The Base Redemption Amount, the Additional Amount, the Redemption Amount or the Reference Asset Return determined in accordance with one of the performance structures specified above may also be multiplied by an applicable FX factor for the purposes of determining the total amount payable to holders, which reflects the variations in an underlying exchange rate during the lifetime of the Notes.

Best of/Worst of Modifier

Performance structures may be modified so that the valuations, observations, Redemption Amount and Additional Amount are all determined by reference to the Nth best (or worst) performing Reference Asset, where N shall be a pre-specified value given in the Final Terms.

Lookback Initial Price Modifier

If the Lookback Initial Price is applicable to the Notes, the Additional Amount in relation to the Notes will be calculated by reference to either the highest or the lowest initial price during the relevant observation period, as specified in the Final Terms.

Lookback Final Price Modifier

If the Lookback Final Price is applicable to the Notes, the Additional Amount in relation to the Notes will be calculated by reference to either the highest or the lowest Final Price during the relevant observation period, as specified in the Final Terms.

Lock-in Modifier

If the Lock-in Modifier is applicable to the Notes, the Basket Return shall be replaced by the Lock-in Basket Return for the purposes of calculating the Additional Amount in accordance with one or more of the foregoing performance structure(s). The "**Lock-in Basket Return**" will be the highest Basket Return on any Valuation Date.

Lock-in Basket Floor

If the Lock-in Basket Floor is applicable to the Notes, then if the Basket Return exceeds the relevant barrier level on any Valuation Date, the Basket Return will be replaced with the higher of the Basket Return and a pre-determined minimum Basket Return for the purposes of determining the Additional Amount in accordance with the relevant performance structure.

Plateau Booster

If the Plateau Booster is applicable to the Notes, then (a) if the Basket Return is below the pre-determined Barrier Level on the final Valuation Date, the Additional Amount will be calculated by multiplying the principal amount of the Notes by the Participation Ratio and the Basket Return on the final Valuation Date (which may result in a redemption amount of less than the principal amount of the Notes), (b) if the Basket Return is at or above the pre-determined Barrier Level on the final Valuation Date and the Call Performance is below the Initial Basket Level on the final Valuation Date, the Additional Amount will be zero, and (c) if the Basket Return is at or above the Barrier Level on the final Valuation Date and the Call Performance is greater than or equal to the Initial Basket Level on the final Valuation Date, the Additional Amount will (i) if the Call Performance is less than the pre-determined OTM Strike be equal to the Principal Amount of the Notes multiplied by the pre-determined Gearing and lower of the Call Performance and the pre-determined Cap or (ii) if the Call Performance is greater than or equal to the OTM Strike be equal to the amount calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the Call Performance.

Combination of Structures

The Issuer may combine the performance structures relating to the Notes, by applying different or combined performance structures to different Reference Assets within the Basket or to different sub-Baskets, or by applying different performance structures depending on whether or not the Basket Return has exceeded certain pre-determined barrier levels within the overall lifetime of the Notes.

Other factors which may affect the redemption amount or yield under a Note

The different types of Notes and the performance structures described above may be combined with one or several of the variables described below. These variables may affect the investor's risk and the yield and/or the redemption amount under the Notes.

Absolute figures or percentage changes

The reference figures which may form part of the performance structures described above for determining performance may be an absolute figure or be expressed as a percentage.

Early redemption

In a Note with an early redemption feature, the Issuer is entitled to redeem the Note before the stated maturity date if the price of a Reference Asset or Basket during the term of the Notes reaches a certain predetermined level (referred to as a call option) or for other reasons. In certain cases, a predetermined early redemption amount may be specified. The Notes will be redeemed automatically on the relevant date(s) provided in the Conditions without the contractual requirement for the holders to submit an exercise notice. There are also structures which allow the investors to demand redemption of the Note prior to maturity, for example in order to lock in and realise a positive performance in the Reference Asset (referred to as a put option). The existence of a call or put option will be clearly stated in the relevant Final Terms.

Participation ratio

The structure of the Notes may contain one or several participation ratios which is used to determine the exposure to the respective Reference Asset, i.e. the proportion of the change in value which accrues to the investor in each individual Note. The Participation Ratio is set by the Issuer and is determined by, among other things, the term, volatility, market interest rate and expected return on the Reference Asset. The Participation Ratio may also vary depending on the performance of the underlying Reference Asset(s).

Premium or discount

Notes may be issued at a premium or discount, which means that the investor pays on issue an amount that is higher or lower than the principal amount of the Notes. Zero coupon Notes are frequently issued at a discount. Structured Notes may be issued at a premium and the premium can be considered as the cost that the investor pays for being entitled to receive a comparatively larger part of a positive performance of the Reference Asset. The difference between the paid amount and the Notes' principal amount (the premium) is never covered by any minimum redemption feature of the Notes.

Multipliers and leverage effects

In certain structured Notes a multiplier is included against which the performance of the Reference Asset is multiplied, thereby significantly increasing the portion of the change in value which may be credited to the investor in a Note. A high multiplier often entails that the Note is issued at a higher premium. The multiplier will result in a more rapid loss of invested capital in the event of a negative performance of the Reference Asset. Notes with a multiplier always provide a floor so that a negative performance in the Reference Asset does not result in the value of the Notes becoming negative.

Leveraged structures offer a higher exposure to the Reference Asset than the amount that the invested capital would otherwise allow. The leverage is often created by the application of a participation ratio or gearing factor which gives a greater than 100 per cent. exposure to the underlying Reference Assets. The leverage can sometimes vary over time according to a predefined mechanism. Such mechanism may also serve the purpose of keeping the leverage and/or the exposure to the Reference Assets within certain limits.

Currency factors

If the currency of the Reference Asset differs from the currency of the Notes, investors may be exposed to a currency risk relating to the exchange rate between the currency of the Notes and the currency of the Reference Asset.

Alternatively, if "**FX Components**" are specified as being applicable to one or more performance structures, the Redemption Amount, the Additional Amount, the Basket Return or the Reference Asset Return may be adjusted by multiplying them by a factor which reflects the variation in one or more foreign exchange rates during the relevant time periods being measured or observed.

"Rebalancing"

Rebalancing is a continuous adjustment of the relationship between the exposure under a risk asset and invested principal.

Averaging of Valuations

When determining the starting value (initial price) and/or closing value (final price) of each Reference Asset, they can be calculated as an average of underlying closing values on pre-determined dates specified in the Final Terms ("**Valuation Date Averaging**"). Values for the underlying observations can be taken periodically (e.g. monthly, quarterly, semi-annually or annually). The Basket return payout is then calculated based on the performance of each Reference Asset over the life of the Note, taking the relevant weightings of each Reference Asset within the Basket into account.

Strike Level

The Strike Level (as specified in the Final Terms) may be set in such a way that the initial value assigned to one or more Reference Assets within the Basket for the purposes of measuring the relative performance of that Reference Asset, does not equal the initial spot market price of the relevant Reference Asset(s), creating Notes that may be "**in**" or "**out**" of the money on their issue date. For example, where the return on a Reference Asset is calculated by dividing the Closing Price of the relevant Reference Asset by its Initial Price and subtracting the Strike Level, a Strike Level in excess of 100% will result in the investor receiving a proportionate return that is less than the relative performance of the Reference Asset. A Note which is out of the money on its issue date will result in the Noteholder potentially receiving a lower return than a direct investment in the relevant Reference Asset. Conversely a Note which is in the money on its issue date will result in a higher potential return than a direct investment in the relevant Reference Asset. An overall strike level (the "**Basket Strike Level**") may also be applied to the Basket as a whole.

TOM Cumulative Strategy

The TOM Cumulative Strategy replicates an investment in particular Reference Assets that is only made for a limited time period in each calendar month. At other times the Notes replicate an investment in a time deposit or other fixed income investment.

Running PnL Strategy

The Issuer may (but is not obliged) to provide secondary market prices for the Notes on a regular basis under normal market conditions. If the Running PnL strategy is applicable, then the secondary market prices quoted by the Issuer in relation to the Notes may be increased by a running fee, which will be determined by the Issuer in its sole discretion from time to time.

Maximum and Minimum Redemption Amounts

If a Maximum Redemption Amount is applicable, the Redemption Amount will be the lesser of: (i) the amount calculated on the basis of one or more of the performance structures outlined above, and (ii) a pre-determined Maximum Redemption Amount as specified in the Final Terms.

If a Minimum Redemption Amount is applicable, the Redemption Amount will be the greater of (i) the amount calculated in accordance with one of the performance structures outlined above and (ii) a pre-determined Minimum Redemption Amount as specified in the Final Terms.

If both a Maximum and a Minimum Redemption Amount are applicable, the Redemption Amount will be the greater of: (i) the Minimum Redemption Amount and (ii) the lower of (x) the amount calculated on the basis of one or more of the performance structures specified above and (y) the Maximum Redemption Amount.

TERMS AND CONDITIONS OF THE NOTES

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

PART 1: – GENERAL CONDITIONS

The Notes are issued in accordance with a fiscal agency agreement, (as amended and/or restated and/or replaced from time to time, the "**Fiscal Agency Agreement**") dated 17 December 2021 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), Citibank Europe Plc as registrar (the "**Registrar**", which expression shall include any successor to Citibank Europe Plc 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**"), Nordea Bank Abp in its capacity as Swedish issuing agent for Swedish Notes (the "**Swedish Issuing Agent**") and Nordea Bank Abp in its capacity as Finnish issuing agent for Finnish Notes (the "**Finnish Issuing Agent**"). The Notes (other than the VP Notes, the VPS Notes, the Swedish Notes and the Finnish Notes) have the benefit of a deed of covenant (the "**Deed of Covenant**") dated 17 December 2021 (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 (each a "**Tranche**"), and each Tranche will be the subject of a final terms (each a "**Final Terms**") a copy of which, in the case of a Series in relation to which application has been made for admission to listing on the Official List of the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") and to trading on its regulated market, will be filed with Euronext Dublin and will be available for inspection at the specified office of each of the Fiscal Agent or, as the case may be, the Registrar on or before the date of issue of the Notes of such Series.

Notes may be settled 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 "**Euronext VPS**", respectively), the Swedish Central Securities Depository which will be the Swedish Central Securities Depositary and Clearing Organisation Euroclear Sweden AB ("**Swedish Notes**" and "**Euroclear Sweden**", or through the Finnish Central Securities Depository which will be Euroclear Finland Ltd ("**Finnish Notes**" and "**Euroclear Finland**").

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.

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

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 värdepapperscentraler och 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.

The registrar in respect of any Series of Finnish Notes will be Euroclear Finland (the "**Finnish Registrar**") in accordance with the Finnish Act on the Book-Entry Securities System and Clearing Activity (Fin. Laki *arvo-osuusjärjestelmästä ja selvitystoiminnasta* (348/2017)), as amended and the Finnish Act on Book-Entry Accounts (Fin. *Laki arvo-osuustileistä* (827/1991)), as amended.

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

References in these Terms and Conditions (the "**Conditions**") to Notes are to 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.

1. **Definitions**

In these Terms and Conditions the following definitions shall apply.

"**2006 ISDA Definitions**"	means the 2006 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms and, if specified in the relevant Final Terms, as supplemented by the ISDA Benchmarks Supplement) as published by the International Swaps and Derivatives Association, Inc.
"**2021 ISDA Definitions**"	means the ISDA 2021 Interest Rate Derivatives Definitions, including each Matrix (as defined therein) (and any successor thereto), each as published by ISDA (or any successor) on its website (http://www.isda.org), on the date of issue of the first Tranche of the Notes of such Series.
"**Additional Amount(s)**"	means the additional amount (or additional amounts) to be added to, or subtracted from, the Base Redemption Amount for the purposes of calculating the Redemption Amount in accordance with the relevant Conditions.
"**Additional Financial Centre(s)**"	means the city or cities specified as such in the relevant Final Terms.
"**Adjusted Calculation Amount**"	means (in respect of Notes that bear credit-linked interest), the Calculation Amount as adjusted in accordance with the provisions of one of Conditions 5(h) (*Non-Tranched CLN Interest*) to (k) (*Nth and Nth+1 to Default CLN Interest*) inclusive or, in the case of all other Notes, the Original Calculation Amount.
"**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 Interest Base Rate with the relevant Successor Rate or the relevant Alternative Benchmark Rate (as applicable), and is the spread, formula or methodology which: (a) in the case of a Successor Rate, is recommended or formally provided as an option for parties to adopt, in relation to the replacement of the Interest Base Rate with the Successor Rate by any Relevant Nominating Body; or (b) in the case of a successor Rate for which no such recommendation has been made, or option provided, or in the case of an Alternative Benchmark Rate the spread formula or methodology which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate as a result of the replacement of the Interest Base Rate with the Successor Rate or Alternative Benchmark Rate (as applicable).

"**Affected Reference Asset**"	a Reference Asset (or part thereof) that is affected by one or more of Market Disruption, Disruption, Calculation Adjustment, Corrections, Extraordinary Events, Change in Law, Increased Costs of Hedging or Hedging Disruption. If the Reference Asset is constituted by a basket of underlying assets, Market Disruption, Market Disruption Commodity, Disruption, Calculation Adjustment, Corrections, Extraordinary Events, Change in Law, Increased Costs of Hedging or Hedging Disruption shall be deemed to have occurred only for such underlying asset or assets which are affected.
"**Aggregate Portfolio Exposure**"	means the sum of the Portfolio Exposures in respect of each Basket.
"**Autocall Condition**"	has the meaning given to it in Condition 5(u) (*Autocallable Rate*).
"**Autocallable Notes**"	has the meaning given to it in Condition 6(c) (*Best of/Worst of Modifier*).
"**Averaging Dates**"	the dates specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention).
"**Back Stop Date**"	means (i) in the case of Credit-Linked Notes, the date which is 365 calendar days following the relevant Scheduled Redemption Date or Early Redemption Date (as applicable), following the issue by the Issuer of a Deferred Redemption Notice, and (ii) in any other case, as specified in the Final Terms.
"**Barrier Level**"	means each barrier level specified in the Final Terms.
"**Base CPI**"	the value of the relevant Inflation Rate as determined at the Valuation Time on the Initial Valuation Date(s).
"**Base Currency**"	the currency in which the Reference Asset is denominated.
"**Base Redemption Amount**"	as specified in the Final Terms.
"**Basket(s)**"	means the basket(s) of Reference Assets or Reference Entities specified in the relevant Final Terms.
"**Basket Participation**"	means the proportionate share of the Basket represented by each Reference Asset, determined as follows: If "**Fixed Basket Participation**" is specified as applicable in the Final Terms, the Basket Participation will be the fixed percentage specified in the Final Terms in relation to the relevant Reference Asset; If "**Rainbow Basket Participation**" is specified as applicable in the Final Terms, the Basket Participation will be determined by reference to the relative Reference Asset Return. Each Reference Asset will be assigned a ranking based on the Reference Asset Return as determined by the Issuer in accordance with the relevant performance structure specified in Condition 6(a) (*Redemption at Maturity*), and the Basket Participation of each Reference Asset will correspond to the Basket Participation shown against the relative ranking in the relevant Final Terms; If "**Replacement Cliquet Basket Participation**" is specified as applicable in the Final Terms, the Basket Participation will be determined by reference to the relative Replacement Cliquet Performance of the relevant Reference Asset. Each Reference Asset

will be assigned a ranking based on the Replacement Cliquet Performance of the relevant Reference Asset as determined by the Issuer in accordance with Condition 6(a)(xxiii) (*"Rainbow Replacement Cliquet" structure*), and the Basket Participation of each Reference Asset will correspond to the Basket Participation shown against the relative ranking in the relevant Final Terms;

If "**Momentum Basket Participation**" is specified as applicable in the relevant Final Terms, the Basket Participation of each Reference Asset will initially be the value specified in the relevant Final Terms. Thereafter, the Basket Participation will be rebalanced on each applicable Rebalancing Date by reference to the relative Rebalancing Performance of each Reference Asset. Each Reference Asset will be assigned a ranking based on the Rebalancing Performance of the relevant Reference Asset during the period from (and including) the immediately preceding Rebalancing Date to (and including) the current Rebalancing Date, and the Basket Participation of each Reference Asset for the Rebalancing Period commencing on the current Rebalancing Date will correspond to the Basket Participation shown against the relevant ranking in the relevant Final Terms; and

If "**Accumulating Rainbow Basket Participation**" is specified as applicable in the Final Terms, the Basket Participation will be determined by reference to the relative Reference Asset Return. Each Reference Asset will be assigned a ranking on the Issue Date, as specified in the relevant Final Terms, and thereafter the Basket Participation will be recalculated on each Valuation Date based on the Reference Asset Return as determined by the Issuer in accordance with the relevant performance structure specified in Condition 6(a) (*Redemption at Maturity*), and the Basket Participation of each Reference Asset for the next following Valuation Period will be reset and correspond to the Basket Participation shown against the relative ranking in the relevant Final Terms.

"**Basket Participation (Interest)**" means the Basket Participation of each Reference Entity (Interest), determined as follows:

If "**Fixed Basket Participation (Interest)**" is specified as applicable in the Final Terms, the Basket Participation (Interest) will be the fixed percentage specified in the Final Terms in relation to the relevant Reference Entity (Interest);

If "**Rainbow Basket Participation (Interest)**" is specified as applicable in the Final Terms, the Basket Participation (Interest) will be determined by reference to the relative Reference Entity Return. Each Reference Entity (Interest) will be assigned a ranking based on the Reference Asset Return as determined by the Issuer in accordance with the relevant performance structure specified in Condition 6(a) (*Redemption at Maturity*), and the Basket Participation (Interest) of each Reference Entity (Interest) will correspond to the Basket Participation (Interest) shown against the relative ranking in the relevant Final Terms;

If "**Replacement Cliquet Basket Participation (Interest)**" is specified as applicable in the Final Terms, the Basket Participation (Interest) will be determined by reference to the relative Replacement Cliquet Performance of the relevant Reference Entity (Interest). Each Reference Entity (Interest) will be assigned a ranking based on the Replacement Cliquet Performance of the relevant Reference Entity (Interest) as determined by the Issuer in accordance with Condition 6(a)(xxiii) (*"Rainbow Replacement Cliquet" structure*), and the Basket Participation (Interest) of each Reference Entity (Interest) will correspond to the Basket Participation (Interest) shown against the relative ranking in the relevant Final Terms;

If "**Momentum Basket Participation (Interest)**" is specified as applicable in the relevant Final Terms, the Basket Participation (Interest) of each Reference Entity (Interest) will initially be the value specified in the relevant Final Terms. Thereafter, the Basket Participation (Interest) will be rebalanced on each applicable Rebalancing Date by reference to the relative Rebalancing Performance of each Reference Entity (Interest). Each Reference Entity (Interest) will be assigned a ranking based on the Rebalancing Performance of the relevant Reference Entity (Interest) during the period from (and including) the immediately preceding Rebalancing Date to (and including) the current Rebalancing Date, and the Basket Participation (Interest) of each Reference Entity (Interest) for the Rebalancing Period commencing on the current Rebalancing Date will correspond to the Basket Participation (Interest) shown against the relevant ranking in the relevant Final Terms; and

If "**Accumulating Rainbow Basket Participation (Interest)**" is specified as applicable in the Final Terms, the Basket Participation (Interest) will be determined by reference to the relative Reference Asset Return (Interest). Each Reference Entity (Interest) will be assigned a ranking on the Issue Date, as specified in the relevant Final Terms, and thereafter the Basket Participation (Interest) will be recalculated on each Interest Determination Date based on the Reference Asset Return (Interest) as determined by the Issuer in accordance with the relevant performance structure specified in Condition 6(a) (*Redemption at Maturity*), and the Basket Participation (Interest) of each Reference Entity (Interest) for the next following Interest Period will be reset and correspond to the Basket Participation (Interest) shown against the relative ranking in the relevant Final Terms.

"**Basket Return**" will be calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) (*"Basket Long" structure*) or the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms.

"**Basket Strike Level**" as specified in the Final Terms.

"**Benchmark Event**" has the meaning given in Condition 5(bbb) (*Benchmark Replacement*).

"**Business Day**"

(a) means in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Financial Centre; and

(b) means in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Financial Centre.

"**Business Day Convention**" means the convention applicable for the purposes of adjusting a relevant day where the day would otherwise occur on a day which is not a Business Day. The adjustment may be made in accordance

	with any of the conventions listed below, and the applicable convention in respect of each Series of Notes will be specified in the relevant Final Terms: **Following Business Day:** where an Interest Payment Date or another relevant date occurs on a day which is not a Business Day, it shall be deferred to the immediately following Business Day; **Modified Following Business Day:** where an Interest Payment Date or another relevant date occurs on a day which is not a Business Day, it shall be deferred to the immediately following Business Day unless that day would fall in the next calendar month, in which case the Interest Payment Date or another relevant date shall occur on the immediately preceding Business Day; **Preceding Business Day:** where an Interest Payment Date occurs on a day which is not a Business Day, it shall instead occur on the immediately preceding Business Day.
"**Calculation Adjustment**"	as specified in Part 2: *Additional Conditions for Certain Structured Notes* to these Conditions.
"**Calculation Agent**"	the agent for the Issuer specified in the relevant Final Terms.
"**Calculation Amount**"	has the meaning given in the relevant Final Terms.
"**Call Barrier Level**"	as specified in the Final Terms.
"**Call Performance**"	means the average of the Basket Return on each Valuation Date.
"**Cap**"	means the percentage specified in the relevant Final Terms.
"**Cap Strike**"	means the value specified in the Final Terms.
"**Cap Strike 1**"	means the value specified in the Final Terms.
"**Cap Strike 2**"	means the value specified in the Final Terms.
"**Cap Strike Lower**"	means the value specified in the Final Terms.
"**Cap Strike Upper**"	means the value specified in the Final Terms.
"**Change in Law**"	as specified in Condition 9 (*Change in Law*).
"**CDOR**"	the Interest Rate which, (1) at or about 11.00 am Toronto Time on the relevant day is published on the relevant Screen Page for the relevant period (or through such other system or on such other screen as replaces the aforementioned system or screen) or, in the absence of such quotation, the Interest Rate which (2) at the aforementioned time corresponds to (a) the arithmetic mean of the rates for deposits in CAD for the relevant period on the Toronto interbank market as quoted by the Reference Banks or, where only one or no such quotation is given – (b) the Issuer's determination of the Interest Rate offered by Canadian commercial banks for loans in CAD for the relevant period on the Toronto interbank market.
"**CIBOR**"	the Interest Rate which, (1) at or about 11.00 am Central European Time on the relevant day is published on the relevant Screen Page

for the relevant period (or through such other system or on such other screen as replaces the aforementioned system or screen) or, in the absence of such quotation, the Interest Rate which (2) at the aforementioned time corresponds to (a) the arithmetic mean of the rates for deposits in DKK for the relevant period on the Copenhagen interbank market as quoted by the Reference Banks or, where only one or no such quotation is given – (b) the Issuer's determination of the Interest Rate offered by Danish commercial banks for loans in DKK for the relevant period on the Copenhagen interbank market.

"**Clearing System**"	means one or more of Euroclear, Clearstream Luxembourg, Euroclear Finland, Euroclear Sweden, VP and Euronext VPS, as specified in the relevant Final Terms.
"**Closing Price**"	the value of the relevant Reference Asset at the Valuation Time on the applicable Rebalancing Date(s), Valuation Date(s), Observation Date(s), Risk Barrier Observation Date(s) or Initial Valuation Date(s), as determined by the Issuer by reference to the price source specified in the Final Terms.
"**Component Security**"	means, in relation to an Index, each component security of the Index.
"**Correction**"	any corrections to the official closing price for a Reference Asset in accordance with Part 2: *Additional Conditions for Certain Structured Notes* to these Conditions.
"**Coupon**"	the value specified in the relevant Final Terms.
"**Coupon 2**"	the value specified in the relevant Final Terms.
"**Coupon Barrier Level**"	each coupon barrier level specified in the relevant Final Terms.
"**Coupon Rate**"	each coupon rate as specified in the relevant Final Terms.
"**Credit Event**"	means any of the events named as such in Part 3: *Additional Conditions for Credit-Linked Notes* to these Conditions and specified as applicable to the relevant Notes in the relevant Final Terms.
"**Credit Event Ranked Weight**"	means the weighting assigned to the relevant Credit Event, as specified in the Final Terms.
"**Currency Business Day**"	means (i) if "**WM/Reuters**" is specified in the relevant Final Terms, the dates on which WM/Reuters (or any successor thereto), through its currency market data services, publishes spot rates for the relevant currency pair, and (ii) if "**Other**" is specified in the relevant Final Terms, any day in which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant currency. In respect of any transaction where the Notes and/or Reference Asset(s) are denominated in Euro, each TARGET Settlement Day shall be a Currency Business Day.
"**Currency Business Day Convention**"	means the convention applicable for the purposes of adjusting a relevant day where the day would otherwise fall on a day which is not a Currency Business Day. The adjustment may be made in accordance with any of the conventions listed under "**Business Day Convention**" as if references therein to a "**Business Day**" were references to a Currency Business Day. Unless otherwise specified

in the relevant Final Terms, the Currency Business Day Convention will be the same as the Business Day Convention.

"**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:

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

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

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

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

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

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

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

Day Count Fraction =

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

where:

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

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

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

"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:

Day Count Fraction =

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

where:

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

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

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

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

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

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

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

Day Count Fraction =

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

where:

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

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

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

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

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

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

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

"**Regular Period**" means:

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

Payment Date falling at the end of the irregular Interest Period.

"Denomination"	the denomination of the Notes as specified in the Final Terms.
"Designated Maturity"	as specified in the Final Terms.
"Early Redemption Amount"	as specified in the Final Terms.
"Early Redemption Date"	the Interest Payment Date(s) or other such date(s) as specified in the Final Terms on which the Notes may be redeemed prior to their scheduled Redemption Date in accordance with the Conditions.
"EURIBOR"	the Interest Rate which (1) at 11:00 am Central European Time on the relevant day is published on the relevant Screen Page for the relevant period (or through such other system or on such other screen as replaces the aforementioned system or screen) or, in the absence of such quotation the Interest Rate which (2) at the aforementioned time corresponds to (a) the arithmetic mean of the rates quoted by European Reference Banks to leading commercial banks in Europe for deposits in Euro for the relevant period or, where only one or no such quotation is given, (b) the Issuing Agent's (where applicable, Calculation Agent's) or Issuer's assessment of the Interest Rate offered by leading commercial banks in Europe for loans in Euro in respect of the relevant period on the European interbank market.
"Euroclear Finland"	Euroclear Finland Ltd.
"Euroclear Sweden"	Euroclear Sweden AB.
"European Reference Banks"	four major commercial banks which, at the time in question, quote EURIBOR and are appointed by an Issuing Agent (or, where applicable, the Calculation Agent) or the Issuer.
"Exchange Business Day"	means any Scheduled Trading Day on which each Relevant Exchange and each Options or Futures Exchange is open for trading during its regular trading sessions and (in the case of an Index), on which the Index Sponsor publishes the level of the Index.
"Extraordinary Events"	as specified in Part 2: *Additional Conditions for Certain Structured Notes* to these Conditions.
"Final CPI"	the value of the relevant Inflation Rate as determined at the Valuation Time on the Valuation Date(s).
"Final Currency Value"	as specified in the Final Terms.
"Final FX Rate"	unless otherwise specified in the Final Terms means the FX Rate, or the average value of the FX Rate at the FX Valuation Time, on the applicable FX Valuation Date(s) specified in the Final Terms.
"Final FX Rate (Interest)"	unless otherwise specified in the Final Terms means the FX Rate (Interest), or the average value of the FX Rate (Interest) at the FX Valuation Time (Interest), on the applicable FX Valuation Date(s) (Interest) specified in the Final Terms.
"Final Lookback Observation Period"	means the dates specified in the relevant Final Terms.
"Final Price"	unless otherwise specified in the Final Terms, means the Closing Price (or, if Valuation Date Averaging is specified in the Final

Terms, the average of the Closing Prices), for the relevant Reference Asset, on the Valuation Date(s) (or on the Averaging Dates applicable to the relevant Valuation Date(s)), Observation Date(s), Risk Barrier Observation Date(s) or Interest Determination Date(s), specified in the Final Terms.

"**Fixed Interest Amount**"	means the amount specified in the Final Terms.
"**Fixed Price**"	as specified in the Final Terms.
"**Fixed Rate Notes**"	has the meaning given to it in Condition 5(a) (*Interest — Fixed Rate*).
"**Fixed Recovery Value**"	as specified in the relevant Final Terms.
"**Floating Rate Notes**"	has the meaning given to it in Condition 5(d) (*Interest – FRNs (Floating Rate Notes)*).
"**Floor Strike**"	means the value specified in the relevant Final Terms.
"**Floor Strike 1**"	means the value specified in the relevant Final Terms.
"**Floor Strike 2**"	means the value specified in the relevant Final Terms.
"**Floor Strike Lower**"	means the value specified in the relevant Final Terms.
"**Floor Strike Upper**"	means the value specified in the relevant Final Terms.
"**FRN Participation Ratio**"	as specified in the Final Terms.
"**Fund**"	as specified in the Final Terms.
"**Fund Event**"	has the meaning specified in Part 4: *Additional Conditions for Fund-Linked Notes* to these Conditions.
"**Fund-Linked Notes**"	means Notes in respect of which the Reference Asset(s) consist(s) of units or shares in a fund (or funds), as further specified in the relevant Final Terms.
"**FX Factor**"	means, if "**FX Factor-Long**" is specified in the relevant Final Terms, the value obtained by dividing the Final FX Rate by the Initial FX Rate or, if "**FX Factor-Short**" is specified in the Final Terms, the value obtained by dividing the Initial FX Rate by the Final FX Rate.
"**FX Factor (Interest)**"	means, if "**FX Factor (Interest) Long**" is specified in the relevant Final Terms, the value obtained by dividing the Final FX Rate (Interest) by the Initial FX Rate (Interest) or, if "**FX Factor (Interest) Short**" is specified in the Final Terms, the value obtained by dividing the Initial FX Rate (Interest) by the Final FX Rate (Interest).
"**FX Rate**"	means the currency exchange rate (which may be calculated on the basis of a combination of rates) specified in the relevant Final Terms, as displayed on the price source(s) specified in such Final Terms.
"**FX Rate (Interest)**"	means the currency exchange rate (which may be calculated on the basis of a combination of rates) specified in the relevant Final

	Terms, as displayed on the price source(s) specified in such Final Terms.
"**FX Valuation Date(s)**"	the date(s) specified in the Final Terms, as adjusted in accordance with the Currency Business Day Convention.
"**FX Valuation Date(s) (Interest)**"	the date(s) specified in the Final Terms, as adjusted in accordance with the Currency Business Day Convention.
"**FX Valuation Time**"	as specified in the relevant Final Terms.
"**FX Valuation Time (Interest)**"	as specified in the relevant Final Terms.
"**Gearing**"	means the percentage specified in the relevant Final Terms.
"**Hedge Proceeds**"	means the amount(s) received by the Issuer or other applicable Hedging Party as a result of unwinding any hedge position entered into by the Issuer or relevant Hedging Party in order to hedge any obligation of the Issuer to make payments in respect of the Notes.
"**Hedge Transaction**"	means any transaction or trading position entered into or held by the Issuer and/or any of its Affiliates to hedge, directly or indirectly, the Issuer's obligations or positions (whether in whole or in part) in respect of the Notes or any hypothetical transaction or trading position relating to the Issuer's obligations or positions (whether in whole or in part) in respect of the Notes, as determined by the Issuer in its sole discretion.
"**Hedging Disruption**"	as specified in Condition 11 (*Hedging Disruption*).
"**Hedging Party**"	means the Issuer, any other entity within the Nordea Group (as selected by the Issuer from time to time in its sole discretion), or a hypothetical investor located in Denmark, Finland or Sweden, that will be deemed to hold the Reference Assets.
"**Holder**"	a person or entity identified as the holder of one or more Notes in accordance with these Conditions.
"**Increased Costs**"	has the meaning specified in Condition 10 (*Increased Costs of Hedging*).
"**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.
"**Index Sponsor**	means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) customarily announces (directly or through an agent) the level of the relevant Index on a regular basis during each Scheduled Trading Day.
"**Inflation-Linked Interest**"	the amount of interest determined in accordance with Condition 5(e) (*Interest-Inflation Linked*).
"**Inflation-Linked Interest Notes**"	Notes that bear Inflation-Linked Interest.
"**Inflation Rate**"	the inflation rate specified as the Reference Asset (Interest) in the Final Terms.

"**Initial Basket Level**"	as specified in the Final Terms.
"**Initial FX Rate**"	unless otherwise specified in the Final Terms means the FX Rate, or the average value of the FX Rate, at the FX Valuation Time, on the applicable Initial FX Valuation Date(s) as specified in the Final Terms.
"**Initial FX Rate (Interest)**"	unless otherwise specified in the Final Terms means the FX Rate (Interest), or the average value of the FX Rate (Interest), at the FX Valuation Time (Interest), on the applicable Initial FX Valuation Date(s) (Interest), as specified in the Final Terms.
"**Initial FX Valuation Date(s)**"	the date(s) specified in the Final Terms, as adjusted in accordance with the Currency Business Day Convention.
"**Initial FX Valuation Date(s) (Interest)**"	the date(s) specified in the Final Terms, as adjusted in accordance with the Currency Business Day Convention.
"**Initial Lookback Observation Period**"	means the dates specified in the relevant Final Terms.
"**Initial Price**"	unless otherwise specified in the Final Terms, means the Closing Price (or, if Initial Valuation Date Averaging is specified in the Final Terms, the average of the Closing Prices), of the relevant Reference Asset on the Initial Valuation Date(s) (or on the Averaging Dates applicable to the relevant Initial Valuation Date(s)), as specified in the Final Terms.
"**Initial Valuation Date**"	the date or date(s) specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention) and, if Initial Valuation Date Averaging is specified as applicable in the relevant Final Terms, references in these Conditions to the Initial Valuation Date shall, where the context so admits, also include reference to any related Averaging Dates.
"**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 the Calculation Agent.
"**Instalment Date**"	as specified in the Final Terms.
"**Interest Base Rate**"	SONIA, SOFR, EURIBOR, €STR, STIBOR, NIBOR, CIBOR, CDOR, the Nordea Own Funds Rate or any other rate, as may be specified in the Final Terms.
"**Interest Commencement Date**"	as specified in the Final Terms.
"**Interest Determination Date**"	the day which occurs two Business Days prior to the first day in each Interest Period, or such other date(s) as may be specified in the Final Terms.
"**Interest Margin**"	as specified in the Final Terms.
"**Interest Payment Date(s)**"	the date(s) specified in the Final Terms.
"**Interest Period**"	(i) with respect to the first Interest Period, the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date; and (ii) with respect to subsequent Interest Periods, the period commencing on (and including) an

	Interest Payment Date to (but excluding) the next Interest Payment Date **provided that** in the case of Swedish Notes, the period beginning on (but excluding) the Interest Commencement 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.
"**Interest Rate**"	as specified in the Final Terms in respect of Fixed Rate Notes or as specified in Condition 5(d) (*Interest – FRNs (Floating Rate Notes)*) in the case of Floating Rate Notes.
"**ISDA Benchmarks Supplement**"	means the Benchmarks Supplement (as amended and updated as at the date of issue of the First Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms)) published by the International Swaps and Derivatives Association, Inc.
"**ISDA Definitions**"	means, in relation to any Series of Notes: (i) unless "ISDA 2021 Definitions" are specified as being applicable in the relevant Final Terms, the 2006 ISDA Definitions; or (ii) if "ISDA 2021 Definitions" are specified as being applicable in the relevant Final Terms, the 2021 ISDA Definitions.
"**Issue Date**"	as specified in the Final Terms or if such day is not a Business Day, as determined in accordance with the applicable Business Day Convention.
"**Issuing Agent**"	as specified in the Final Terms.
"**Lock-in Level**"	as specified in the Final Terms.
"**Lookback Factor**"	as specified in the Final Terms.
"**Market Disruption**"	as specified in Part 2: *Additional Conditions for Certain Structured Notes* to these Conditions.
"**Market Recovery Value**"	means the final price for deliverable obligations of the relevant Reference Entity or Reference Entity (Interest), as applicable, as determined in accordance with any applicable auction process or other valuation methodology administered or endorsed by or on behalf of the International Swaps and Derivatives Association, Inc., or any successor organisation, or in the absence of such a price, the value determined by the Issuer acting in good faith and in a commercially reasonable manner.
"**Maximum Basket Return**"	as specified in the Final Terms.
"**Maximum Interest Rate**"	as specified in the Final Terms.
"**Maximum Performance**"	in respect of each Reference Asset, the percentage specified in the Final Terms.
"**Maximum Redemption Amount**"	as specified in the Final Terms.

"Memory Relevant Coupon"	any coupon specified as a Memory Relevant Coupon in the Final Terms.
"Minimum Basket Return"	as specified in the Final Terms.
"Minimum Interest Rate"	as specified in the Final Terms.
"Minimum Redemption Amount"	as specified in the relevant Final Terms.
"Minimum Redemption Percentage"	means the minimum redemption amount expressed as a percentage of the Principal Amount of the Notes.
"N"	as specified in the Final Terms.
"New York Banking Day"	a day on which commercial banks and foreign exchange markets are generally open for business in New York City.
"NIBOR"	the Interest Rate which, (1) at or about 12.00 pm Oslo Time on the relevant day is published on the relevant Screen Page for the relevant period (or through such other system or on such other screen as replaces the aforementioned system or screen) or, in the absence of such quotation, the Interest Rate which (2) at the aforementioned time corresponds to (a) the arithmetic mean of the rates for deposits in NOK for the relevant period on the Oslo interbank market as quoted by the Reference Banks or, where only one or no such quotation is given (b) the Issuer's determination of the Interest Rate offered by Norwegian commercial banks for loans in NOK for the relevant period on the Oslo interbank market.
"Nordea Group"	The Issuer and its subsidiaries, licensed to carry on financing business in their respective country of domicile.
"Nordea Own Funds Rate"	means the cost to the Nordea Group of obtaining funding in the Specified Currency for a term equivalent to the relevant Interest Period, as determined by the Issuer on each relevant Interest Determination Date.
"Notes"	debt instruments which form part of a Series issued by the Issuer under this Programme, with the terms and conditions specified in the relevant Final Terms and these Conditions.
"NTOM Period"	means the period from and including the Issue Date to (but excluding the initial TOM Calculation Start Date, and thereafter each period from (but excluding) a TOM Calculation End Date to (and including) the next following TOM Calculation Start Date.
"Number of Business Days"	means the Number of Business Days specified in the Final Terms.
"Number of Exchange Business Days"	means the number of Exchange Business Days specified in the Final Terms or, if the Final Terms do not specify the relevant number, three (3) Exchange Business Days.
"Observation Date"	the dates specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention).
"Observation End Date"	the dates specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention).

"**Observation Start Date**"	the dates specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention).
"**Options or Futures Exchange**"	means each exchange or quotation system specified in the Final Terms or, if "**All Exchanges**" is specified in the Final Terms, each exchange or quotation system where trading has a material effect (as determined by the Issuer) on the overall market for futures or options contracts relating to the relevant Reference Asset(s).
"**Original Calculation Amount**"	the Calculation Amount specified in the relevant Final Terms.
"**OTM Strike**"	means the product of the Cap and the Gearing.
"**Participation Ratio**"	as specified in the Final Terms.
"**Participation Ratio 2**"	as specified in the Final Terms.
"**Participation Ratio 3**"	as specified in the Final Terms.
"**Portfolio Exposure**"	as specified in the Final Terms.
"**Price Reference Source**"	means the 'source for past and future performance data' specified in Part B of the applicable Final Terms
"**Principal Amount**"	the nominal amount of the Notes.
"**Principal Financial Centre**"	means, in relation to any currency, the principal financial centre for that currency **provided**, **however**, **that**: (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent.
"**Programme Amount**"	€15,000,000,000 or the equivalent thereof in other currencies.
"**Rate Adjustment Notes**"	has the meaning given to it in Condition 5(b) (*Interest – Rate Adjustment*).
"**Rate Option**"	means the provisions for determining the relevant interest rate, as specified in Section 7.1 (*Rate Options*) of the 2006 ISDA Definitions or Section 6.5 (*Certain Definitions Relating to Floating Amounts*) of the 2021 ISDA Definitions.
"**Rebalancing Date(s)**"	the date(s) specified in the Final Terms (subject to adjustment in accordance with the Scheduled Trading Day Convention).
"**Rebalancing Performance**"	is calculated by dividing the Closing Price of the relevant Reference Asset or Reference Asset (Interest) on the relevant Rebalancing Date by the Closing Price of the relevant Reference Asset or Reference Asset (Interest) on the immediately preceding Rebalancing Date or (in the case of the initial Rebalancing Date), the Start Date.
"**Record Date**"	the Business Day on which the entitlement of Holders to receive payment under these Conditions, is determined, as specified in Condition 8 (*Payments*).

"**Redemption Amount**"	the amount calculated in accordance with Condition 6 (*Redemption and Purchase*).
"**Redemption Date**"	as specified in the Final Terms or, if such day is not a Business Day, as determined in accordance with the applicable Business Day Convention.
"**Reference Asset(s)**"	as specified in the Final Terms – Reference Assets may include equities, shares (including private equity)/depository receipts, indices, interest rates, currencies, fund units, futures contracts, commodities, credit risks or baskets thereof, combinations or relationships between assets, the change in price or performance of which affects the size of the Redemption Amount and shall (unless the context otherwise requires) include Reference Entities and/or Reference Rates.
"**Reference Banks**"	four major commercial banks which, at the relevant time, quote the relevant Interest Base Rate and are appointed by the Issuing Agent (or, where applicable, the Calculation Agent) or Issuer.
"**Reference Entity**"	as specified in the Final Terms (and including any Replacement Reference Entity, as determined in accordance with the Conditions).
"**Reference Entity (Interest)**"	as specified in the Final Terms (and including any Replacement Reference Entity (Interest), as determined in accordance with the Conditions).
"**Reference Rate**"	as specified in the Final Terms.
"**Reference Yield**"	the yield specified in the Final Terms for calculation of the Redemption Amount in relation to certain Zero Coupon Notes where the Issuer or, where applicable, a Holder, is entitled to require early redemption of the Notes pursuant to the Conditions.
"**Registrar Banking Day**"	a day on which commercial banks and foreign exchange markets are generally open for business in place of the Registrar's specified office.
"**Relevant Date**"	means on Alternative Additional Amount Payment Date, an Averaging Date, Early Redemption Date, Initial FX Valuation Date, FX Valuation Date, Initial FX Valuation Date (Interest), FX Valuation Date (Interest), Initial Observation Date, Observation Date, Observation Start Date Risk Barrier Observation Date, Rebalancing Date, Start Date, Initial Valuation Date, Valuation Date, TOM Valuation Date, Twin-Win Valuation Date, Interest Determination Date (as applicable), or such other relevant date as the Issuer may (in its sole discretion) determine for the purposes of any valuation, calculation, determination or observation pursuant to these Conditions.
"**Relevant Exchange**"	the stock exchange(s) on which the underlying Reference Asset(s) is/are listed and/or quoted and/or traded, as specified in the Final Terms or, if none is specified, the principal exchange or quotation system for trading in the relevant Reference Asset (or, the case of a Reference Asset which is an index, each security which comprises such index), as determined by the Issuer, or any substitute exchange or quotation system to which trading in the relevant Reference Asset (or component of such Reference Asset) has temporarily located, **provided that** the Issuer has determined that there is comparable liquidity relative to such Reference Asset (or component of such

	Reference Asset) or such temporary substitute exchange or quotation system as on the original exchange.
"**Relevant Jurisdiction**"	means the jurisdiction in which the Issuer is incorporated at the relevant time.
"**Relevant Nominating Body**"	means, in respect of a benchmark or screen rate (as applicable): (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.
"**Relevant Value**"	means an FX Rate, FX Rate (Interest), Initial FX Rate, Initial FX Rate (Interest), Reference Rate, Closing Price, Initial Price and/or Final Price (as applicable) or such other relevant value as the Issuer may (in its sole discretion) determine for the purposes of any valuation, calculation, determination or observation pursuant to these Conditions.
"**Replacement Factor**"	as specified in the Final Terms.
"**Replacement Reference Asset**"	means an alternative Reference Asset, as selected by the Issuer in a commercially fair and reasonable manner.
"**Risk Barrier Event**"	means (unless otherwise specified in these Conditions) that the Basket Return is below the applicable Risk Barrier Level.
"**Risk Barrier Level**"	each risk barrier level specified in the relevant Final Terms.
"**Risk Barrier Observation Date(s)**"	the dates specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention) and, if Risk Barrier Observation Date Averaging is specified as applicable in the relevant Final Terms, references in these Conditions to a Risk Barrier Observation Date shall, where the context so admits, include reference to any related Averaging Dates.
"**Scheduled Closing Time**"	means, in respect of a Relevant Exchange or an Options or Futures Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Relevant Exchange or Options or Futures Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.
"**Scheduled Redemption Date**"	as specified in the Final Terms.
"**Scheduled Trading Day**"	unless otherwise specified in the Final Terms and irrespective of whether a Market Disruption, Disruption Currency, or Fund Event has occurred, (a) with respect to each Reference Asset which is an equity depository receipts, equities index or any other type of Reference Asset which is traded on a stock exchange or market place, a day on which (i) trading is intended to take place in a Reference Asset (or, in the case of an index, any security which comprises such index) on a Relevant Exchange and on an Options or Futures Exchange and/or (ii) the relevant Index Sponsor is

scheduled to publish the level of the Index; (b) with respect to Reference Assets which comprise a currency or a currency index or any other type of Reference Asset for which the price is published, a day on which the price for such Reference Asset or currency included in a Reference Asset is published or is intended to be published on the price source specified in the Final Terms; (c) with respect to a Reference Asset which is a fund or a fund index, a day on which it is intended that the value of the Reference Asset or units in the Reference Asset shall be published in accordance with the governing rules or methodology of such fund or fund index and (d) with respect to any other Reference Asset, such day as is specified in the Final Terms.

"**Scheduled Trading Day Convention**" means the applicable convention for the purposes of adjusting a relevant day where the day occurs on a day which is not a Scheduled Trading Day. Adjustment may take place in accordance with any of the following conventions:

Following Scheduled Trading Day:

where a relevant day occurs on a day which is not a Scheduled Trading Day, it shall be deferred until the Following Scheduled Trading Day;

Modified Following Scheduled Trading Day:

where a relevant day occurs on a day which is not a Scheduled Trading Day, it shall be deferred to the immediately following Scheduled Trading Day in the same calendar month unless that day would fall in the next calendar month, in which case the relevant day shall occur on the immediately preceding Scheduled Trading Day;

Preceding Scheduled Trading Day:

where a relevant day or another relevant day occurs on a day which is not a Scheduled Trading Day, it shall instead occur on the immediately preceding Scheduled Trading Day.

"**Screen Page**" as specified in the Final Terms.

"**Specified Currency**" SEK, EUR, DKK, NOK or such other currency as may be specified in the Final Terms.

"**Specified Denomination**" as specified in the Final Terms.

"**STIBOR**" the Interest Rate which, (1) at or about 11.00 am Central European Time on the relevant day is published on the relevant Screen Page for the relevant period (or through such other system or on such other screen as replaces the aforementioned system or screen) or, in the absence of such quotation, the Interest Rate which (2) at the aforementioned time corresponds to (a) the arithmetic mean of the rates for deposits in SEK for the relevant period on the Stockholm interbank market as quoted by the Reference Banks or, where only one or no such quotation is given – (b) the Issuer's determination of the Interest Rate offered by Swedish commercial banks for loans in SEK for the relevant period on the Stockholm interbank market.

"**Strike Level**" as specified in the Final Terms.

"**Strike Lower**" Means the value specified in the Final Terms.

"**Strike Upper**"	Means the value specified in the Final Terms.
"**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 Interest Base Rate (for the avoidance of doubt, whether or not such relevant Interest Base Rate has ceased to be available) which is recommended by any Relevant Nominating Body.
"**TARGET2**"	means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007, or any successor thereto.
"**TARGET Settlement Day**"	means any day on which TARGET2 is open for the settlement of payments in euro.
"**Target Redemption Amount**"	as specified in the Final Terms.
"**TOM Calculation Start Date**"	the date specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention) and, if TOM Calculation Start Date Averaging is specified as applicable in the relevant Final Terms, references in these Conditions to the TOM Calculation Start Date shall, where the context so admits, also include reference to any related Averaging Dates.
"**TOM Calculation End Date**"	the date specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention) and, if TOM Calculation End Date Averaging is specified as applicable in the relevant Final Terms, references in these Conditions to the TOM End Start Date shall, where the context so admits, also include reference to any related Averaging Dates.
"**TOM Participation Ratio**"	the value specified in the relevant Final Terms.
"**TOM Commencement Date**"	the date specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention).
"**TOM End Date**"	the date specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention).
"**TOM Period**"	means, in respect of each calendar month in the period commencing on the TOM Commencement Date and ending on the TOM End Date, the period from (and including) the TOM Calculation Start Date to (and including) the TOM Calculation End Date, **provided that** if the first day of the TOM Period (as the result of any applicable business day convention or adjustment provision(s)) falls on such TOM Calculation End Date, the last day of the TOM Period shall instead be the Scheduled Trading Day immediately following such TOM Calculation Start Date.
"**TOM Valuation Date**"	means each TOM Calculation Start Date and TOM Calculation End Date (as applicable).
"**Tranche Attachment Point**"	the percentage specified in the Final Terms.
"**Tranche Attachment Range**"	means the result obtained by subtracting the Tranche Attachment Point from the Tranche Detachment Point.

"**Tranche Detachment Point**"	the percentage specified in the Final Terms.
"**Twin-Win Valuation Date(s)**"	the Valuation Date(s) specified in the relevant Final Terms.
"**Valuation Date(s)**"	the date or dates specified in the Final Terms (as adjusted in accordance with the Scheduled Trading Day Convention) and, if Valuation Date Averaging is specified as applicable in the relevant Final Terms, references in these Conditions to a Valuation Date shall, where the context so admits, include reference to any related Averaging Dates.
"**Valuation Period**"	means the period from (but excluding) each Valuation Date (including the Initial Valuation Date), to and including the immediately following Valuation Date.
"**Valuation Time**"	unless otherwise specified in the Final Terms, with respect to each Reference Asset which is not an Index, the time at which its official closing price is determined or the value thereof is otherwise determined as specified in the Final Terms and in relation to a Reference Asset which is an Index: (i) for the purposes of determining whether a Market Disruption has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Relevant Exchange in respect of such Component Security (which may be a single Relevant Exchange in respect of each Component Security), and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the relevant Options or Futures Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.
"**Weighted Asset Return**"	means, unless otherwise specified in these Conditions, the product of the Reference Asset Return and the Basket Participation in respect of each relevant Reference Asset.
"**Zero Coupon Notes**"	has the meaning given to it in Condition 5(f) (*Zero Coupon Notes*).

2. Form and Denomination

(a) *Form*

Notes, other than VP Notes, VPS Notes, Swedish Notes and Finnish 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 (*Lov om kapitalmarkeder*), as amended from time to time, the Danish Executive Order No. 1175 of 31 October 2017, as amended from time to time (*Bekendtgørelse om registrering m.v. af fondsaktiver i en værdipapircentral (CSD)*) (the "**Danish Executive Order**"), and part 3 of the VP Rule Book dated 11 October 2021, 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 Act on Central Securities Depositories and Securities Settlement 2019 (in Norwegian: *lov om verdipapirsentraler og verdipapiroppgjør mv. 2019 15. mars nr. 6*) (the "**CSD Act**").

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

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

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

Notes issued in bearer form ("**Bearer Notes**") will be represented upon issue by either a temporary global note (a "**Temporary Global Note**") or a permanent global note (a "**Permanent Global Note**") in either case in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement.

The Temporary Global Note and/or the Permanent Global Notes will be deposited with, and held by, a common depositary or common safekeeper for and on behalf of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or 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.

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. Registered Notes will not be exchangeable for Bearer Notes.

(d) ***Form of VP Notes***

A Tranche or a Series of Notes (as the case may be), if so specified in the relevant Final Terms may be cleared and settled through the VP in accordance with Danish laws, regulations and operating procedures applicable to and/or issued by the VP for the time being (the "**VP Rules**"). The VP Notes shall be regarded as Registered Notes for the purposes of these Conditions save to the extent these Conditions are inconsistent with Danish laws, regulations and VP Rules. 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 Danmark, Filial af Nordea Bank Abp, Finland is, on the date of issue 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).

(e) ***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 Euronext 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.

(f) ***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, surrender or replacement of such physical Swedish Notes or certificates shall not apply to the Swedish Notes.

(g) ***Form of Finnish Notes***

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

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

(n) ***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 include Temporary Global Notes, Permanent Global Notes, Definitive Notes or, as the case may be, Registered Notes.

The Issuer may in certain circumstances consolidate the Notes with one or more further Tranches of Notes of the same Series, as described in Condition 18 (*Further Issues*) below.

3. **Title**

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

Title to the Bearer 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 Registered Notes passes by registration in the register which is kept by the Registrar as specified in the relevant Final Terms. 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 shall pass by registration in the register (the "**Danish Note Register**") maintained by the VP Issuing Agent in accordance with the VP Rules. The Issuer shall be entitled to obtain information from VP in accordance with the VP Rules. Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any VP 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 in whose name a VP Note is registered in the Danish Note Register 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 Danish Note Register.

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 Euronext 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.

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.

Title to the Finnish Notes shall pass by registration in the book-entry system and register maintained by Euroclear Finland. Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any Finnish 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. References herein to the "**Note Holders**" or "**Holders**" of Finnish Notes means, as the context requires, the person in whose name the Finnish Notes are registered in Euroclear Finland's register.

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.

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

Registered 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 equal to, or is a permitted integral multiple in excess 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.

VP Notes

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 two 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, Swedish Notes and Finnish 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.

VPS Notes

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 five 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 Euronext VPS account on which the original VPS Notes were registered. In this Condition 3(b) (*Transfer of Registered Notes, VP Notes, VPS Notes, Swedish Notes and Finnish Notes*) in relation to VPS Notes only, "**business day**" means a day, other than a Saturday or Sunday on which Euronext 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.

Swedish Notes

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

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

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

Finnish Notes

One or more Finnish Notes may be transferred in accordance with Euroclear Finland Rules. Exchange and transfer of Finnish 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 Finnish Issuing Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Finnish Issuing Agent may require).

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

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

4. **Status**

The 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.

5. **Interest**

Notes may be interest bearing or non-interest bearing, as specified in the relevant Final Terms. The amount of interest payable per Calculation Amount on each Interest Payment Date, (the "**Interest Amount**") shall be calculated in accordance with one of the following alternatives as further specified in the relevant Final Terms. Unless otherwise specified in these Conditions, the Interest Amount will be an amount per Calculation Amount and (subject to Condition 8(9) (*Interest Deferral*)) will be payable in arrear on each Interest Payment Date.

(a) ***Interest – Fixed Rate***

If the Notes are specified as "**Fixed Rate**" Notes, the Notes shall bear interest at the Interest Rate from and including the Interest Commencement Date to but excluding the Redemption Date **provided that** in the case of Swedish Notes, such Swedish Notes shall bear interest from, but excluding their Interest Commencement Date to and including the Redemption Date. Interest accrued during each Interest Period will be payable in arrear on the relevant Interest Payment Dates.

If a Fixed Interest Amount is specified in the relevant Final Terms, the amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Interest Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Interest Amount in respect of the relevant Specified Denomination.

In respect of any period for which a Fixed Interest Amount is not specified, the Interest Amount in respect of each Note shall be calculated by applying the Interest Rate to the Adjusted Calculation Amount, multiplying the product by the Day Count Fraction, and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the specified Denomination of such Note divided by the Original Calculation Amount. For the purposes of this Condition 5 (*Interest*), 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.

Unless otherwise specified in the Final Terms, the Business Day Convention stated in Condition 8(7)(c) (*Payment – General Provisions*) below shall apply to Fixed Rate Notes.

(b) ***Interest – Rate Adjustment***

If the Notes are specified as "**Rate Adjustment**" Notes, the provisions of this Condition 5 (*Interest*) that are to be followed for calculation of the Interest payable on the Notes may be adjusted periodically, as specified in the relevant Final Terms.

(c) ***Interest – Combination***

If "**Combination of Interest Bases**" is specified as applicable in the Final Terms, Notes may also bear interest in accordance with more than one of the interest alternatives set out in this Condition 5 (*Interest*): (i) if "**Single Basket Addition**" is specified in the Final Terms the same underlying Basket shall be used for the calculation of each alternative Interest Amount, and the Interest Amounts so determined shall be aggregated for the purposes of determining the total amount payable to holders on the relevant Interest Payment Date, (ii) if "**Multiple Basket Addition**" is specified in the Final Terms a different underlying Basket shall be used for the calculation of each separate Interest Amount (as specified in the Final Terms), and the Interest Amounts shall be aggregated for the purposes of determining the total amount payable to the holders on the relevant Interest Payment Date or (iii) if "**Alternative Calculation**" is specified in the Final Terms, the applicable Condition for the calculation of interest will differ depending on whether or not the Basket Return on a particular Interest Determination Date has exceeded certain pre-specified Interest Barrier levels, as set out in the relevant Final Terms.

The Basket Return will be determined in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms.

(d)

(i) ***Interest – FRNs (Floating Rate Notes) (other than Floating Rate Notes referencing SONIA, SOFR or €STR)***

If the Notes are specified as "**Floating Rate**" Notes and the Interest Base Rate is not SONIA, SOFR or €STR, the Notes shall bear interest from and including the Interest Commencement Date up to but excluding the Redemption Date **provided that** in the case of Swedish Notes, such Swedish Notes shall bear interest from, but excluding their Interest Commencement Date to and including the Redemption Date. The Interest Rate applicable to each Interest Period shall be determined by the Issuing Agent (or, where applicable, the Calculation Agent) or the Issuer on the relevant Interest Determination Date as the sum of:

(a) the Interest Base Rate multiplied by the FRN Participation Ratio; and

(b) the Interest Margin for the relevant period.

If a Maximum Interest Rate or a Minimum Interest Rate (or both) is specified in the relevant Final Terms, the Interest Rate shall in no circumstances be higher than the Maximum Interest Rate or lower than the Minimum Interest Rate (as applicable).

Interest for each Interest Period is paid in arrear on the relevant Interest Payment Date and is calculated by applying the Interest Rate to the Adjusted Calculation Amount, multiplying the product by the Day Count Fraction, and 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 Original Calculation Amount. For the purposes of this Condition 5 (*Interest*), 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.

If there is a long or short first or last Interest Period in respect of any Notes (an "**Irregular Interest Period**"), which is either longer or shorter than the Designated Maturity for the Interest Base Rate specified in the Final Terms, the Issuer may either specify an Alternative Designated Maturity for such Irregular Interest Period in the relevant Final Terms or, if "**linear interpolation**" is specified in the Final Terms, determine the Interest Base Rate by way of linear interpolation of the rates displayed for 'Alternative Maturity 1' and 'Alternative Maturity 2' in each case as specified in the Final Terms, and as shown on the applicable Screen Page.

Unless otherwise specified in the Final Terms, the Business Day Convention stated in Condition 8(7)(c) (*Payment – General Provisions*) below shall apply to Floating Rate Notes.

(ii) ***Interest – Floating Rate Notes referencing SONIA, SOFR or €STR***

(A) Where the Interest Base Rate specified in the relevant Final Terms is SONIA, the Interest Rate for each Interest Period will, subject as provided below, be the sum of: (i) Compounded Daily SONIA multiplied by the FRN Participation Ratio plus (ii) the Interest Margin for the relevant period, all as determined by the Issuing Agent (or, where applicable, the Calculation Agent) or the Issuer on the relevant Interest Determination Date.

For the purposes of this Condition 5(d)(ii)(A):

"**Compounded Daily SONIA**", with respect to an Interest Period, will be calculated on each Interest Determination Date in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

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

d" means the number of calendar days in:

(i) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

"$\mathbf{d_o}$" means the number of London Banking Days in:

(i) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

"**i**" means 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:

(i) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

to, and including, the last London Banking Day in such period;

"**Interest Determination Date**" means, in respect of any Interest Period, the date falling p London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling p London Banking Days prior to such earlier date, if any, on which the Notes are due and payable).

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

"$\mathbf{n_i}$" for any London Banking Day "i", in the relevant Interest Period or Observation Period (as applicable) is 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**" for any Interest Period or Observation Period (as applicable), means the number of London Banking Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Final Terms;

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

"$\mathbf{SONIA_i}$" means the SONIA Reference Rate for:

(i) where "Lag" is specified as the Observation Method in the relevant Final Terms, the London Banking Day falling "p" London Banking Days prior to the relevant London Banking Day "i"; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms; the relevant London Banking Day "i";

For the avoidance of doubt, the formula for the calculation of Compounded Daily SONIA only compounds the SONIA Reference Rate in respect of any London Banking Day. The SONIA Reference Rate applied to a day that is a non-London Banking Day will be taken by applying the SONIA Reference Rate for the previous London Banking Day but without compounding.

If, subject to Condition 5(bbb) (*Benchmark Replacement - Independent Adviser*), in respect of any London Banking Day in the relevant Interest Period or Observation Period, the SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall be:

(i) (A) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking Days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or

(ii) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Banking Day, the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA Reference Rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

In the event that the Interest Base Rate cannot be determined in accordance with the foregoing provisions, the Interest Base Rate shall, subject to Condition 5(bbb) (*Benchmark Replacement - Independent Adviser*), be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Interest Rate 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 Margin applicable to the first Interest Period).

If the relevant Series of Notes become due and payable in accordance with Condition 6 (*Redemption and Purchase*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified above, be deemed to be the date on which such Notes became due and payable and the Interest Rate on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

For the avoidance of doubt, the formula for the calculation of Compounded Daily SONIA only compounds the SONIA Reference Rate in respect of any London Banking Day. The SONIA Reference Rate applied to a day that is a non-London Banking Day will be taken by applying the SONIA Reference Rate for the previous London Banking Day but without compounding.

(B) Where the Interest Base Rate specified in the relevant Final Terms is SOFR, the Interest Rate for each Interest Period will, subject as provided below and subject to Condition 5(ccc)(*Benchmark Replacement – ARRC*), the sum of: (i) the relevant Benchmark multiplied by the FRN Participation Ratio plus (ii) the Interest Margin for the relevant period, all as determined by the Issuing Agent (or, where applicable, the Calculation Agent) or the Issuer on the relevant Interest Determination Date.

For the purposes of this Condition 5(d)(ii)(B):

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

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

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

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

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

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

"**d**" is the number of calendar days in:

(i) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period.

"**d_o**" is the number of U.S. Government Securities Business Days in:

(i) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period.

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

(i) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period,

to and including the last US Government Securities Business Day in such period;

"**Interest Determination Date**" means, in respect of any Interest Period, the date falling "p" U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes are due and payable);

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

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

"**p**" for any Interest Period or Observation Period (as applicable) means the number of U.S. Government Securities Business Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Final Terms;

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

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

(ii) Subject to Condition 5(ccc) (*Benchmark Replacement – ARRC*) below, if the rate specified in (i) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website;

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

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source;

"$\mathbf{SOFR_i}$" means the SOFR for:

(i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the U.S. Government Securities Business Day falling "p" U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day "i"; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant U.S. Government Securities Business Day "i"; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial

Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

If the relevant Series of Notes become due and payable in accordance with Condition 6 (*Redemption and Purchase*), 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 Interest Rate on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

(C) Where the Interest Base Rate specified in the relevant Final Terms is €STR, the Interest Rate for each Interest Period will, subject as provided below, be the sum of: (i) Compounded Daily €STR multiplied by the FRN Participation Ratio plus (ii) the Interest Margin for the relevant period, all as determined by the Issuing Agent (or, where applicable, the Calculation Agent) or the Issuer on the relevant Interest Determination Date.

For the purposes of this Condition 5(d)(ii)(C):

"**Compounded Daily €STR**" means, with respect to any Interest Period, the rate of return of a daily compound interest investment (with the daily euro short-term rate as reference rate for the calculation of interest) as calculated as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{€\mathrm{STR}_i \times n_i}{\mathrm{D}}\right)-1\right]\times\frac{\mathrm{D}}{d}$$

where:

"**d**" means the number of calendar days in:

(i) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

"**D**" means the number specified as such in the relevant Final Terms (or, if no such number is specified, 360);

"**do**" means the number of TARGET Settlement Days in:

(i) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

the "**€STR reference rate**", in respect of any TARGET Settlement Day, is a reference rate equal to the daily euro short-term rate ("**€STR**") for such TARGET Settlement Day as provided by the European Central Bank as the administrator of €STR (or any successor administrator of such rate) on the website of the European Central Bank (or, if no longer published on its website, as otherwise published by it or provided by it to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the TARGET Settlement Day immediately following such TARGET Settlement Day (in each case, at the time specified by, or determined in accordance with, the applicable methodology, policies or guidelines, of the European Central Bank or the successor administrator of such rate);

"**$€STR_i$**" means the €STR reference rate for:

(i) where "Lag" is specified as the Observation Method in the relevant Final Terms, the TARGET Settlement Day falling "*p*" TARGET Settlement Days prior to the relevant TARGET Settlement Day "*i*"; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant TARGET Settlement Day "*i*".

"***i***" is a series of whole numbers from one to "d_o", each representing the relevant TARGET Settlement Day in chronological order from, and including, the first TARGET Settlement Day in:

(i) where "*Lag*" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or

(ii) where "*Observation Shift*" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

to, and including, the last TARGET Settlement Day in such period;

"n_i" for any TARGET Settlement Day "*i*" in the relevant Interest Period or Observation Period (as applicable), means the number of calendar days from (and including) such TARGET Settlement Day "*i*" up to (but excluding) the following TARGET Settlement Day;

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

"**p**" for any latest Interest Period or Observation Period (as applicable), means the number of TARGET Settlement Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Final Terms.

Subject to Condition 5(bbb) (*Benchmark Replacement - Independent Adviser*), if, where any Interest Rate is to be calculated pursuant to Condition 5(d)(ii)(C) above, in respect of any TARGET Settlement Day in respect of which an applicable €STR reference rate is required to be determined, such €STR reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then the €STR reference rate in respect of such TARGET Settlement Day shall be the €STR reference rate for the first preceding TARGET Settlement Day in respect of which €STR reference rate was published by the European Central Bank on its website, the Issuing Agent (or, where applicable, the Calculation Agent) or the Issuer.

Subject to Condition 5(bbb) (*Benchmark Replacement - Independent Adviser*), if the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 5(d)(ii)(C), the Interest Rate shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Interest Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Interest Margin relating to the relevant Interest Period, in place of the Interest Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to the 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 Interest Margin applicable to the first Interest Period).

(D) Where the Interest Base Rate specified in the relevant Final Terms is the SONIA Compounded Index or the SOFRA Compounded Index , the Interest Rate for each Interest Period will, subject as provided below and subject to Condition 5(bbb) (*Benchmark Replacement – Independent Adviser*) or Condition 5(ccc) (*Benchmark Replacement – ARRC*), the sum of: (i) the relevant Benchmark multiplied by the FRN Participation Ratio plus (ii) the Interest Margin for the relevant period, all as determined by the Issuing Agent (or, where applicable, the Calculation Agent) or the Issuer on the relevant Interest Determination Date.

For the purposes of this Condition 5(d)(ii)(D):

"**Benchmark**" means the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula on the relevant Interest Determination Date:

$$\left(\frac{Compounded\ Index\ End}{Compounded\ Index\ Start} - 1\right) X\ \frac{Numerator}{d}$$

and rounded to the Relevant Decimal Place;

"**Compounded Index**" shall mean either the SONIA Compounded Index or the SOFR Compounded Index, as specified in the relevant Final Terms;

"**Compounded Index End**" means the relevant Compounded Index value on the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period);

"**Compounded Index Start**" means the relevant Compounded Index value on the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period (or in the first Interest Period, the Issue Date);

"**d**" is the number of calendar days from (and including) the day on which the relevant Compounded Index Start is determined to (but excluding) the day on which the relevant Compounded Index End is determined;

"**Index Days**" means, in the case of the SONIA Compounded Index, London Banking Days, and, in the case of the SOFR Compounded Index, U.S. Government Securities Business Days;

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

"**Numerator**" means, in the case of the SONIA Compounded Index, 365 and, in the case of the SOFR Compounded Index, 360, or as otherwise specified in the relevant Final Terms;

"**Relevant Decimal Place**" shall, unless otherwise specified in the relevant Final Terms, be the fifth decimal place in the case of the SONIA Compounded Index and the seventh decimal place in the case of the SOFR Compounded Index, in each case rounded up or down, if necessary (with 0.000005 or, as the case may be, 0.00000005 being rounded upwards);

"**Relevant Number**" shall be, unless otherwise specified in the relevant Final Terms, five in the case of the SONIA Compounded Index and two in the case of the SOFR Compounded Index;

"**SOFR Compounded Index**" means the compounded daily SOFR rate as published at 3:00 p.m. (New York time) by Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source;

"**SONIA Compounded Index**" means the compounded daily SONIA rate as published at 10:00 a.m. (London time) by the Bank of England (or a successor administrator of SONIA) on the Bank of England's Interactive Statistical Database, or any successor source; and

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

In the event that the Interest Base Rate cannot be determined in accordance with the foregoing provisions, subject to Condition 5(bbb) (*Benchmark Replacement – Independent Adviser*) or Condition 5(ccc) (*Benchmark Replacement – ARRC*), as applicable, the Interest Rate shall be determined for that Interest Period as if Index Determination was not specified in the applicable Final Terms and as if Compounded Daily SONIA or Compounded SOFR with Observation Period Shift (as applicable) had been specified instead in the Final Terms and where the Observation Shift Period shall be deemed to be the same as the Relevant Number specified in the Final Terms and where, in the case of Compounded Daily SONIA, the Relevant Screen Page will be selected by the Issuer.

If the relevant Series of Notes become due and payable in accordance with Condition 6 (*Redemption and Purchase*), 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 Interest Rate on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

(e) ***Interest – Inflation Linked***

If the "**Inflation-Linked Interest Note**" provisions are specified as applicable in the Final Terms, the Notes shall bear Inflation-Linked Interest from and including the Interest Commencement Date to but excluding the Redemption Date **provided that** in the case of Swedish Notes, such Swedish Notes shall bear interest from, but excluding their Interest Commencement Date to and including the Redemption Date. The Interest Rate may be fixed or floating and the amount of interest for each Interest Period shall be calculated in the manner stated in Condition 5(a) (*Interest – Fixed Rate*) or Condition 5(d) (*Interest – FRNs (Floating Rate Notes)*) respectively and multiplied by a figure corresponding to the ratio calculated by dividing the Final CPI by the Base CPI.

Unless otherwise specified in the Final Terms, the Business Day Convention specified in Condition 8(7)(c) (*Payments – General Provisions*) below shall apply to Inflation-Linked Interest Notes.

(f) ***Zero Coupon Notes***

If the Notes are specified as "**Zero Coupon Notes**", the Notes shall not bear interest. Zero coupon Notes may be issued at a discount and redeemed at their Principal Amount. Alternatively, zero coupon Notes may be issued at their Principal Amount and redeemed at a higher Redemption Amount as specified in the relevant Final Terms and which, in any such case, shall be paid on the Redemption Date.

Unless otherwise stated in the Final Terms, the Business Day Convention specified in Condition 8(7)(c) (*Payments – General Provisions*) below shall apply to zero coupon Notes.

Unless otherwise stated in the Final Terms, Notes shall not be Zero Coupon Notes and on redemption of the Notes, any payment of Redemption Amount over or below the Principal Amount shall be considered as interest or yield.

(g) ***Coupon Bearing Notes***

If the Notes are specified as "**Coupon Bearing Notes**": (x) if a Coupon Event occurs on any Valuation Date, then the Notes will pay interest (the "**Coupon**") on the immediately succeeding Interest Payment Date, or (y) if "**Automatic Coupon Payment**" is specified in the relevant Final Terms, the Notes will pay interest (the "**Coupon**") on each Interest Payment Date. In either case, the amount of any such Coupon payment will be determined as follows:

(i) If "**Flat Coupon**" is specified in the Final Terms, the Coupon payment will be equal to the Principal Amount of the Notes multiplied by the relevant Coupon Rate;

(ii) If "**Memory Coupon**" is specified in the Final Terms the Coupon payment will be equal to the Principal Amount of the Notes multiplied by the relevant Coupon Rate and multiplied by the number of preceding Interest Payment Dates (up to and including the Interest Payment Date immediately following the applicable Valuation Date) for which any Memory Relevant Coupon has not been paid;

(iii) If "**Plus Flat Coupon**" is specified in the Final Terms the Coupon payment will be equal to the Principal Amount of the Notes multiplied by the higher of: (a) the relevant Coupon Rate and (b) the Basket Return; and

(iv) If "**Plus Memory Coupon**" is specified in the Final Terms the Coupon payment will be equal to the Principal Amount of the Notes, multiplied by the higher of: (a) the relevant Coupon Rate multiplied by the number of preceding Interest Payment Dates (up to and including the Interest Payment Date immediately following the applicable Valuation Date) for which a Coupon has not been paid and (b) the Basket Return; and

(v) If "**First Coupon Multiplier**" is specified in the Final Terms, either:

(A) the Variable Coupon payment on the first Interest Payment Date on which a Variable Coupon may be payable (depending on the performance of the Underlying Assets) (a "**Variable Coupon Payment Date**") or

(B) if no Variable Coupon is paid on the first Variable Coupon Payment Date, and Memory Coupon is specified in the Final Terms to be applicable to the relevant Coupon payment, the portion of the Memory Coupon attributable to such first Variable Coupon Payment Date,

shall be multiplied by the value specified in the Final Terms.

The type of coupon payable (being one of (i) to (v) above) and the Coupon Rate may vary depending on whether a particular Coupon Barrier Level is met and/or the date on which the relevant Interest Payment Date falls, in each case as specified in the relevant Final Terms.

A "**Coupon Event**" will occur if the Basket Return exceeds one or more specified Coupon Barrier Level(s) and/or equals one or more specified Coupon Barrier Level(s) and/or is below one or more specified Coupon Barrier Level(s), in each case for the relevant Valuation Date, as specified in the relevant Final Terms.

The "**Basket Return**" will be determined as follows:

(i) if "***Basket Rate***" is specified in the Final Terms, the "**Basket Return**" will be calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) (*"Basket Long" structure*) or the "Basket Short" structure set out in Condition 6(a)(ii) ("*Basket Short*" *structure*), as specified in the Final Terms; or

(ii) if "***Best of/Worst of Rate***" is specified in the Final Terms, the "**Basket Return**" will be the Reference Asset Return of the Nth best performing Reference Asset.

The "**Nth best performing**" Reference Asset shall be the Reference Asset with the Nth highest Reference Asset Return where for the purposes of this Condition 5(g) (*Coupon Bearing Notes*), "**N**" shall be the value specified in the Final Terms under the heading "**Coupon Bearing Note Provisions**".

The "**Reference Asset Return**" will be calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) (*"Basket Long" structure*) or the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms.

If no Coupon Event has occurred on any given Valuation Date, no interest will be payable on the immediately succeeding Interest Payment Date.

(h) ***Non-Tranched CLN Interest***

If the Notes are specified as bearing "**Non-Tranched CLN Interest**", the Interest Rate may be fixed or floating and the amount of interest for each Interest Period shall be calculated in the manner specified in one of the other provisions of this Condition 5 (*Interest*), save that the Calculation Amount which is used to determine the Interest Amount payable in accordance with such other Condition (the "**Adjusted Calculation Amount**") shall be adjusted as follows:

(i) if "**Determination Date Exposure**" is specified in the Final Terms, the Calculation Amount specified in the Final Terms shall be multiplied by the Adjusted Portfolio Return (Interest) as at the Observation Date falling the Number of Business Days prior to the relevant Interest Payment Date **provided however that**, in the case of any Interest Payment Date which falls after the final Observation Date, the Adjusted Portfolio Return (Interest) shall be determined as at the final Observation Date, or

(ii) if "**Weighted Average Exposure**" is specified in the Final Terms, the Calculation Amount specified in the Final Terms shall be multiplied by the weighted average of the Adjusted Portfolio Return (Interest) on each calendar day from and including the preceding Observation Date to (but excluding) the Observation Date on or immediately preceding the relevant Interest Payment Date, as determined by the Issuer in its sole discretion **provided however that**, in the case of any Interest Period which commences on or after the final Observation Date, the weighted average of the Adjusted Portfolio Return (Interest) for each calendar day during the relevant Interest Period shall be equal to the Adjusted Portfolio Return (Interest) on the final Observation Date, as determined by the Issuer in its sole discretion.

The "**Adjusted Portfolio Return (Interest)**" shall be the difference between 1 and the Adjusted Portfolio Loss (Interest).

The "**Adjusted Portfolio Loss (Interest)**" will mean the sum of the Default Weighting for each Reference Entity (Interest) within the Basket.

The "**Default Weighting**" shall be either:

(i) If "**Credit Event Ranked Basket Participation (Interest)**" is specified as applicable in the relevant Final Terms, calculated by multiplying the Basket Participation (Interest) by the Default Value in respect of each Reference Entity (Interest) as follows:

(A) for the Reference Entities (Interest) which have been subject to a Credit Event, the relevant Credit Event Ranked Weight is used as the Basket Participation (Interest); or

(B) for the remaining Reference Entities (Interest) which have not been subject to a Credit Event, the relevant Reference Entities shall be listed in alphabetical order and the remaining Credit Event Ranked Weights will be assigned in numerical order for the purposes of determining the Basket Participation (Interest), following the principle that the first Reference Entity (Interest) in alphabetical order shall be assigned the first available Credit Event Ranked Weight in numerical order and so forth.

(ii) If "**Credit Event Ranked Basket Participation (Interest)**" is specified as not applicable, calculated by multiplying the Basket Participation (Interest) by the Default Value in respect of each Reference Entity (Interest).

The "**Default Value**" in respect of each Reference Entity (Interest) will be the difference between 100% and the Recovery Value.

The "**Recovery Value**" will be 100 per cent. if a Credit Event (as defined in Part 3; *Additional Conditions for Credit-Linked Notes*) has not occurred in relation to that Reference Entity (Interest) since the Observation Start Date or, if such a Credit Event has occurred, it will be either a Fixed Recovery Value (as specified in the Final Terms) or a Market Recovery Value, in each case specified as a percentage.

(i) ***Tranched CLN Interest***

If the Notes are specified as bearing "**Tranched CLN Interest**", the Interest Rate may be fixed or floating and the amount of interest for each Interest Period shall be calculated in the manner specified in one of the other provisions of this Condition 5 (*Interest*), save that the Calculation Amount which is used to determine the Interest Amount payable in accordance with such other Condition (the "**Adjusted Calculation Amount**") shall be adjusted as follows:

(i) if "**Determination Date Exposure**" is specified in the Final Terms, the Calculation Amount specified in the Final Terms shall be multiplied by the Adjusted Portfolio Return (Interest) as at the Observation Date falling the Number of Business Days prior to the relevant Interest Payment Date **provided however that**, in the case of any Interest Payment Date which falls after the final Observation Date, the Adjusted Portfolio Return (Interest) shall be determined as at the final Observation Date, or

(ii) if "**Weighted Average Exposure**" is specified in the Final Terms, the Calculation Amount specified in the Final Terms shall be multiplied by the weighted average of the Adjusted Portfolio Return (Interest) on each calendar day from and including the preceding Observation Date to (but excluding) the Observation Date on or immediately preceding the relevant Interest Payment Date, as determined by the Issuer in its sole discretion **provided however that**, in the case of any Interest Period which commences on or after the final Observation Date, the weighted average of the Adjusted Portfolio Return (Interest) for each calendar day during the relevant Interest Period shall be equal to the Adjusted Portfolio Return (Interest) on the final Observation Date, as determined by the Issuer in its sole discretion.

The "**Adjusted Portfolio Return (Interest)**" shall be the result obtained by subtracting the Adjusted Tranche Loss (Interest) from 1.

The "**Adjusted Tranche Loss (Interest)**" will be the result obtained by dividing the lower of a) the Tranche Attachment Range and b) the Tranche Loss (Interest), by the Tranche Attachment Range.

The "**Tranche Loss (Interest)**" will be the higher of:

(i) zero and

(ii) the sum of:

(a) the higher of (x) zero and (y) the result obtained by subtracting the Tranche Attachment Point from the sum of the Weighted Asset Loss (Interest) for each Reference Entity (Interest) within the relevant Basket; and

(b) the Coupon Risk Factor.

"**Weighted Asset Loss (Interest)**" means the product of the Basket Participation (Interest) and the Reference Entity Loss (Interest) for the relevant Reference Entity (Interest).

The "**Reference Entity Loss (Interest)**" will be the result obtained by subtracting the Recovery Value in respect of the relevant Reference Entity (Interest) from 1.

The "**Recovery Value**" will be 100 per cent. if a Credit Event (as defined in Part 3; *Additional Conditions for Credit-Linked Notes*) has not occurred in relation to that Reference Entity (Interest) since the Observation Start Date or, if such a Credit Event has occurred, it will be either a Fixed

Recovery Value (as specified in the Final Terms) or a Market Recovery Value, in each case specified as a percentage.

The "**Coupon Risk Factor**" will mean the greater of (i) zero and (ii) the sum of the Weighted Asset Recovery (Interest) for those Reference Entities (Interest) for which a Credit Event has occurred since the Observation Start Date, less the result obtained by subtracting the Tranche Detachment Point from 1.

The "**Weighted Asset Recovery (Interest)**" means the product of the Basket Participation (Interest) and the Recovery Value for the relevant Reference Entity (Interest).

(j) ***Nth to Default CLN Interest***

If the Notes are specified as bearing "**Nth to Default CLN Interest**", the Interest Rate may be fixed or floating and the amount of interest for each Interest Period shall be calculated in the manner specified in one of the other provisions of this Condition 5 (*Interest*), save that the Calculation Amount which is used to determine the Interest Amount payable in accordance with such other Condition (the "**Adjusted Calculation Amount**") shall be adjusted as follows:

(i) if "**Determination Date Exposure**" is specified in the Final Terms, the Calculation Amount specified in the Final Terms shall be multiplied by the Adjusted Portfolio Return (Interest) as at the Observation Date falling the Number of Business Days prior to the relevant Interest Payment Date **provided however that**, in the case of any Interest Payment Date which falls after the final Observation Date, the Adjusted Portfolio Return (Interest) shall be determined as at the final Observation Date, or

(ii) if "**Weighted Average Exposure**" is specified in the Final Terms, the Calculation Amount specified in the Final Terms shall be multiplied by the weighted average of the Adjusted Portfolio Return (Interest) on each calendar day from and including the preceding Observation Date to (but excluding) the Observation Date on or preceding the relevant Interest Payment Date, as determined by the Issuer in its sole discretion **provided however that**, in the case of any Interest Period which commences on or after the final Observation Date, the weighted average of the Adjusted Portfolio Return (Interest) for each calendar day during the relevant Interest Period shall be equal to the Adjusted Portfolio Return (Interest) on the final Observation Date, as determined by the Issuer in its sole discretion.

The "**Adjusted Portfolio Return (Interest)**" shall be the result obtained by subtracting the Adjusted Portfolio Loss (Interest) from 1.

The "**Adjusted Portfolio Loss (Interest)**" will mean a) if the number of Credit Events that have occurred in relation to any Reference Entity (Interest) within the Basket during the period commencing on the Observation Start Date and ending on the Observation Date immediately preceding the relevant Interest Payment Date, is greater than or equal to N, 1; or b) if the number of Credit Events that have occurred in relation to any Reference Entity (Interest) within the Basket during the period commencing on the Observation Start Date and ending on the Observation Date immediately preceding the relevant Interest Payment Date, is less than N, zero.

"**N**" shall be the figure specified in the Final Terms under the heading "**CLN Interest Provisions**".

(k) ***Nth and Nth+1 to Default CLN Interest***

If the Notes are specified as bearing "**Nth and Nth+1 to Default CLN Interest**", the Interest Rate may be fixed or floating and the amount of interest for each Interest Period shall be calculated in the manner specified in one of the other provisions of this Condition 5 (*Interest*), save that the Calculation Amount which is used to determine the Interest Amount payable in accordance with such other Condition (the "**Adjusted Calculation Amount**") shall be adjusted as follows:

(i) if "**Determination Date Exposure**" is specified in the Final Terms, the Calculation Amount specified in the Final Terms shall be multiplied by the Adjusted Portfolio Return (Interest) as at the Observation Date falling the Number of Business Days prior to the relevant Interest Payment Date **provided however that**, in the case of any Interest

Payment Date which falls after the final Observation Date, the Adjusted Portfolio Return (Interest) shall be determined as at the final Observation Date, or

(ii) if "**Weighted Average Exposure**" is specified in the Final Terms, the Calculation Amount specified in the Final Terms shall be multiplied by the weighted average of the Adjusted Portfolio Return (Interest) on each calendar day from and including the preceding Interest Payment Date to (but excluding) the Observation Date on or preceding the relevant Interest Payment Date, as determined by the Issuer in its sole discretion **provided however that**, in the case of any Interest Period which commences on or after the final Observation Date, the weighted average of the Adjusted Portfolio Return (Interest) for each calendar day during the relevant Interest Period shall be equal to the Adjusted Portfolio Return (Interest) on the final Observation Date, as determined by the Issuer in its sole discretion.

The "**Adjusted Portfolio Return (Interest)**" shall be the result obtained by subtracting the Adjusted Portfolio Loss (Interest) from 1.

The "**Adjusted Portfolio Loss (Interest)**" will mean:

(i) if the number of Credit Events that have occurred in relation to any Reference Entity (Interest) within the Basket during the period commencing on the Observation Start Date and ending on the Observation Date immediately preceding the relevant Interest Payment Date is greater than N, the sum of the Basket Participation of the Nth Reference Entity (Interest) to default and the Nth plus 1 (i.e. the immediately succeeding) Reference Entity (Interest) to default within the Basket; or

(ii) if the number of Credit Events that have occurred in relation to any Reference Entity (Interest) within the Basket during the period commencing on the Observation Start Date and ending on the Observation Date immediately preceding the relevant Interest Payment Date is equal to N, an amount equal to the Basket Participation of the Nth Reference Entity (Interest) in respect of which a Credit Event occurs; or

(iii) if the number of Credit Events that have occurred in relation to any Reference Entity (Interest) within the Basket during the period commencing on the Observation Start Date and ending on the Observation Date immediately preceding the relevant Interest Payment Date, is less than N, zero.

"**N**" shall be the figure specified in the Final Terms under the heading "**CLN Interest Provisions**".

(l) ***Capped Floor Float***

If this Condition 5(l) (*Capped Floor Float*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the Calculation Amount multiplied by:

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

(b) the Day Count Fraction.

The "**Adjusted Reference Rate Return**" will be the higher of:

(a) the Gearing multiplied by the sum of the Reference Rate and the applicable Spread; and

(b) the Floor Strike.

The "**Spread**" will be the value specified in the relevant Final Terms.

The "**Gearing**" means the value specified in the relevant Final Terms.

(m) ***Cap Floor***

If this Condition 5(m) (*Cap Floor*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the sum of Cap Amount 1, Cap Amount 2, Floor Amount 1 and Floor Amount 2.

The "**Cap Amount 1**" will be equal to the Calculation Amount multiplied by:

(a) the Cap Value 1;

(b) the Leverage (Cap) 1;

(c) the Cap Return 1; and

(d) the Day Count Fraction.

The "**Cap Value 1**" will be either 1, minus 1 or zero, as specified in the relevant Final Terms.

The "**Leverage (Cap) 1**" will be the value(s) in respect of the relevant Interest Period(s) specified in the relevant Final Terms.

The "**Cap Return 1**" will be the higher of (x) the result obtained by subtracting the Cap Strike 1 from the Reference Rate; and (y) zero.

The "**Cap Amount 2**" will be equal to the Calculation Amount multiplied by:

(a) the Cap Value 2;

(b) the Leverage (Cap) 2;

(c) the Cap Return 2; and

(d) the Day Count Fraction.

The "**Cap Value 2**" will be either 1, minus 1 or zero, as specified in the relevant Final Terms.

The "**Leverage (Cap) 2**" will be the value(s) in respect of the relevant Interest Period(s) specified in the relevant Final Terms.

The "**Cap Return 2**" will be the higher of (x) the result obtained by subtracting the Cap Strike 2 from the Reference Rate; and (y) zero.

The "**Floor Amount 1**" will be equal to the Calculation Amount multiplied by:

(a) The Floor Value 1;

(b) the Leverage (Floor) 1;

(c) the Floor Return 1; and

(d) the Day Count Fraction.

The "**Floor Value 1**" will be either 1, minus 1 or zero, as specified in the relevant Final Terms.

The "**Leverage (Floor) 1**" will be the value(s) in respect of the relevant Interest Period(s) specified in the relevant Final Terms.

The "**Floor Return 1**" will be the higher of (x) the result obtained by subtracting the Reference Rate from the Floor Strike 1 and (y) zero.

The "**Floor Amount 2**" will be equal to the Calculation Amount multiplied by:

(a) The Floor Value 2;

(b) the Leverage (Floor) 2;

(c) the Floor Return 2; and

(d) the Day Count Fraction.

The "**Floor Value 2**" will be either 1, minus 1 or zero, as specified in the relevant Final Terms.

The "**Leverage (Floor) 2**" will be the value(s) in respect of the relevant Interest Period(s) specified in the relevant Final Terms.

The "**Floor Return 2**" will be the higher of (x) the result obtained by subtracting the Reference Rate from the Floor Strike 2 and (y) zero.

(n) ***Cap Floor Spread***

If this Condition 5(n) (*Cap Floor Spread*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the sum of Cap Spread Amount 1, Cap Spread Amount 2, Floor Spread Amount 1 and Floor Spread Amount 2.

The "**Cap Spread Amount 1**" will be equal to the Calculation Amount multiplied by:

(a) The Cap Value 1;

(b) the Leverage (Cap) 1;

(c) the Cap Return 1; and

(d) the Day Count Fraction.

The "**Cap Value 1**" will be either 1, minus 1 or zero, as specified in the relevant Final Terms.

The "**Leverage (Cap) 1**" will be the value(s) in respect of the relevant Interest Period(s) specified in the relevant Final Terms.

The "**Cap Return 1**" will be the lower of:

(a) the result obtained by subtracting the Cap Strike Lower 1 from the Cap Strike Upper 1; and

(b) the higher of (x) the result obtained by subtracting the Cap Strike Lower 1 from the Reference Rate; and (y) zero.

The "**Cap Spread Amount 2**" will be equal to the Calculation Amount multiplied by:

(a) The Cap Value 2;

(b) the Leverage (Cap) 2;

(c) the Cap Return 2; and

(d) the Day Count Fraction.

The "**Cap Value 2**" will be either 1, minus 1 or zero, as specified in the relevant Final Terms.

The "**Leverage (Cap) 2**" will be the value(s) in respect of the relevant Interest Period(s) specified in the relevant Final Terms.

The "**Cap Return 2**" will be the lower of:

(a) the result obtained by subtracting the Cap Strike Lower 2 from the Cap Strike Upper 2; and

(b) the higher of (x) the result obtained by subtracting the Cap Strike Lower 2 from the Reference Rate; and (y) zero.

The "**Floor Spread Amount 1**" will be equal to the Calculation Amount multiplied by:

(a) The Floor Value 1;

(b) the Leverage (Floor) 1;

(c) the Floor Return 1; and

(d) the Day Count Fraction.

The "**Floor Value 1**" will be either 1, minus 1 or zero, as specified in the relevant Final Terms.

The "**Leverage (Floor) 1**" will be the value(s) in respect of the relevant Interest Period(s) specified in the relevant Final Terms.

The "**Floor Return 1**" will be the lower of:

(a) the result obtained by subtracting the Floor Strike Lower 1 from the Floor Strike Upper 1; and

(b) the higher of (x) the result obtained by subtracting the Reference Rate from the Floor Strike Upper 1 and (y) zero.

The "**Floor Spread Amount 2**" will be equal to the Calculation Amount multiplied by:

(a) The Floor Value 2;

(b) the Leverage (Floor) 2;

(c) the Floor Return 2; and

(d) the Day Count Fraction.

The "**Floor Value 2**" will be either 1, minus 1 or zero, as specified in the relevant Final Terms.

The "**Leverage (Floor) 2**" will be the value(s) in respect of the relevant Interest Period(s) specified in the relevant Final Terms.

The "**Floor Return 2**" will be the lower of:

(a) the result obtained by subtracting the Floor Strike Lower 2 from the Floor Strike Upper 2; and

(b) the higher of (x) the result obtained by subtracting the Reference Rate from the Floor Strike Upper 2 and (y) zero.

(o) ***Range Accrual***

If this Condition 5(o) (*Range Accrual*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the Calculation Amount multiplied by:

(a) X

(b) the Relevant Proportion; and

(c) the Day Count Fraction.

"**X**" shall be the value specified in the relevant Final Terms

The "**Relevant Proportion**" shall be calculated by dividing the number of days during the relevant Interest Period on which the Reference Rate, Reference Asset or Basket is lower than or equal to Strike Upper and greater than or equal to the Strike Lower, by the total number of days during the applicable Interest Period.

(p) ***Range Accrual In/Out***

If this Condition 5(p) (*Range Accrual In/Out*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the Calculation Amount multiplied by:

(a) the Adjusted Range Performance; and

(b) the Day Count Fraction.

The "**Adjusted Range Performance**" will be the higher of the Floor Strike and the Range Performance.

The "**Range Performance**" will be calculated by subtracting the Range Failure Value from the Range Success Value, and dividing the result by the total number of days during the applicable Interest Period.

The "**Range Success Value**" will be the product of X and the number of days during the relevant Interest Period where the Reference Rate is lower than Strike Upper and greater than the Strike Lower.

The "**Range Failure Value**" will be the product of Y and the number of days during the relevant Interest Period where the Reference Rate is greater than Strike Upper or lower than the Strike Lower.

"**X**" and "**Y**" will be the values specified in the relevant Final Terms.

(q) ***Knockout Range Accrual***

If this Condition 5(q) (*Knockout Range Accrual*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the Calculation Amount multiplied by:

(a) X

(b) the Relevant Proportion; and

(c) the Day Count Fraction.

"**X**" shall be the value specified in the relevant Final Terms.

The "**Relevant Proportion**" shall mean, in relation to each applicable Interest Period:

(a) if no Knock Out Event has occurred in previous Interest Periods or in the current Interest Period, the Relevant Proportion shall be 1 (one)

(b) if a Knock Out Event occurs for the first time in the current Interest Period, the Relevant Proportion shall be calculated by dividing the number of Observation Dates in the current Interest Period occurring prior to the Knock Out Event by the total number of Observation Dates in the applicable Interest Period

(c) if a Knock Out Event has occurred in a previous Interest Period, the Relevant Proportion shall be 0 (zero)

The "**Knock Out Event**" is defined as any Observation Date where the Reference Rate is greater than Strike Upper or lower than Strike Lower.

(r) ***Binary Cap/Floor***

If this Condition 5(r) (*Binary Cap/Floor*) is specified as applicable in the relevant Final Terms then:

If the Reference Rate is greater than or equal to the Cap Strike, the Interest Amount for the applicable Interest Period will be equal to the Calculation Amount multiplied by:

(a) X; and

(b) the Day Count Fraction.

If the Reference Rate is less than the Cap Strike, the Interest Amount for the applicable Interest Period will be equal to the Calculation Amount multiplied by:

(a) Z; and

(b) the Day Count Fraction.

If the Reference Rate is less than or equal to the Floor Strike, the Interest Amount will be equal to the Calculation Amount multiplied by:

(a) Y; and

(b) the Day Count Fraction.

If the Reference Rate is greater than the Floor Strike, the Interest Amount will be equal to the Calculation Amount multiplied by:

(a) W; and

(b) the Day Count Fraction.

"**W**", "**X**", "**Y**" and "**Z**" will be the values specified in the relevant Final Terms.

(s) ***Binary Zero Coupon***

If this Condition 5(s) (*Binary Zero Coupon*) is specified as applicable in the relevant Final Terms, the Interest Amount will only be payable on the Redemption Date, and will be equal to:

(a) the product of the Calculation Amount and the Periodic Return, less

(b) the Calculation Amount.

The "**Periodic Return**" will be the product of the Reference Rate Return.

The "**Reference Rate Return**" for each applicable Reference Rate will be the sum of:

(a) 1; and

(b) the Rate Value multiplied by the applicable Day Count Fraction.

The "**Rate Value**" will be X if the Reference Rate is greater than K, or Y if the Reference Rate is less than or equal to K.

"**K**", "**X**" and "**Y**" will be the values specified in the relevant Final Terms.

(t) ***Inverse Floater***

If this Condition 5(t) (*Inverse Floater*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Reference Rate Return and the applicable Day Count Fraction.

The "**Reference Rate Return**" will be the sum of Y and the lower of

(a) Z and

(b) the higher of: (x) zero; and (y) k multiplied by the result of subtracting the Reference Rate from X.

"**k**", "**X**", "**Y**" and "**Z**" will be the values specified in the relevant Final Terms.

(u) ***Autocallable Rate***

If this Condition 5(u) (*Autocallable Rate*) is specified as applicable in the relevant Final Terms, then if the Autocall Condition is satisfied on any applicable Valuation Date during the relevant

Interest Period, the Interest Amount for the relevant Interest Period will be equal to the Calculation Amount, multiplied by X, multiplied by N, and multiplied by the applicable Day Count Fraction.

If the Autocall Condition is not satisfied on any applicable Valuation Date during the relevant Interest Period, the Interest Amount for the relevant Interest Period will be zero.

"**N**" means the number of Interest Periods that have passed up to and including the Interest Period during which the Autocall Condition is satisfied, or such other value as may be specified in the relevant Final Terms.

"**X**" will be the value specified in the relevant Final Terms.

The "**Autocall Condition**" means that the Reference Rate exceeds one or more specified Coupon Barrier Level(s) and/or equals the Coupon Barrier Level one or more specified Coupon Barrier Level(s) and/or is below one or more specified Coupon Barrier Level(s), as specified in the relevant Final Terms.

(v) ***Digital Long***

If this Condition 5(v) (*Digital Long*) is specified as applicable in the relevant Final Terms, then if the Basket Return on any Interest Determination Date is equal to or greater than the Basket Strike Level, the Interest Amount will be the Calculation Amount multiplied by the Coupon.

The Basket Return will be determined in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms.

If the Basket Return is not equal to or greater than the Basket Strike Level on any Interest Determination Date, the Interest Amount will be zero.

(w) ***Digital Short***

If this Condition 5(w) (*Digital Short*) is specified as applicable in the relevant Final Terms, then if the Basket Return on any Interest Determination Date is equal to or below the Basket Strike Level, the Interest Amount for the relevant Interest Period will be the Calculation Amount multiplied by the Coupon.

If the Basket Return is above the Basket Strike Level on any Interest Determination Date, the Interest Amount for the relevant Interest Period will be zero.

The Basket Return will be determined in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms.

(x) ***Best of/Worst of Digital Long***

If this Condition 5(x) (*Best of/Worst of Digital Long*) is specified as applicable in the relevant Final Terms, then if the Reference Asset Return of the Nth best performing Reference Asset on any Interest Determination Date is equal to or greater than the Barrier Level, the Interest Amount for the relevant Interest Period will be the Calculation Amount multiplied by the Coupon.

If the Reference Asset Return of the Nth best performing Reference Asset is below the Barrier Level on any Interest Determination Date, the Interest Amount for the relevant Interest Period will be zero.

The "**Nth best performing**" Reference Asset will be the Reference Asset with the Nth highest Reference Asset Return, as determined in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or Condition 6(a)(ii) ("*Basket Short*" *structure*), as specified in the Final Terms, where "**N**" shall be the value specified in the Final Terms.

(y) ***Best of/Worst of Digital Short***

If this Condition 5(y) (*Best of/Worst of Digital Short*) is specified as applicable in the relevant Final Terms, then:

If the Reference Asset Return of the Nth best performing Reference Asset on any Interest Determination Date is equal to or below the Barrier Level, the Interest Amount for the relevant Interest Period will be the Calculation Amount multiplied by the Coupon.

If the Reference Asset Return of the Nth best performing Reference Asset is above the Barrier Level on any Interest Determination Date, the Interest Amount for the relevant Interest Period will be zero.

The "**Nth best performing**" Reference Asset will be the Reference Asset with the Nth highest Reference Asset Return, as determined in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or Condition 6(a)(ii) ("*Basket Short*" *structure*), as specified in the Final Terms, where "**N**" shall be the value specified in the Final Terms.

(z) ***Worst of Digital Memory Coupon 2***

If this Condition 5(z) (*Worst of Digital Memory Coupon 2*) is specified as applicable in the relevant Final Terms, then the Interest Amount for the relevant Interest Period will be calculated by multiplying the Calculation Amount by the higher of: (i) the Coupon Level less the Paid Coupon and (ii) zero.

The "**Coupon Level**" means, on any Interest Determination Date, the product of N, the Coupon Barrier Level and the Coupon.

"**N**" will be the number of the relevant Valuation Date where the first Valuation Date has the value N=1, the second Valuation Date has the Value N=2, and so forth.

The "**Coupon**" will be the value specified in the relevant Final Terms, and

The "**Coupon Barrier Level**" will be 1 if the Reference Asset Return (as determined in accordance with Condition 6(a)(i) ("*Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms) for every Reference Asset within the Basket is greater than, or equal to, the Barrier Level on each Interest Determination Date, otherwise it will be zero.

The "**Paid Coupon**" means the sum of all coupons which have been paid up to (but excluding) the relevant Interest Determination Date.

(aa) ***Digital Podium Long***

If this Condition 5(aa) (*Digital Podium Long*) is specified as applicable in the relevant Final Terms, then:

If the Reference Asset Return for each Reference Asset on any Interest Determination Date is equal to or greater than the relevant Barrier Level, the Interest Amount for the relevant Interest Period will be the Calculation Amount multiplied by the Coupon.

If the Reference Asset Return for each of the N best performing Reference Assets equal to or greater than the relevant Barrier Level on any Interest Determination Date, the Interest Amount for the relevant Interest Period will be the Calculation Amount multiplied by the Coupon 2.

The "**N best performing**" Reference Assets will be the pre-specified number of Reference Assets with the highest Reference Asset Return, as determined in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms, where "**N**" shall be the value specified in the Final Terms.

If the Reference Asset Return for each of the N best performing Reference Assets is not equal to or greater than the relevant Barrier Level on any Interest Determination Date, the Interest Amount for the relevant Interest Period will be zero.

(bb) ***Digital Podium Short***

If this Condition 5(bb) (*Digital Podium Short*) is specified as applicable in the relevant Final Terms, then:

If the Reference Asset Return for each Reference Asset on any Interest Determination Date is equal to or below the relevant Barrier Level, the Interest Amount for the relevant Interest Period will be the Calculation Amount multiplied by the Coupon.

If the Reference Asset Return for each of the N worst performing Reference Assets is equal to or below the relevant Barrier Level on any Interest Determination Date, the Interest Amount for the relevant Interest Period will be the Calculation Amount multiplied by the Coupon 2.

The "**N worst performing**" Reference Assets will be the pre-specified number of Reference Assets with the lowest Reference Asset Return, as determined in accordance with Condition 6(a)(i) *"Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms, where "**N**" shall be the value specified in the Final Terms.

If the Reference Asset Return for each of the N worst performing Reference Assets is not equal to or below the relevant Barrier Level on any Interest Determination Date, the Interest Amount for the relevant Interest Period will be zero.

(cc) ***Series of Digitals***

If this Condition 5(cc) (*Series of Digitals*) is specified as applicable in the relevant Final Terms, then the Interest Amount for the relevant Interest Period will be equal to the Adjusted Calculation Amount multiplied by the Coupon.

The "**Adjusted Calculation Amount**" will be the Calculation Amount multiplied by the fraction of which the numerator is the number of Reference Assets with a Closing Price which is equal to or above the relevant Barrier Level on each Observation Date during the relevant Interest Period, and the denominator is the number of Reference Assets within the Basket.

(dd) ***Cash Settled Swaption Straddle***

If this Condition 5(dd) (*Cash Settled Swaption Straddle*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be the sum of the Cash Settled Payer Swaption and the Cash Settled Receiver Swaption.

The "**Cash Settled Payer Swaption**" means an amount equal to the Calculation Amount multiplied by:

(a) the Gearing Payer;

(b) the higher of zero and the result obtained by subtracting the Payer Strike from the Reference Rate on the relevant Valuation Date; and

(c) the Payer Annuity (Cash).

The "**Gearing Payer**" means the value specified in the relevant Final Terms.

The "**Payer Strike**" means the value specified in the relevant Final Terms.

The "**Payer Annuity (Cash)**" means the present value of an annuity payment of 1 based on the same payment dates and conventions as the fixed rate leg in the underlying swap of the swaption and calculated by the Calculation Agent on the Valuation Date using the Reference Rate as discount rate.

The "**Cash Settled Receiver Swaption**" means an amount equal to the Calculation Amount multiplied by:

(a) the Gearing Receiver;

(b) the higher of zero and the result obtained by subtracting the Reference Rate at the Valuation Time on the relevant Valuation Date from the Receiver Strike; and

(c) the Receiver Annuity (Cash).

The "**Gearing Receiver**" means the value specified in the relevant Final Terms.

The "**Receiver Strike**" means the value specified in the relevant Final Terms.

The "**Receiver Annuity (Cash)**" means the present value of an annuity payment of 1 based on the same payment dates and conventions as the fixed rate leg in the underlying swap of the swaption and calculated by the Calculation Agent on the Valuation Date using the Reference Rate as discount rate.

(ee) ***Power Cap/Floor***

If this Condition 5(ee) (*Power Cap/Floor*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the Calculation Amount multiplied by:

(a) the Interest Rate;

(b) the Day Count Fraction.

The "**Interest Rate**" is the lower of the Maximum Interest Rate and the Power Return.

The "**Power Return**" means the higher of: i) zero and ii) the Adjusted Reference Rate, in either case raised to the power of the Power Factor.

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

The "**Gearing**" means the value specified in the relevant Final Terms.

The "**Power Factor**" means the value specified in the relevant Final Terms.

(ff) ***Compounding Floater***

If this Condition 5(ff) (*Compounding Floater*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be paid on the Redemption Date and will be equal to the Calculation Amount multiplied by the Compounded Interest Rate.

The "**Compounded Interest Rate**" is the periodically compounded Interest Rate, taking the applicable day count fraction into account.

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

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

(i) the Floor Value; and

(ii) the Gearing multiplied by the sum of the Reference Rate on the applicable Valuation Date(s) and the Spread.

The "**Floor Value**" means the value specified in the relevant Final Terms.

The "**Spread**" means the value specified in the relevant Final Terms.

The "**Gearing**" means the value specified in the relevant Final Terms.

(gg) ***Lock-In 1***

If this Condition 5(gg) (*Lock-In 1*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" means:

(a) if the Reference Rate has fulfilled the Lock in Condition at the Valuation Time on any Valuation Date, then the Interest Rate will be equal to the Fixed Rate;

(b) if the Reference Rate has not fulfilled the Lock in Condition at the Valuation Time on any Valuation Date, the Interest Rate will be the lower of the Maximum Interest Rate and the Adjusted Reference Rate Return.

The "**Lock in Condition**" is fulfilled if the Reference Rate is either greater than the Strike Upper or lower than the Strike Lower.

The "**Fixed Rate**" means the value specified in the relevant Final Terms.

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

(i) the Floor Value; and

(ii) the sum of the Reference Rate at the Valuation Time on the relevant Valuation Date and the Spread, less the Strike Level.

The "**Floor Value**" means the value specified in the relevant Final Terms.

The "**Spread**" means the value specified in the relevant Final Terms.

(hh) ***Lock-In 2***

If this Condition 5(hh) (*Lock-In 2*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" means:

(a) if the Reference Rate has not fulfilled the Lock in Condition at the Valuation Time on any Valuation Date, then the Interest Rate will be equal to the Fixed Rate;

(b) if the Reference Rate has fulfilled the Lock in Condition at the Valuation Time on any Valuation Date, the Interest Rate will be the lower of the Maximum Interest Rate and the Adjusted Reference Rate Return.

The "**Lock in Condition**" is fulfilled if the Reference Rate is either greater than the Strike Upper or lower than the Strike Lower.

The "**Fixed Rate**" means the value specified in the relevant Final Terms.

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

(i) the Floor Value; and

(ii) the sum of the Reference Rate at the Valuation Time on any Valuation Date and the Spread, less the Strike Level.

The "**Floor Value**" means the value specified in the relevant Final Terms.

The "**Spread**" means the value specified in the relevant Final Terms.

(ii) ***Snowball***

If this Condition 5(ii) (*Snowball*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" will be equal to the sum of the Coupon Return for each applicable Valuation Period.

The "**Coupon Return**" will be:

(i) on the Initial Valuation Date, the Coupon;

(ii) on each subsequent Valuation Date, the Adjusted Coupon.

The "**Adjusted Coupon**" will be the higher of:

(i) zero; and

(ii) the sum of:

(a) Coupon Return on the immediately preceding Valuation Date; and

(b) the product of (X) the result obtained by subtracting the Reference Rate at the Valuation Time on the applicable Valuation Date from the Strike Level, and (Y) K.

"**K**" means the value specified in the relevant Final Terms.

(jj) ***Accumulator***

If this Condition 5(jj) (*Accumulator*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" will be equal to the Coupon Return for each applicable Valuation Period.

The "**Coupon Return**" will be:

(i) on the Initial Valuation Date, the Initial Coupon;

(ii) on each subsequent Valuation Date, the sum of:

(a) the Coupon Return on the immediately preceding Valuation Date; and

(b) the Adjusted Coupon

The "**Adjusted Coupon**" will be the Gearing multiplied by the higher of:

(i) the Floor Value; and

(ii) the result obtained by subtracting the Strike Level from the Reference Rate at the Valuation Time on the applicable Valuation Date.

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

"**Floor Value**" means the value specified in the relevant Final Terms.

(kk) ***Binary Accumulator***

If this Condition 5(kk) (*Binary Accumulator*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" will be equal to the Coupon Return for each applicable Valuation Period.

The "**Coupon Return**" will be:

(i) on the Initial Valuation Date, the Initial Coupon;

(ii) on each subsequent Valuation Date, the sum of:

(a) the Coupon Return on the immediately preceding Valuation Date; and

(b) the Adjusted Coupon.

The "**Adjusted Coupon**" will be the higher of:

(i) the Floor Value; and

(ii) the Coupon Rate.

"**Floor Value**" means the value specified in the relevant Final Terms.

"**Coupon Rate**" means:

(a) if the Reference Rate at the Valuation Time on the applicable Valuation Date is less than or equal to X and greater than or equal to Y, the Coupon; or

(b) otherwise, zero.

(ll) ***Contingent Cap/Floor***

If this Condition 5(ll) (*Contingent Cap/Floor*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" will be:

(a) if the Reference Rate 2 at the Valuation Time on the applicable Valuation Date is greater than or equal to Strike 2 the higher of:

(i) zero; and

(ii) the Gearing multiplied by the result obtained by subtracting the Strike Level from the Reference Rate on the applicable Valuation Date;

(b) if the Reference Rate 2 on the applicable Valuation Date is less than Strike 2, zero.

"**Reference Rate 2**" means the value specified in the relevant Final Terms.

"**Strike 2**" means the value specified in the relevant Final Terms.

The "**Gearing**" means the value specified in the relevant Final Terms.

(mm) ***Dual Digital Cap***

If this Condition 5(mm) (*Dual Digital Cap*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" will be:

(a) if the Reference Rate at the Valuation Time on the applicable Valuation Date is greater than or equal to the Strike Level and the Reference Rate 2 at the Valuation Time on the applicable Valuation Date is greater than or equal to Strike 2, the Coupon;

(b) if the Reference Rate at the Valuation Time on the applicable Valuation Date is lower than the Strike Level and/or the Reference Rate 2 at the Valuation Time on the applicable Valuation Date is lower than Strike 2, zero.

"**Reference Rate 2**" means the value specified in the relevant Final Terms.

"**Strike 2**" means the value specified in the relevant Final Terms.

(nn) ***Dual Digital Floor***

If this Condition 5(nn) (*Dual Digital Floor*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" will be:

(a) if the Reference Rate at the Valuation Time on the applicable Valuation Date is less than or equal to the Strike Level and the Reference Rate 2 at the Valuation Time on the applicable Valuation Date is less than or equal to Strike 2, the Coupon;

(b) if the Reference Rate at the Valuation Time on the applicable Valuation Date is greater than the Strike Level and/or the Reference Rate 2 at the Valuation Time on the applicable Valuation Date is greater than Strike 2, zero.

"**Reference Rate 2**" means the value specified in the relevant Final Terms.

"**Strike 2**" means the value specified in the relevant Final Terms.

(oo) ***Binary Inflation Cap***

If this Condition 5(oo) (*Binary Inflation Cap*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" will be:

If the Inflation Rate is greater than or equal to the Strike Level as at the Valuation Time on the applicable Valuation Date, the Interest Rate will be equal to the Coupon, otherwise the Interest Rate will be zero.

(pp) ***Binary Inflation Floor***

If this Condition 5(pp) (*Binary Inflation Floor*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" will be:

If the Inflation Rate is less than or equal to the Strike Level as at the Valuation Time on the applicable Valuation Date, the Interest Rate will be equal to the Coupon, otherwise the Interest Rate will be zero.

(qq) ***Binary Inflation Range***

If this Condition 5(qq) (*Binary Inflation Range*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" will be:

If the Inflation Rate is greater than or equal to the Strike Lower and less than or equal to the Strike Upper as at the Valuation Time on the applicable Valuation Date, the Interest Rate will be equal to the Coupon, otherwise the Interest Rate will be zero.

(rr) ***Inflation Range Accrual***

T If this Condition 5(rr) (*Inflation Range Accrual*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Interest Rate and the applicable Day Count Fraction.

The "**Interest Rate**" will be equal to the Coupon multiplied by the result of the fraction where the numerator is the number of Valuation Periods that satisfy the Range Accrual Condition, and the denominator is the total number of Valuation Periods.

The "**Range Accrual Condition**" means that the Inflation Rate is greater than or equal to the Strike Lower and less than or equal to the Strike Upper as at the Valuation Time on the applicable Valuation Date.

(ss) ***Inflation Cap/Floor***

If this Condition 5(ss) (*Inflation Cap/Floor*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Gearing, the Inflation Return and the applicable Day Count Fraction.

The "**Gearing**" will be the value specified in the relevant Final Terms.

The "**Inflation Return**" will be the higher of:

(a) zero; and

(b) the product of the Flag and the result of subtracting the Strike Level from the Inflation Rate as at the Valuation Time on the applicable Valuation Date.

The "**Flag**" will be the value specified in the relevant Final Terms.

(tt) ***Inflation Straddle***

If this Condition 5(tt) (*Inflation Straddle*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the sum of the Inflation Cap and the Inflation Floor, the Calculation Amount and the applicable Day Count Fraction.

The "**Inflation Cap**" will be equal to the product of the Gearing (Cap) and the higher of:

(a) the result obtained by subtracting the Strike Upper from the Inflation Rate at the Valuation Time on the on the applicable Valuation Date; and

(b) zero.

The "**Inflation Floor**" will be equal to the product of the Gearing (Floor) and the higher of:

(a) the result obtained by subtracting the Strike Lower from the Inflation Rate at the Valuation Time on the on the applicable Valuation Date; and

(b) zero.

"**Gearing (Cap)**" means the value specified in the relevant Final Terms.

"**Gearing (Floor)**" means the value specified in the relevant Final Terms.

"**Strike Upper**" means the value specified in the relevant Final Terms.

"**Strike Lower**" means the value specified in the relevant Final Terms.

(uu) ***Inflation Cap Floor Spread***

If this Condition 5(uu) (*Inflation Cap Floor Spread*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the sum of the Inflation Cap Spread and the Inflation Floor Spread, the Calculation Amount and the applicable Day Count Fraction.

The "**Inflation Cap Spread**" will be equal to the product of:

(a) The Cap Value;

(b) the Leverage (Cap); and

(c) the Cap Return.

The "**Cap Value**" will be either 1, minus 1 or zero, as specified in the relevant Final Terms.

The "**Leverage (Cap)**" will be the value specified in the relevant Final Terms.

The "**Cap Return**" will be the lower of:

(a) the result obtained by subtracting the Cap Strike Lower from the Cap Strike Upper; and

(b) the higher of (x) the result obtained by subtracting the Cap Strike Lower from the Inflation Rate as at the Valuation Time on the applicable Valuation Date; and (y) zero).

The "**Inflation Floor Spread**" will be equal to the product of:

(a) The Floor Value;

(b) the Leverage (Floor); and

(c) the Floor Return.

The "**Floor Value**" will be either 1, minus 1 or zero, as specified in the relevant Final Terms.

The "**Leverage (Floor)**" will be the value specified in the relevant Final Terms.

The "**Floor Return**" will be the lower of:

(a) the result obtained by subtracting the Floor Strike Lower from the Floor Strike Upper; and

(b) the higher of (x) the result obtained by subtracting the Inflation Rate as at the Valuation Time on the applicable Valuation Date from the Floor Strike Upper and (y) zero).

(vv) ***ZC Inflation Cap Floor***

If this Condition 5(vv) (*ZC Inflation Cap Floor*) is specified as applicable in the relevant Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Gearing and the higher of:

(a) zero; and

(b) the Inflation Return.

The "**Gearing**" will be the value specified in the relevant Final Terms.

The "**Inflation Return**" means the product of:

(i) the Flag; and

(ii) the result of subtracting the Strike Deductible from the Inflation Rate as at the Valuation Time on the applicable Valuation Date.

The "**Strike Deductible**" means:

(i) the sum of 1 and the Strike Level;

(ii) raised to the power of the Tenor;

(iii) less 1.

The "**Flag**" will be the value specified in the relevant Final Terms.

The "**Tenor**" means the value specified in the relevant Final Terms.

(ww) ***Inflation Linker 1***

If this Condition 5(ww) (*Inflation Linker 1*) is specified as applicable in the relevant Final Terms the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Gearing and the Inflation Return.

The "**Gearing**" will be the value specified in the relevant Final Terms.

The "**Inflation Return**" will be the higher of:

(i) zero; and

(ii) the sum of the Inflation Rate as at the Valuation Time on the applicable Valuation Time on the relevant Valuation Date and the Spread.

The "**Spread**" will be the value specified in the relevant Final Terms.

(xx) ***Inflation Linker 2***

If this Condition 5(xx) (*Inflation Linker 2*) is specified as applicable in the relevant Final Terms the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount, the Coupon and the Inflation Adjustment.

The "**Inflation Adjustment**" will be the result obtained by dividing the Inflation Index as at the Valuation Time on the applicable Valuation Date by the Inflation Index on the Initial Valuation Date.

The "**Inflation Index**" will be the value specified in the relevant Final Terms.

(yy) ***Strip of Call Spreads***

If this Condition 5(yy) (*Strip of Call Spreads*) is specified as applicable in the Final Terms, the Interest Amount for the applicable Interest Period will be equal to the product of the Calculation Amount and the higher of:

(a) the Minimum Basket Return; and

(b) the lower of: (i) the Coupon and (ii) the Basket Return (Interest).

The "**Basket Return (Interest)**" will be the sum of the Weighted Asset Return (Interest) for each Reference Asset (Interest) in the Basket.

The "**Weighted Asset Return (Interest)**" is the average of the Reference Asset Return (Interest) multiplied by the applicable Basket Participation (Interest) for the relevant Reference Asset (Interest) on each Interest Determination Date.

The "**Reference Asset Return (Interest)**" will be the result obtained by dividing the Final Price for the relevant Reference Asset (Interest) on the applicable Interest Determination Date by the Initial Price and subtracting the Strike Level.

(zz) ***General Conditions relating to Interest***

If an Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 5 *(Interest)*, for any reason, whether due to an inability to value a particular Reference Asset, due to an event referred to in the first paragraph of Condition 22 (*Limitation of liability etc.*), or for any other reason, interest shall continue to accrue on the Notes at the rate applicable to the then current Interest Period. The Issuing Agent (or, where applicable, the Calculation Agent) or the Issuer shall, as soon as the relevant event has ceased, calculate the new Interest Rate which shall apply from the second Business Day after the date of calculation until the expiry of the then current Interest Period.

The Issuer may appoint another person or entity to perform calculations pursuant to these Terms and Conditions (the "**Calculation Agent**"). The name of any such Calculation Agent shall be specified in the relevant Final Terms.

If the Issuer determines, in its sole and absolute discretion, that the amount of interest actually paid to Noteholders on any Interest Payment Date was in excess of the amount of interest due and payable to Noteholders on such Interest Payment Date, as calculated in accordance with this Condition 5 (*Interest*) (such amount an "**Overpayment**"), the Issuer may reduce the amount of interest payable on any subsequent Interest Payment Date in order to compensate the Issuer for such Overpayment. The amount of interest to be deducted on any Interest Payment Date shall not exceed the aggregate of all Overpayment in respect of the relevant Notes, less any previous deductions in accordance with this Condition 5(zz) (*General Conditions relating to Interest*). The Issuer shall notify Noteholders of any reduction in the amount of interest scheduled to be paid on an Interest Payment Date, and the reasons therefor, at least 2 Business Days prior to that Interest Payment Date. Such notice shall be given to Noteholders in accordance with the provisions of Condition 16 (*Notices*).

(aaa) ***FX Component (Interest)***

If "FX Component (Interest)" is specified as applicable to one or more Interest Amounts payable on certain Interest Payment Date(s) specified in the relevant Final Terms, then the relevant Interest Amount(s) for the relevant Interest Payment Date(s), (as determined in accordance with whichever of the foregoing provisions of this Condition 5 (*Interest*) is specified as applicable in the relevant Final Terms), will be further multiplied by the applicable FX Factor (Interest) for the purposes of determining the overall Interest Amount payable to the Holders on the relevant Interest Payment Date.

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

This Condition 5(bbb) shall not apply to Notes linked to SOFR. Save as aforesaid, notwithstanding the foregoing provisions of this Condition 5, if the Issuer (in consultation with the Issuing Agent or the Calculation Agent, if applicable) either (i) determines that a Benchmark Event has occurred, or (ii) considers that there may be a Successor Rate, in either case, when any Interest Rate (or the relevant component part thereof) remains to be determined by reference to an Interest Base Rate, then the Issuer may, subject to the additional conditions in Part II, III and IV of the Conditions, elect to apply the following provisions:

(i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the determination (with the Issuer's agreement) of a Successor Rate or, alternatively, if the Independent Adviser and the Issuer agree that there is no Successor Rate, an alternative rate (the "**Alternative Benchmark Rate**") and, in either case, an alternative screen page or source (the "**Alternative Relevant Screen Page**") and an Adjustment Spread (if applicable) no later than three (3) Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**") for purposes of determining the Interest Rate applicable to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 5(bbb) (*Benchmark Replacement - Independent Adviser*) if a further Benchmark Event occurs);

(ii) the Alternative Benchmark Rate shall be such rate as the Independent Adviser and the Issuer acting in good faith agree has replaced the relevant Interest Base Rate in customary market usage for the purposes of determining floating rates of interest in respect of debt securities denominated in the Specified Currency, or, if the Independent Adviser and the Issuer agree that there is no such rate, such other rate as the Independent Adviser and the Issuer acting in good faith agree is most comparable to the relevant Interest Base 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 Interest Base Rate in customary market usage for purposes of determining floating rates of interest in respect of debt securities denominated in the Specified Currency, or, if it determines that there is no such rate, which (if any) rate is most comparable to the relevant Interest Base Rate, and the Alternative Benchmark Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate; provided, however, that if this sub-paragraph (iii) applies and the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the Interest Determination Date relating to the next succeeding Interest Period in accordance with this sub-paragraph (iv), the Issuer may perform an early calculation of the Redemption Amount and/or the yield or Interest Amount and determine the Redemption Amount and/or the yield or Interest Amount. Where the Issuer has determined the Redemption Amount and/or the yield or Interest Amount the Issuer shall notify the Holders of the amount of the Redemption Amount and the yield and the interest rate which will continue to accrue on the Notes (if any). The Redemption Amount (including accrued interest, if any) shall be paid on the Redemption Date. If the Issuer does not elect to redeem the Notes, the Interest Base Rate applicable to such Interest Period shall be equal to the Interest Base Rate most recently published on the Relevant Screen Page for a term equivalent to the relevant Interest Period (though substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period, in place of the margin relating to that last preceding Interest Period);

(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(bbb) (*Benchmark Replacement - Independent Adviser*));

(v) If the Issuer, following consultation with the Independent Adviser and acting in good faith, determines (A) that an Adjustment Spread is required to be applied to the Successor Rate or Alternative Benchmark Rate and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or Alternative Benchmark Rate for each subsequent determination of a relevant Interest Rate 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, Interest Determination Date and/or the definition of Interest Base 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 Interest Periods (as applicable) (subject to the subsequent operation of this Condition 5(bbb) (*Benchmark Replacement - Independent Adviser*)); 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 Issuing Agent or the Calculation Agent, if applicable, the Fiscal Agent and the Noteholders.

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

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

(b) a public statement by the administrator of the relevant Interest Base Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Interest Base Rate) it has ceased or will cease publishing such Interest Base Rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**"); or

(c) a public statement by the supervisor of the administrator of the relevant Interest Base Rate that such Interest Base Rate has been or will, by a specified future date (the "**Specified Future Date**"), be permanently or indefinitely discontinue; or

(d) a public statement by the supervisor of the administrator of the relevant Interest Base Rate that means that such Interest Base Rate will, by a specified future date (the "**Specified Future Date**"), 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 Interest Base Rate (as applicable) that, in the view of such supervisor, (i) such Interest Base Rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market or (ii) the methodology to calculate such Interest Base Rate has materially changed; or

(f) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Interest Base Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (b), (c), (d) or (e) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

(ccc) ***Benchmark Replacement – ARRC***

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

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

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

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

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

For the purposes of this Condition 5(ccc) (*Benchmark Replacement – ARRC*):

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Reference Time**" with respect to any determination of the Benchmark means (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (iii) if the Benchmark is not Compounded SOFR, the time determined by the Issuer after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

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

Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Condition 5(ccc) (*Benchmark Replacement – ARRC*) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 16 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

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

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

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

The Fiscal Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications required by this provision are provided, nor shall it be required to review, check or analyse any certifications produced nor shall it be responsible for the contents of any such certifications or incur any liability in the event the content of such certifications are inaccurate or incorrect.

If the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 5(ccc), the Interest Rate shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Interest Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Interest Margin relating to the relevant Interest Period, in place of the Interest Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to the 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 Margin applicable to the first Interest Period).

6. Redemption and Purchase

(a) *Redemption at Maturity*

Unless otherwise specified in these Conditions and the relevant Final Terms, the Issuer shall redeem the Notes at their Redemption Amount on the Redemption Date specified in the Final Terms. The Redemption Amount will be determined as follows, subject always to the other provisions of this Condition 6 (*Redemption and Purchase*), if applicable:

If "**Additional Amounts**" are specified as applicable in the relevant Final Terms, the Redemption Amount will be either: (i) the sum of the Base Redemption Amount and the Additional Amount or (ii) the result obtained by subtracting the Additional Amount from the Base Redemption Amount, as specified in the relevant Final Terms. The Additional Amount will be calculated in accordance with one of the performance structures set out below, as specified in the relevant Final Terms or, if Condition 6(g) (*Combination of Structures*) is applicable, the Additional Amount will be determined in accordance with Condition 6(g) (*Combination of Structures*) on the basis of a combination of the performance structures set out below, in each case as specified in the relevant Final Terms; or

If "**Additional Amounts**" are not specified as applicable in the relevant Final Terms, the Redemption Amount will equal the Base Redemption Amount, or be determined in accordance with one of the other performance structures set out in this Condition 6(a) (*Redemption at Maturity*), in each case as specified in the relevant Final Terms.

The Final Terms will specify which of the following performance structures is applicable to each Series of Notes. If the Interest Amount payable on the Redemption Date is a negative number, then it will be deducted from the Redemption Amount determined in accordance with this Condition 6 (*Redemption and Purchase*), but subject to the proviso that the Redemption Amount shall never be less than zero.

If the performance structure specified in the Final Terms is the:

(i) *"Basket Long" structure*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the Basket Return.

The "**Basket Return**" will be the sum of the Weighted Asset Return for each Reference Asset in the Basket **provided that:**

(A) if "Basket Floor" is specified as applicable in the relevant Final Terms, the Basket Return shall be the higher of a) the Minimum Basket Return, and b) the sum of the Weighted Asset Return for each Reference Asset in the Basket; or

(B) if "Basket Cap" is specified as applicable in the relevant Final Terms, the Basket Return shall be the lower of a) the Maximum Basket Return, and b) the sum of the Weighted Asset Return for each Reference Asset in the Basket.

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

The "**Reference Asset Return**" will be the result obtained by dividing the Final Price for each Reference Asset by the Initial Price and subtracting the Strike Level **provided that**:

(A) if "Reference Asset Floor" is specified as applicable in the relevant Final Terms, the Reference Asset Return shall be the higher of a) the Minimum Reference Asset Return for the relevant Reference Asset, and b) the Reference Asset Return calculated in the manner described in the preceding part of this definition; or

(B) if "Reference Asset Cap" is specified as applicable in the relevant Final Terms, the Basket Return shall be the lower of a) the Maximum Reference Asset Return for the relevant Reference Asset, and b) the Reference Asset Return calculated in the manner described in the preceding part of this definition.

(ii) *"Basket Short" structure*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return.

The "**Basket Return**" will be the sum of the Weighted Asset Return for each Reference Asset in the Basket **provided that:**

(A) if "Basket Floor" is specified as applicable in the relevant Final Terms, the Basket Return shall be the higher of a) the Minimum Basket Return, and b) the sum of the Weighted Asset Return for each Reference Asset in the Basket; or

(B) if "Basket Cap" is specified as applicable in the relevant Final Terms, the Basket Return shall be the lower of a) the Maximum Basket Return, and b) the sum of the Weighted Asset Return for each Reference Asset in the Basket.

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

The "**Reference Asset Return**" will be determined by subtracting from the Strike Level the result obtained by dividing the Final Price for each Reference Asset by the Initial Price **provided that**:

(A) if "Reference Asset Floor" is specified as applicable in the relevant Final Terms, the Reference Asset Return shall be the higher of a) the Minimum Reference Asset Return for the relevant Reference Asset, and b) the Reference Asset Return calculated in the manner described in the preceding part of this definition; or

(B) if "Reference Asset Cap" is specified as applicable in the relevant Final Terms, the Basket Return shall be the lower of a) the Maximum Reference Asset Return for the relevant Reference Asset, and b) the Reference Asset Return calculated in the manner described in the preceding part of this definition.

(iii) "*Barrier outperformance*" *structure*

If the Basket Return (as determined in accordance with Condition 6(a)(i) ("*Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*)), as specified in the Final Terms, on any Valuation Date exceeds the Barrier Level, the Additional Amount will be the Maximum Basket Return. If the Basket Return does not exceed the Barrier Level on any Valuation Date, the Additional Amount will be zero.

(iv) "*Barrier Underperformance" structure*

If the Basket Return (as determined in accordance with Condition 6(a)(i) ("*Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*)), as specified in the Final Terms, on any Valuation Date falls below the Barrier Level, the Additional Amount will be the Maximum Basket Return. If the Basket Return does not fall below the Barrier Level on any Valuation Date, the Additional Amount will be zero.

(v) "*Best of/Worst of Barrier Outperformance" structure*

If the Reference Asset Return of the Nth best performing Reference Asset (as determined in accordance with Condition 6(a)(i) ("*Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*)), as specified in the Final Terms, on any Valuation Date exceeds the Barrier Level, the Additional Amount will be the Maximum Basket Return. If the Reference Asset Return of the Nth best performing Reference Asset does not exceed the Barrier Level on any Valuation Date, the Additional Amount will be zero.

The "**Nth best performing**" Reference Asset shall be the Reference Asset with the Nth highest Reference Asset Return, where "**N**" shall be the value specified in the Final Terms.

(vi) "*Best of/Worst of Barrier Underperformance" structure*

If the Reference Asset Return of the Nth best performing Reference Asset (as determined in accordance with Condition 6(a)(i) ("*Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*)), as specified in the Final Terms, on any Valuation Date falls below the Barrier Level, the Additional Amount will be the Maximum Basket Return. If the Reference Asset Return of the Nth best performing Reference Asset does not fall below the Barrier Level on any Valuation Date, the Additional Amount will be zero.

The "**Nth best performing**" Reference Asset shall be the Reference Asset with the Nth highest Reference Asset Return, where "**N**" shall be the value specified in the Final Terms.

(vii) "*Autocallable Structure Long*"

If the Notes have not been subject to early redemption in accordance with Condition 6(p) (*Early Redemption of Notes with Autocallable performance structure*), then the Additional Amount will be calculated as follows:

(A) If a Risk Barrier Event has occurred on any Risk Barrier Observation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes with the Participation Ratio and either:

(1) if the Maximum Basket Return is specified as "Not Applicable" in the relevant Final Terms, the Basket Return on the Valuation Date; or

(2) if the Maximum Basket Return is specified as "Applicable" in the relevant Final Terms, the lower of: (i) the Basket Return on the Valuation Date and (ii) the Maximum Basket Return; or

(B) If a Risk Barrier Event has not occurred on any Risk Barrier Observation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes with the Participation Ratio 2 and either:

(1) if the Minimum Basket Return is specified as "Not Applicable" in the relevant Final Terms, the Basket Return on the Valuation Date; or

(2) if the Minimum Basket Return is specified as "Applicable" in the relevant Final Terms, the higher of: (i) the Basket Return on the Valuation Date, and (ii) the Minimum Basket Return.

The "**Basket Return**" will be determined in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) (*"Basket Long" structure*) unless Condition 6(c) (*Best of/Worst of Modifier*) is specified as applicable in the relevant Final Terms, in which case the Basket Return shall be replaced with the Reference Asset Return of the Nth Best Performing Reference Asset in accordance with the aforementioned Condition 6(a)(i) (*"Basket Long" structure*).

(viii) "*Autocallable Structure – Short*"

If the Notes have not been subject to early redemption in accordance with Condition 6(p) (*Early Redemption of Notes with Autocallable performance structure*), then the Additional Amount will be calculated in the same manner as Condition 6(a)(vii) (*Autocallable Structure Long*) above, save that the "**Basket Return**" and the "**Reference Asset Return**" will be determined in the same manner as for the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*).

(ix) "*Replacement Basket*" *structure*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the Basket Return.

The "**Basket Return**" will be the sum of the Weighted Asset Return for each Reference Asset in the Basket.

The "**Weighted Asset Return**" is the Reference Asset Return multiplied by the applicable Basket Participation, **provided that** the Reference Asset Return of the N Best Performing Reference Assets, will be replaced with the Replacement Factor for the purposes of determining the Weighted Asset Return.

The "**N Best Performing Reference Assets**" will be the number "**N**" of Reference Assets (as specified in the Final Terms) with the highest Reference Asset Return.

The "**Reference Asset Return**" will be the result obtained by dividing the Final Price for each Reference Asset by the Initial Price and subtracting the Strike Level.

(x) "*Locally Capped Basket*" *structure*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return.

The "**Basket Return**" will be the sum of the Weighted Asset Return for each Reference Asset in the Basket.

The "**Weighted Asset Return**" is the lower of: (i) the Reference Asset Return and (ii) the Maximum Performance, multiplied in either case by the applicable Basket Participation.

The "**Reference Asset Return**" will be the result obtained by dividing the Final Price for each Reference Asset by the Initial Price and subtracting the Strike Level.

(xi) "*Rainbow Basket*" *structure*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return.

The "**Basket Return**" will be calculated in accordance with either the "Basket Long **Structure**" set out in Condition 6(a)(i) ("*Basket Long" structure*) or the "Basket Short" Structure set out in Condition 6(a)(ii) ("*Basket Short" structure*), in either case as specified in the Final Terms.

The "**Basket Participation**" will be determined on the basis of the Rainbow Basket Participation.

(xii) *"Booster Short" structure*

If the Basket Return is greater than or equal to the Initial Basket Level, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return.

If the Basket Return less than the Initial Basket Level, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio 2 and the Basket Return (which may result in a Redemption Amount of less than the Principal Amount of the Notes).

The "**Basket Return**" will be calculated in the same manner as for the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*).

For the purposes of calculating the Basket Return, the "**Reference Asset Return**" will be the result obtained by subtracting from the Strike Level the result obtained by dividing the Final Price for each Reference Asset by the Initial Price.

(xiii) *"Booster Long" structure*

If the Basket Return is greater than or equal to the Initial Basket Level, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return.

If the Basket Return is less than the Initial Basket Level, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio 2 and the Basket Return (which may result in a Redemption Amount of less than the Principal Amount of the Notes).

The "**Basket Return**" will be calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) (*"Basket Long" structure*).

(xiv) *"Booster Risk Barrier Short" structure*

If the Basket Return is at or above the Initial Basket Level on the final Valuation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return on the final Valuation Date.

If the Basket Return is at or above the Barrier Level on each Valuation Date but below the Initial Basket Level on the final Valuation Date, the Additional Amount will be zero.

If the Basket Return is below the Barrier Level on any Valuation Date and below the Initial Basket Level on the final Valuation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio 2 and the Basket Return on the final Valuation Date (which may result in a Redemption Amount of less than the Principal Amount of the Notes).

The "**Basket Return**" will be calculated in the same manner as for the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*).

(xv) *"Booster Risk Barrier Long" structure*

If the Basket Return is at or above the Initial Basket Level on the final Valuation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return on the final Valuation Date.

If the Basket Return is at or above the Barrier Level on each Valuation Date but below the Initial Basket Level on the final Valuation Date, the Additional Amount will be zero.

If the Basket Return is below the Barrier Level on any Valuation Date and below the Initial Basket Level on the final Valuation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio 2 and the Basket Return on the final Valuation Date (which may result in a Redemption Amount of less than the Principal Amount of the Notes).

The "**Basket Return**" will be calculated in the same manner as for the "Basket Long" Structure set out in Condition 6(a)(i) (*"Basket Long" structure*).

For the purposes of calculating the Basket Return, the "**Reference Asset Return**" will be the result obtained by dividing the Final Price for each Reference Asset by the Initial Price, and subtracting the Strike Level.

(xvi) *"Twin-Win"*

If the Basket Return calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) ("*Basket Long" structure*) is at or above the Barrier Level 2 on the relevant Valuation Date(s), the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return on the Twin-Win Valuation Date calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) ("*Basket Long" structure*).

If the Basket Return calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) ("*Basket Long" structure*) is at or above the Barrier Level 1 on the relevant Valuation Date(s) but below the Barrier Level 2 on the relevant Valuation Date(s), the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio 2 and by the Basket Return on the Twin-Win Valuation Date, calculated in the same manner as for the "Basket Short" structure set out in Condition 6(a)(ii) ("*Basket Short" structure*).

If the Basket Return calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) ("*Basket Long" structure*) is below the Barrier Level 1 on the relevant Valuation Date(s) and below the Barrier Level 2 on the relevant Valuation Date(s), the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio 3 and the Basket Return on the Twin-Win Valuation Date, calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) ("*Basket Long" structure*) (which will result in a Redemption Amount of less than the Principal Amount of the Notes).

(xvii) *"Bonus Booster Short" structure*

If the Basket Return is at or above the Initial Basket Level on the final Valuation Date and below the Barrier Level on any Valuation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return on the final Valuation Date.

If the Basket Return is below the Barrier Level on any Valuation Date and below the Initial Basket Level on the final Valuation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio 2 and the Basket Return on the final Valuation Date (which may result in a Redemption Amount of less than the Principal Amount of the Notes).

If the Basket Return is never below the Barrier Level on any Valuation Date, the Additional Amount will be equal to the higher of:

(A) the Principal Amount of the Notes multiplied by the Coupon; and

(B) the amount calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return on the final Valuation Date.

The "**Basket Return**" will be calculated in the same manner as for the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*).

For the purposes of calculating the Basket Return, the "**Reference Asset Return**" will be the result obtained by subtracting from the Strike Level the result obtained by dividing the Final Price for each Reference Asset by the Initial Price.

(xviii) *"Bonus Booster Long" structure*

If the Basket Return is at or above the Initial Basket Level on the final Valuation Date and below the Barrier Level on any Valuation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return on the final Valuation Date.

If the Basket Return is below the Barrier Level on any Valuation Date and below the Initial Basket Level on the final Valuation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio 2 and the Basket Return on the final Valuation Date (which may result in a Redemption Amount of less than the Principal Amount of the Notes).

If the Basket Return is never below the Barrier Level on any Valuation Date, the Additional Amount will be equal to the higher of:

(A) the Principal Amount of the Notes multiplied by the Coupon; and

(B) the amount calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return on the final Valuation Date.

The "**Basket Return**" will be calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) (*"Basket Long" Structure*).

For the purposes of calculating the Basket Return, the "**Reference Asset Return**" will be the result obtained by dividing the Final Price for each Reference Asset by the Initial Price, and subtracting the Strike Level.

(xix) *"Cliquet" structure*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the highest of:

(i) the Final Lock-in Level;

(ii) the Cliquet Return; and

(iii) the Global Floor.

The "**Final Lock-in Level**" means the highest Lock-in Level which is reached or exceeded by the Aggregate Basket Return on any Valuation Date.

"**Lock-in Level**" means each level specified as such in the relevant Final Terms.

The "**Cliquet Return**" means the lower of:

(i) the Global Cap; and

(ii) the Adjusted Coupon.

The "**Adjusted Coupon**" means the Initial Coupon plus the Aggregate Basket Return as at the most recently occurring Valuation Date.

The "**Global Cap**" means the value specified in the relevant Final Terms. If the Global Cap is specified as not applicable in the Final Terms, the Global Cap shall be ascribed a notional value of infinity for the purposes of calculating the Redemption Amount.

The "**Global Floor**" means the value specified in the relevant Final Terms. If the Global Floor is specified as not applicable in the Final Terms, the Global Floor shall be ascribed a notional value of zero for the purposes of calculating the Redemption Amount.

The "**Initial Coupon**" means the value specified in the relevant Final Terms.

The "**Aggregate Basket Return**" for each Valuation Period (the "**relevant Valuation Period**") will be the sum of the Adjusted Periodic Basket Returns for each Valuation Period up to and including the relevant Valuation Period.

The "**Adjusted Periodic Basket Return**" for each applicable Valuation Period will be the higher of:

(A) The Local Floor; and

(B) the lower of: (a) the Local Cap and (b) the Unadjusted Periodic Basket Return.

The "**Local Cap**" means the value specified in the relevant Final Terms. If the Local Cap is specified as not applicable in the Final Terms, the Local Cap shall be ascribed a notional value of infinity for the purposes of calculating the Redemption Amount.

The "**Local Floor**" means the value specified in the relevant Final Terms. If the Local Floor is specified as not applicable in the Final Terms, the Local Floor shall be ascribed a notional value of zero for the purposes of calculating the Redemption Amount.

The "**Unadjusted Periodic Basket Return**" is the result obtained by taking the sum of the Weighted Asset Returns as at the applicable Valuation Date, and subtracting the sum of the Weighted Asset Returns as at the immediately preceding Valuation Date, and expressing that result as a percentage of the sum of the Weighted Asset Returns as at the immediately preceding Valuation Date.

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

The "**Reference Asset Return**" will be the result obtained by dividing the Final Price for each Reference Asset by the Initial Price and subtracting the Strike Level.

(xx) *"Reverse Cliquet" structure*

The Additional Amount will be calculated in the same manner as for the "*Cliquet*" structure set out in Condition 6(a)(xix) (*"Cliquet" structure*), save that the definition of "Adjusted Coupon" shall read as follows:

The "**Adjusted Coupon**" means the Initial Coupon less the Aggregate Basket Return as at the most recently occurring Valuation Date.

(xxi) *"Replacement Cliquet" structure*

The Additional Amount will be calculated in the same manner as for the "*Cliquet*" structure set out in Condition 6(a)(xix) (*"Cliquet" structure*), save that the definition of "Adjusted Periodic Basket Return" shall read as follows:

The "**Adjusted Periodic Basket Return**" for each applicable Valuation Period will be the Unadjusted Periodic Basket Return, save that in respect of the Valuation Periods with the N highest Unadjusted Periodic Basket Returns, the Unadjusted Periodic Basket Return shall be replaced with the relevant Fixed Periodic Basket Return specified in the Final Terms.

"**N**" shall have the value given to it in the relevant Final Terms.

"**Fixed Periodic Basket Return**" shall be as specified in the relevant Final Terms.

(xxii) *"Reverse Replacement Cliquet" structure*

The Additional Amount will be calculated in the same manner as for the "*Reverse Cliquet*" structure set out in Condition 6(a)(xx) (*"Reverse Cliquet" structure*), save that the definition of "*Adjusted Periodic Basket Return*" shall read as follows:

The "**Adjusted Periodic Basket Return**" for each applicable Valuation Period will be the Unadjusted Periodic Basket Return, save that in respect of the Valuation Periods with the

N highest Unadjusted Periodic Basket Returns, the Unadjusted Periodic Basket Return shall be replaced with the relevant Fixed Periodic Basket Return specified in the Final Terms.

"**N**" shall have the value given to it in the relevant Final Terms.

"**Fixed Periodic Basket Return**" shall be as specified in the relevant Final Terms

(xxiii) *"Rainbow Replacement Cliquet" structure*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the higher of:

(i) the Minimum Basket Return; and

(ii) the sum of the Weighted Replacement Cliquet Performance of each Reference Asset in the Basket.

The "**Weighted Replacement Cliquet Performance**" will be the Replacement Cliquet Performance of the relevant Reference Asset multiplied by the applicable Basket Participation.

The "**Basket Participation**" will be determined on the basis of the Replacement Cliquet Basket Participation.

The "**Replacement Cliquet Performance**" will be the sum of the Adjusted Periodic Reference Asset Returns of the relevant Reference Asset for each Valuation Period.

The "**Adjusted Periodic Reference Asset Return**" for each applicable Valuation Period will be the Periodic Reference Asset Return, save that in respect of the Valuation Periods with the N highest Periodic Reference Asset Returns, the Reference Asset Return shall be replaced with the relevant Fixed Reference Asset Return specified in the Final Terms.

"**N**" shall have the value given to it in the relevant Final Terms.

"**Fixed Reference Asset Return**" shall be as specified in the relevant Final Terms.

The "**Periodic Reference Asset Return**" will be the result (expressed as a percentage) obtained by dividing the Final Price for each Reference Asset by the Start Price and subtracting 100 per cent.

The "**Start Price**" will be the Closing Price of the relevant Reference Asset on the Valuation Date immediately preceding the start of the application Valuation Period.

The "**Final Price**" will be the Closing Price of the relevant Reference Asset on the Valuation Date at the end of the applicable Valuation Period.

(xxiv) *Reverse Convertible structure*

If the Basket Return is equal to or above the Initial Basket Level, the Redemption Amount will be equal to the Principal Amount of the Notes.

If the Basket Return is below the Initial Basket Level, the Redemption Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the Basket Return and adding the resulting negative amount to the Principal Amount of the Notes (in this case the Redemption Amount will be less than the Principal Amount of the Notes).

The "**Basket Return**" will be calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) (*"Basket Long" structure*) or the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms.

(xxv) *Reverse Convertible Risk Barrier structure*

If the Basket Return is below the Barrier Level on any Valuation Date, and on the final Valuation Date the Basket Return is below the Initial Basket Level, the Redemption Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the Basket Return and adding the resulting negative amount to the Principal Amount of the Notes (in this case the Redemption Amount will be less than the Principal Amount of the Notes). Otherwise the Redemption Amount will be equal to the Principal Amount of the Notes.

The "**Basket Return**" will be calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) ("*Basket Long*" *structure*) or the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms.

(xxvi) *"Best of/Worst of" Reverse Convertible structure*

If the Nth Best Reference Asset Return is below the Barrier Level on any Valuation Date, and below the Initial Basket Level on the final Valuation Date, the Redemption Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the Nth Best Reference Asset Return and adding the resulting negative amount to the Principal Amount of the Notes. In this case the Redemption Amount will be less than the Principal Amount. Otherwise, the Redemption Amount will be equal to the Principal Amount of the Notes.

The "**Nth Best Reference Asset Return**" is the Reference Asset Return in respect of which the Reference Asset Return is the Nth highest, where "**N**" shall be the value specified in the Final Terms.

The "**Reference Asset Return**" is the result obtained by dividing the Final Price for each Reference Asset by the Initial Price and subtracting the Strike Level.

(xxvii) *Worst of Digital Memory Coupon 1*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the higher of: (i) zero, and (ii) the Coupon Level.

The "**Coupon Level**" means, on any Valuation Date, the higher of: (i) the Coupon Level on the immediately preceding Valuation Date (or, in the case of the Initial Valuation Date, the Initial Coupon) and (ii) the product of N, the Coupon Barrier Level and the Coupon.

"**N**" will be the number of the relevant Valuation Date, where the first Valuation Date has the value N=1, the second Valuation Date has the Value N=2, and so forth.

The "**Coupon Barrier Level**" will be 1 if the Reference Asset Return (as determined in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms) for every Reference Asset within the Basket is greater than, or equal to, the Barrier Level on each Valuation Date, otherwise it will be zero.

(xxviii) *Worst of Call Option*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio, and the higher of: (i) the Minimum Performance and (ii) zero.

The "**Minimum Performance**" means the lowest Reference Asset Performance of all Reference Assets within the Basket

The "**Reference Asset Performance**" means the result of dividing:

(A) the Closing Price of the relevant Reference Asset on the applicable Valuation Date, as specified in the Final Terms, by

(B) the average of the Closing Prices of the relevant Reference Asset on each Initial Valuation Date.

and subtracting the Strike Level.

(xxix) *Outperformance Option*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio, and the lower of:

(A) the Maximum Performance (if applicable), and

(B) the higher of the Minimum Performance (if applicable) and the Performance Differential.

The "**Maximum Performance**" will be the value specified in the relevant Final Terms.

The "**Minimum Performance**" will be the value specified in the relevant Final Terms.

The "**Performance Differential**" will be calculated by subtracting the B Performance from the A Performance, **provided however that**, if "**Outperformance Option**" is specified as applicable in the Final Terms and the A Performance is negative, the Performance Differential shall be zero.

The "**A Performance**" will be calculated in the same manner as "**Basket Return**" for the "Basket Long" structure set out in Condition 6(a)(i) ("*Basket Long" structure*) or the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the relevant Final Terms; and

The "**B Performance**" will be calculated in the same manner as "**Basket Return**" for the "Basket Long" structure set out in Condition 6(a)(i) (*"Basket Long" structure*), or the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the relevant Final Terms.

The Reference Assets used for the purposes of calculating the A Performance and the B Performance will be grouped into two separate Baskets ("**Basket A**" and "**Basket B**" respectively, and each a "**Basket**"), as specified in the relevant Final Terms.

(xxx) *Non-Tranched CLN Structure*

The Redemption Amount will be equal to the Principal Amount of the Notes multiplied by the sum of:

(A) 1 minus the Portfolio Exposure; and

(B) the product of the Target Redemption Amount and the Portfolio Return.

The "**Portfolio Return**" means the difference between 1 and the Portfolio Loss.

The "**Portfolio Loss**" means the sum of the Weighted Asset Loss for each Reference Entity within the Basket.

The "**Weighted Asset Loss**" shall be either:

(C) If "**Credit Event Ranked Basket Participation**" is specified as applicable in the relevant Final Terms, calculated by multiplying the Basket Participation and the Reference Entity Loss for each Reference Entity as follows:

(1) for the Reference Entities which have been subject to a Credit Event, the relevant Credit Event Ranked Weight is used as the Basket Participation; or

(2) for the remaining Reference Entities which have not been subject to a Credit Event (in alphabetical order), the relevant Reference Entities shall

be listed in alphabetical order and the remaining Credit Event Ranked Weights will be assigned in numerical order for the purposes of determining the Basket Participation (Interest), following the principle that the first Reference Entity in alphabetical order shall be assigned the first available Credit Event Ranked Weight in numerical order and so forth.

(D) If "**Credit Event Ranked Basket Participation**" is specified as not being applicable, the product of the Basket Participation and the Reference Entity Loss for the relevant Reference Entity.

The "**Reference Entity Loss**" will be determined by subtracting the Recovery Value in respect of the relevant Reference Entity from 1.

The "**Recovery Value**" will be 100 per cent. if a Credit Event (as defined in Part 3: *Additional Conditions for Credit-Linked Notes*) has not occurred in relation to that Reference Entity during the period commencing on the Observation Start Date and ending on the Observation End Date, or if such a Credit Event has occurred, it will be either a Fixed Recovery Value or a Market Recovery Value, as specified in the relevant Final Terms.

(xxxi) *Tranched CLN Structure*

The Redemption Amount will be equal to the Principal Amount of the Notes multiplied by the sum of:

(A) 1 minus the Aggregate Portfolio Exposure; and

(B) the sum of the Credit-Linked Exposure in respect of each Basket.

The "**Credit-Linked Exposure**" means the product of the applicable Target Redemption Amount and the Portfolio Return for each Basket.

The "**Portfolio Return**" means the result obtained by subtracting the Adjusted Tranche Loss from 1.

The "**Adjusted Tranche Loss**" means the result obtained by dividing the lower of a) the Tranche Attachment Range and b) the Tranche Loss, by the Tranche Attachment Range.

The "**Tranche Loss**" means the higher of:

(A) zero; and

(B) the result obtained by subtracting the Tranche Attachment Point from the sum of the Weighted Asset Loss for each Reference Entity within the relevant Basket.

The "**Weighted Asset Loss**" means the product of the Basket Participation and the Reference Entity Loss for the relevant Reference Entity.

The "**Reference Entity Loss**" will be the result obtained by subtracting the Recovery Value in respect of the relevant Reference Entity from 1.

The "**Recovery Value**" will be 100 per cent. if a Credit Event (as defined in Part 3: *Additional Conditions for Credit-Linked Notes*) has not occurred in relation to that Reference Entity during the period commencing on the Observation Start Date and ending on the Observation End Date, or if such a Credit Event has occurred, it will be either a Fixed Recovery Value or a Market Recovery Value, as specified in the relevant Final Terms.

(xxxii) *Nth to Default CLN Structure*

The Redemption Amount will be equal to the Principal Amount of the Notes multiplied by the sum of:

(A) 1 minus the Portfolio Exposure; and

(B) the product of the Portfolio Exposure, the Target Redemption Amount and the Portfolio Return.

The "**Portfolio Return**" means the difference between 1 and the Portfolio Loss.

The "**Portfolio Loss**" means:

(A) if the number of Credit Events that have occurred in relation to any Reference Entity within the Basket during the period commencing on the Observation Start Date and ending on the Observation End Date, is greater than or equal to N, the Reference Entity Loss for the Nth Reference Entity within the Basket in respect of which a Credit Event occurs; or

(B) if the number of Credit Events that have occurred in relation to any Reference Entity within the Basket during the period commencing on the Observation Start Date and ending on the Observation End Date, is less than N, zero.

"**N**" shall be the figure specified in the Final Terms under the heading "**Performance Structure-related items**".

The "**Reference Entity Loss**" will be the difference between 1 and the Recovery Value in respect of the relevant Reference Entity.

The "**Recovery Value**" will be 100 per cent. if a Credit Event (as defined in Part 3: *Additional Conditions for Credit-Linked Notes*) has not occurred in relation to that Reference Entity during the period commencing on the Observation Start Date and ending on the Observation End Date, or if such a Credit Event has occurred, it will be either a Fixed Recovery Value or a Market Recovery Value, as specified in the relevant Final Terms.

(xxxiii) *Nth and Nth+1 to Default CLN Structure*

The Redemption Amount will be equal to the Principal Amount of the Notes multiplied by the sum of:

(A) 1 minus the Portfolio Exposure; and

(B) the product of the Portfolio Exposure, the Target Redemption Amount and the Portfolio Return.

The "**Portfolio Return**" means the result obtained by subtracting the Portfolio Loss from 1.

The "**Portfolio Loss**" means:

(A) if the number of Credit Events that have occurred in relation to any Reference Entity within the Basket during the period commencing on the Observation Start Date and ending on the Observation End Date, is greater than N the sum of the Weighted Asset Loss for the Nth Reference Entity to default and the Nth plus 1 (i.e. the immediately succeeding) Reference Entity to default within the Basket; or

(B) if the number of Credit Events that have occurred in relation to any Reference Entity within the Basket during the period commencing on the Observation Start Date and ending on the Observation End Date is equal N, an amount equal to the Weighted Asset Loss of the Nth Reference Entity in respect of which a Credit Event occurs;

(C) if the number of Credit Events that have occurred in relation to any Reference Entity within the Basket during the period commencing on the Observation Start Date and ending on the Observation End Date, is less than N, zero.

"**N**" shall be the figure specified in the Final Terms under the heading "**Performance Structure-related items**".

The "**Weighted Asset Loss**" means the product of the Basket Participation and the Reference Entity Loss for the relevant Reference Entity.

The "**Reference Entity Loss**" will be the result obtained by subtracting the Recovery Value in respect of the relevant Reference Entity from 1.

The "**Recovery Value**" will be 100 per cent. if a Credit Event (as defined in Part 3: *Additional Conditions for Credit-Linked Notes*) has not occurred in relation to that Reference Entity during the period commencing on the Observation Start Date and ending on the Observation End Date, or if such a Credit Event has occurred, it will be either a Fixed Recovery Value or a Market Recovery Value, as specified in the relevant Final Terms.

(xxxiv) *Option CLN structure*

The Redemption Amount will be equal to the sum of:

(i) the Principal Amount of the Notes; and

(ii) the product of: (x) the Principal Amount of the Notes, and (y) the sum of K, Option Amount 1, Option Amount 2, Option Amount 3 and Option Amount 4.

The value of "**K**" will be as specified in the relevant Final Terms.

The "**Option Amount 1**" will be calculated as the product of Factor1 and the higher of:

(A) 0; and

(B) the sum of:

(1) the product of:

(a) Indicator1;

(b) the CDS Mark to Market 1; and

(c) 1 minus the Portfolio Loss 1; and

(2) the product of:

(a) Indicator 1; and

(b) Portfolio Loss 2.

The "**CDS Mark to Market 1**" will be calculated as the sum of:

(A) the product of:

(1) Spread Difference1A; and

(2) Annuity1A; and

(B) the product of:

(1) Spread Difference1B; and

(2) Annuity1B.

The "**Factor1**" will be the value specified in the relevant Final Terms.

The "**Indicator1**" will be either -1 or 1 as specified in the relevant Final Terms.

The "**Spread Difference1A**" means the relevant CDS Spread on the Observation Date less the CDS Convention Spread.

The "**Spread Difference1B**" means the relevant CDS Convention Spread less the Strike 1.

"**Strike 1**" will be the value specified in the relevant Final Terms.

The "**Annuity1A**" means the present value of an annuity payment of 1, based on the relevant CDS spread on the Observation Date and the same payment dates and conventions as the fixed amount in the relevant CDS and determined by the Calculation Agent on the Valuation Date in its sole discretion.

The "**Annuity1B**" means the present value of an annuity payment of 1, based on the Strike 1 and the same payment dates and conventions as the fixed amount in the relevant CDS and determined by the Calculation Agent on the Valuation Date in its sole discretion.

The relevant "**CDS**" means a credit default swap referencing the Reference Entity or index of Reference Entities specified in the relevant Final Terms, with the maturity and CDS Convention Spread specified in the relevant Final Terms and otherwise containing terms and conditions that observe standard market conventions, as determined by the Calculation Agent in its sole discretion.

The "**CDS Spread**" means the spread or premium payable in order to purchase the relevant CDS (if the Indictor is negative) or sell the relevant CDS (if the Indicator is positive), as determined by the Calculation Agent in its sole discretion.

The "**CDS Convention Spread**" means the fixed coupon received by the Seller of the relevant CDS or paid by the purchaser of the relevant CDS (as the case may be), and specified in the relevant Final Terms.

The "**Portfolio Loss 1**" means the sum of the Weighted Asset Loss 1 for each Reference Entity within the relevant CDS.

The "**Weighted Asset Loss 1**" means the product of the Basket Participation and the Reference Entity Loss 1 for the relevant Reference Entity.

The "**Reference Entity Loss 1**" will be the result obtained by subtracting the Recovery Value 1 in respect of the relevant Reference Entity from 1.

The "**Recovery Value 1**" will be 100 per cent. if a Credit Event (as defined in Part 3: *Additional Conditions for Credit-Linked Notes*) has not occurred in relation to that Reference Entity during the period commencing on the Observation Start Date and ending on the Observation End Date, or if such a Credit Event has occurred, it will be a Fixed Recovery Value of 0 per cent.

The "**Portfolio Loss 2**" means the sum of the Weighted Asset Loss 2 for each Reference Entity within the CDS.

The "**Weighted Asset Loss 2**" means the product of the Basket Participation and the Reference Entity Loss 2 for the relevant Reference Entity.

The "**Reference Entity Loss 2**" will be the result obtained by subtracting the Recovery Value 2 in respect of the relevant Reference Entity from 1.

The "**Recovery Value 2**" will be 100 per cent. if a Credit Event (as defined in Part 3: *Additional Conditions for Credit-Linked Notes*) has not occurred in relation to that Reference Entity during the period commencing on the Observation Start Date and ending on the Observation End Date, or if such a Credit Event has occurred, it will be a Market Recovery Value.

The "**Option Amount2**" will be calculated as the product of Factor2 and the higher of:

(A) 0; and

(B) the sum of:

(1) the product of:

(a) Indicator2;

(b) The CDS Mark to Market 2; and

(c) 1 minus the Portfolio Loss 1; and

(2) the product of:

(a) Indicator 2; and

(b) Portfolio Loss 2;

The "**CDS Mark to Market 2**" will be calculated as the sum of:

(A) The product of:

(1) Spread Difference2A; and

(2) Annuity2A; and

(B) The product of:

(1) Spread Difference2B; and

(2) Annuity2B.

The "**Factor2**" will be the value specified in the relevant Final Terms.

The "**Indicator2**" will be either -1, 0 or 1 as specified in the relevant Final Terms.

The "**Spread Difference2A**" means the relevant CDS Spread on the Observation Date less the CDS Convention Spread.

The "**Spread Difference2B**" means the relevant CDS Convention Spread less the Strike 2.

"**Strike 2**" will be the value specified in the relevant Final Terms.

The "**Annuity2A**" means the present value of an annuity payment of 1, based on the relevant CDS spread on the Observation Date and the same payment dates and conventions as the fixed amount in the relevant CDS and determined by the Calculation Agent on the Valuation Date in its sole discretion.

The "**Annuity2B**" means the present value of an annuity payment of 1, based on the Strike 2 and the same payment dates and conventions as the fixed amount in the relevant CDS and determined by the Calculation Agent on the Valuation Date in its sole discretion.

The "**Option Amount 3**" will be calculated as the product of Factor3 and the higher of:

(A) 0; and

(B) the sum of:

(1) the product of:

(a) Indicator3;

(b) The CDS Mark to Market 3; and

(c) 1 minus the Portfolio Loss 1; and

(2) the product of:

(a) Indicator 3; and

(b) Portfolio Loss 2;

The "**CDS Mark to Market 3**" will be calculated as the sum of:

(A) The product of:

(1) Spread Difference3A; and

(2) Annuity3A; and

(B) The product of:

(1) Spread Difference3B; and

(2) Annuity3B.

The "**Factor3**" will be the value specified in the relevant Final Terms.

The "**Indicator3**" will be either -1,0 or 1 as specified in the relevant Final Terms.

The "**Spread Difference3A**" means the relevant CDS Spread on the Observation Date less the relevant CDS Convention Spread.

The "**Spread Difference3B**" means the relevant CDS Convention Spread less the Strike 3.

"**Strike 3**" will be the value specified in the relevant Final Terms.

The "**Annuity3A**" means the present value of an annuity payment of 1, based on the relevant CDS spread on the Observation Date and the same payment dates and conventions as the fixed amount in the relevant CDS and determined by the Calculation Agent on the Valuation Date in its sole discretion.

The "**Annuity3B**" means the present value of an annuity payment of 1, based on the Strike 3 and the same payment dates and conventions as the fixed amount in the relevant CDS and determined by the Calculation Agent on the Valuation Date in its sole discretion.

The "**Option Amount 4**" will be calculated as the product of Factor4 and the higher of:

(A) 0; and

(B) the sum of:

(1) the product of:

(a) Indicator4;

(b) The CDS Mark to Market4; and

(c) 1 minus the Portfolio Loss 1; and

(2) the product of:

(a) Indicator 4; and

(b) Portfolio Loss 2;

The "**CDS Mark to Market 4**" will be calculated as the sum of:

(A) The product of:

(1) Spread Difference4A; and

(2) Annuity4A; and

(B) The product of:

(1) Spread Difference4B; and

(2) Annuity4B.

The "**Factor4**" will be the value specified in the relevant Final Terms.

The "**Indicator4**" will be either -1 or 1 as specified in the relevant Final Terms.

The "**Spread Difference4A**" means the relevant CDS Spread on the Observation Date less the relevant CDS Convention Spread.

The "**Spread Difference4B**" means the relevant CDS Convention Spread less the Strike 4.

"**Strike 4**" will be the value specified in the relevant Final Terms.

The "**Annuity4A**" means the present value of an annuity payment of 1, based on the relevant CDS spread on the Observation Date and the same payment dates and conventions as the fixed amount in the relevant CDS and determined by the Calculation Agent on the Valuation Date in its sole discretion.

The "**Annuity4B**" means the present value of an annuity payment of 1, based on the Strike 4 and the same payment dates and conventions as the fixed amount in the relevant CDS and determined by the Calculation Agent on the Valuation Date in its sole discretion.

(xxxv) *Mark to Market CDS*

The Redemption Amount will be equal to the sum of:

(i) the Principal Amount of the Notes; and

(ii) the product of:

(x) the Principal Amount of the Notes, and

(y) the sum of, in respect of each CDS, the product of the relevant Mark to Market value and the applicable CDS Factor specified in the Final Terms.

The "**Mark to Market**" of the relevant CDS will be calculated as the sum of:

(A) the product of:

(1) The Indicator 1

(2) The CDS Spread Difference;

(3) The Annuity; and

(4) 1 minus the Portfolio Loss 1; and

(B) the product of:

(1) The Indicator 2

(2) The Accrued Interest; and

(C) The product of:

(1) The Indicator 3

(2) The PortfolioLoss2.

The "**Indicator 1**" will be either -1 or 1 as specified in the relevant Final Terms.

The "**Indicator 2**" will be either 1, 0 or -1 as specified in the relevant Final Terms.

The "**Indicator 3**" will be either 1, 0 or -1 as specified in the relevant Final Terms.

The "**Accrued Interest**" will be the accrued interest from the last coupon payment date of the relevant CDS, as determined by the Calculation Agent in its sole discretion on the Observation Date.

The "**Annuity**" means the present value of an annuity payment of 1, based on the same payment dates and conventions as the fixed amount in the CDS and determined by the Calculation Agent on the Valuation Date in its sole discretion.

The "**CDS**" means a credit default swap referencing the Reference Entity or index of Reference Entities specified in the relevant Final Terms, with the maturity and CDS Convention Spread specified in the relevant Final Terms and otherwise containing terms and conditions that observe standard market conventions, as determined by the Calculation Agent in its sole discretion.

The "**CDS Spread Difference**" means the CDS Spread on the Observation Date less the CDS Convention Spread on the Observation Date.

The "**CDS Spread**" means the spread or premium payable in order to purchase the relevant CDS (if the Indicator is negative) or sell the relevant CDS (if the Indicator is positive), as determined by the Calculation Agent in its sole discretion on the Observation Date.

The "**CDS Convention Spread**" means the fixed coupon received by the seller of the relevant CDS or paid by the purchaser of the relevant CDS (as applicable) and specified in the relevant Final Terms.

The "**Portfolio Loss 1**" means the sum of the Weighted Asset Loss 1 for each Reference Entity within the Basket.

The "**Weighted Asset Loss 1**" means the product of the Basket Participation and the Reference Entity Loss 1 for the relevant Reference Entity.

The "**Reference Entity Loss 1**" will be the result obtained by subtracting the Recovery Value 1 in respect of the relevant Reference Entity from 1.

The "**Recovery Value 1**" will be 100 per cent. if a Credit Event has not occurred in relation to that Reference Entity during the period commencing on the Observation Start Date and ending on the Observation End Date, or if such a Credit Event has occurred, it will be a Fixed Recovery Value of 0 per cent.

The "**Portfolio Loss 2**" means the sum of the Weighted Asset Loss 2 for each Reference Entity within the Basket.

The "**Weighted Asset Loss 2**" means the product of the Basket Participation and the Reference Entity Loss 2 for the relevant Reference Entity.

The "**Reference Entity Loss 2**" will be the result obtained by subtracting the Recovery Value 2 in respect of the relevant Reference Entity from 1.

The "**Recovery Value 2**" will be 100 per cent. if a Credit Event has not occurred in relation to that Reference Entity during the period commencing on the Observation Start Date and ending on the Observation End Date, or if such a Credit Event has occurred, it will be either a Fixed Recovery Value or a Market Recovery Value, as specified in the relevant Final Terms.

(xxxvi) *Digital Long*

If the Basket Return on the final Valuation Date is greater than or equal to the Basket Strike Level, the Additional Amount will be equal to the Principal Amount of the Notes multiplied by the Coupon.

If the Basket Return is not greater than or equal to the Basket Strike Level on the final Valuation Date, the Additional Amount will be zero.

The Basket Return will be calculated on the basis of the "Basket Long" structure in accordance with Condition 6(a)(i) ("*Basket Long" structure*) or the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms.

(xxxvii) *Digital Short*

If the Basket Return on the final Valuation Date is less than or equal to the Basket Strike Level, the Additional Amount will be equal to the Principal Amount of the Notes multiplied by the Coupon.

If the Basket Return on the final Valuation Date is not less than or equal to the Basket Strike Level, the Additional Amount will be zero.

The Basket Return will be calculated on the basis of the "Basket Long" Structure in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or the "*Basket Short*" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms.

(xxxviii) *Best of/Worst of Digital Long*

If the Reference Asset Return of the Nth best performing Reference Asset on the final Valuation Date is greater than or equal to the relevant Barrier Level, the Additional Amount will be equal to the Principal Amount of the Notes multiplied by the Coupon.

If the Reference Asset Return of the Nth best performing Reference Asset on the final Valuation Date is not greater than or equal to the relevant Barrier Level, the Additional Amount will be zero.

The "**Nth best performing**" Reference Asset will be the Reference Asset with the Nth highest Reference Asset Return (as defined in Condition 6(a)(i) ("*Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms), where "**N**" shall be the value specified in the relevant Final Terms.

(xxxix) *Best of/Worst of Digital Short*

If the Reference Asset Return of the Nth best performing Reference Asset on the final Valuation Date is less than or equal to the relevant Barrier Level, the Additional Amount will be equal to the Principal Amount of the Notes multiplied by the Coupon.

If the Reference Asset Return of the Nth best performing Reference Asset on the final Valuation Date is less than or equal to the relevant Barrier Level the Additional Amount will be zero.

The "**Nth best performing**" Reference Asset will be the Reference Asset with the Nth highest Reference Asset Return (as defined in Condition 6(a)(i) (*"Basket Long" Structure*) or Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms), where "**N**" shall be the value specified in the relevant Final Terms.

(xl) "***Series of Digitals***"

The Redemption Amount will be equal to the Principal Amount of the Notes multiplied by the fraction of which the numerator is the number of Reference Assets with a Closing Price which is at or above the relevant Barrier Level on each Valuation Date and the denominator is the number of Reference Assets within the Basket.

(xli) *Delta 1 Structures*

The Redemption Amount will payable on the Scheduled Redemption Date and will be an amount equal to the Hedge Proceeds in relation to the relevant Reference Asset(s), less the Fee Amount and less any applicable Taxes.

The "**Fee Amount**" means a structuring fee payable to the Issuer in an amount calculated as a percentage per annum. of the aggregate Principal Amount of the Notes specified in the relevant Final Terms multiplied by the relevant Day Count Fraction.

"**Taxes**" means all taxes, fees or other deductions relating to a Hedging Party's purchase, ownership, redemption or transfer of the Reference Assets, any dividends pertaining to the Reference Assets, or any currency conversion in respect of the exchange of the Note proceeds for the currency of the relevant Reference Asset(s).

If it is not possible for the Hedging Party to redeem Reference Assets or otherwise unwind its Hedge Transaction(s) before the Scheduled Redemption Date or Early Redemption Date (as applicable) for any reason, or if the Hedging Party determines that it will not receive the full amount of any Hedge Proceeds on or before the Scheduled Redemption Date or the Early Redemption Date (as applicable) (each such event a "**Deferred Redemption**"), then the Issuer shall promptly notify the Holders of such event (a "**Deferred Redemption Notice**").

Following a Deferred Redemption Notice the Issuer may make a partial redemption of the Notes at any time on or prior to the Back Stop Date, by giving no fewer than three Business Days' notice to Holders in accordance with Condition 16 *(Notices*) in the event that the Hedging Party receives (or is deemed to have received) all or part of the Hedge Proceeds (each such date, a "**Deferred Redemption Date**").

The sum of all partial redemption payments shall never exceed the aggregate Hedge Proceeds which the Hedging Party has received (or is deemed to have received) on or prior to the Back Stop Date less (i) the aggregate Fee Amount and less (ii) the aggregate amount of all Taxes.

If the Issuer has determined that a Deferred Redemption has occurred and is continuing and that it can be reasonably expected that any amount of the Hedge Proceeds will not be received by the Hedging Party on or prior to the Back Stop Date, then the Issuer (i) may extend the Back Stop Date in order for it to be in alignment with expected future receipts of Hedge Proceeds as determined by the Issuer, or (ii) by notice to the Holders and to the relevant Clearing System(s) cancel the Notes with immediate effect, whereupon the Issuer shall not be obliged to make, and no Holder shall be entitled to receive, any redemption payment or other amount in respect of the Notes.

Any Hedge Proceeds received by the Issuer or the Hedging Party after the Back Stop Date shall not be payable to Holders and the Holders shall have no claim to receive any such remaining part of the Redemption Amount after the Back Stop Date.

(xlii) *Inflation Linker*

The Redemption Amount will be the Principal Amount of the Notes multiplied by the higher of:

(A) The Minimum Redemption Percentage; and

(B) the result (expressed as a percentage) obtained by dividing the value of the Inflation Rate at the Valuation Time on the Final Valuation Date (as displayed on the price source specified in the relevant Final Terms) by the value of the Inflation Rate at the Valuation Time on the Initial Valuation Date (as displayed on the price source specified in the relevant Final Terms).

(xliii) *"Barrier outperformance" structure 2*

If the Basket Return (as determined in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*)), as specified in the Final Terms, on any Valuation Date exceeds the Barrier Level, the Additional Amount will be calculated as the Principal Amount of the Notes multiplied by the Participation Ratio and multiplied by the higher of the Coupon and the Basket Return. If the Basket Return does not exceed the Barrier Level on any Valuation Date, the Additional Amount will be zero.

(xliv) *"Barrier Underperformance" structure 2*

If the Basket Return (as determined in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or Condition 6(a)(ii) (*"Basket Short" structure*)), as specified in the Final Terms, on any Valuation Date falls below the Barrier Level, the Additional Amount will be calculated as the Principal Amount of the Notes multiplied by the Participation Ratio and multiplied by the higher of the Coupon and the Basket Return. If the Basket Return does not fall below the Barrier Level on any Valuation Date, the Additional Amount will be zero.

(xlv) *"Target Volatility" structure*

The Additional Amount will be the product of the Principal Amount of the Notes, the Participation Ratio and the Synthetic Index Return.

The "**Synthetic Index Return**" means the higher of a) the Minimum Synthetic Index Return, and b) the result obtained by dividing the Synthetic Index Value on the final Valuation Date (or, if Valuation Date Averaging is applicable, the average of the Synthetic Index Value on the relevant Averaging Dates) by the Synthetic Index Value on the Initial Valuation Date, and subtracting the Synthetic Index Strike Level.

The "**Minimum Synthetic Index Return**" shall mean the value specified in the relevant Final Terms.

The "**Synthetic Index Value**" will be recalculated at the end of each Valuation Period (the "**relevant Valuation Period**") as the product of:

(i) the Synthetic Index Value on the immediately preceding Valuation Date (or in the case of the Initial Valuation Date, the Initial Synthetic Index Value); and

(ii) the sum of: (x) 1, and (y) the product of:

(A) the relevant Exposure on the immediately preceding Valuation Date; and

(B) the relevant Excess Return for the applicable Valuation Period.

The "**Exposure**" will be recalculated on each Rebalancing Date, or as soon as practicable thereafter (as determined by the Issuer, in its sole discretion after taking into account the time required by the Hedging Party in order to establish the relevant Hedge Transactions), and will be the higher of:

(a) the Minimum Exposure; and

(b) the lower of:

(i) the Maximum Exposure; and

(ii) the Adjusted Exposure,

provided however that if the recalculation of the Exposure in the manner described above would result in an adjustment of less than the Minimum Adjustment Threshold, the Issuer will not be required to adjust the Exposure on such Rebalancing Date, and the Exposure with effect from such Rebalancing Date will be deemed to be the same as the Exposure on the immediately preceding Rebalancing Date.

"**Adjusted Exposure**" means, in respect of a Rebalancing Date, the level of exposure to the relevant Basket that can, in the sole discretion of the Issuer, be achieved by the Hedging Party (after deducting any applicable Hedging Costs) in establishing one or more Hedge Transactions that are intended to generate the Target Exposure on the relevant Rebalancing Date.

"**Target Exposure**" means, in respect of a Rebalancing Date, the lower of:

(a) the result of dividing the Target Volatility by the Historic Volatility; and

(b) if specified as applicable in the relevant Final Terms, the result of dividing the Target Volatility by the Second Historic Volatility.

"**Hedging Costs**" means an amount equal to any tax, duty, expenses, fee or other costs which the Issuer determines in its sole discretion would be incurred by a Hedging Party as a result of establishing any Hedge Transaction(s) entered into by such Hedging Party in order to hedge any obligation of the Issuer to make payments in respect of the Notes.

"**Minimum Adjustment Threshold**" has the meaning given to it in the relevant Final Terms.

"**Minimum Exposure**" means, in respect of a Rebalancing Date, the minimum percentage specified in the relevant Final Terms;

"**Maximum Exposure**" means, in respect of a Rebalancing Date, the maximum percentage specified in the relevant Final Terms;

"**Target Volatility**" means, in respect of Rebalancing Date, the target volatility, expressed as a percentage, specified in the relevant Final Terms;

"**Historic Volatility**" means, in respect of a Rebalancing Date (the "**Relevant Rebalancing Date**"), a number determined as:

(a) the square root of the Annualising Factor multiplied by,

(b) the square root of:

    (i) 1/(N-1) multiplied by:

    (ii)

        (x) the sum of the Log Squared Basket Return as calculated on each Rebalancing Date during the Lookback Rebalancing Period, less,

        (y) the sum of the Log Basket Return as calculated on each Rebalancing Date during the Lookback Rebalancing Period, raised to the power of 2 and then multiplied by 1/N.

The "**Annualising Factor**" shall mean the value specified in the Final Terms;

"**Second Historic Volatility**" means, in respect of a Rebalancing Date (the "**Relevant Rebalancing Date**"), a number determined as:

(a) the square root of the Second Annualising Factor multiplied by:

(b) the square root of:

    (i) 1/(K-1) multiplied by:

(ii)

(x) the sum of the Log Squared Basket Return as calculated on each Rebalancing Date during the Second Lookback Rebalancing Period, less

(y) the sum of the Log Basket Return as calculated on each Rebalancing Date during the Second Lookback Rebalancing Period, raised to the power of 2 and then multiplied by 1/K.

The "**Second Annualising Factor**" shall mean the value specified in the Final Terms;

The "**Log Squared Basket Return**" means the natural logarithm of the Rebalancing Basket Return on the relevant Rebalancing Date, raised to the power of 2;

The "**Log Basket Return**" means the natural logarithm of the Rebalancing Basket Return on the relevant Rebalancing Date;

The "**Lookback Rebalancing Period**" means each of the N Rebalancing Dates up to and including the relevant Rebalancing Date, where "**N**" is the value specified in the relevant Final Terms;

The "**Second Lookback Rebalancing Period**" means each of the K Rebalancing Dates up to and including the relevant Rebalancing Date, where "**K**" is the value specified in the relevant Final Terms;

The "**Rebalancing Basket Return**" means the sum of:

(a) 1; and

(b) the sum of the Weighted Rebalancing Performance in respect of each Reference Asset on the relevant Rebalancing Date;

The "**Weighted Rebalancing Performance**" in respect of the relevant Reference Asset is equal to:

(a) the Rebalancing Performance (as defined in Condition 1 (*Definitions*)) less 1, multiplied by,

(b) the applicable Basket Participation;

The "**Basket Return**" will be calculated on the basis of either the "Basket Long" Structure in accordance with Condition 6(a)(i) (*"Basket Long" structure*) or the "Basket Short" Structure in accordance with Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms;

The "**Excess Return**" for any period will be equal to the Basket Return less the Cash Return for such period;

The "**Cash Return**" for any Valuation Period means the Cash Rate on the Valuation Date at the start of the relevant Valuation Period (as determined by the Issuer in its sole discretion), multiplied by the Cash Return Day Count Fraction;

The "**Cash Rate**" means the interest rate specified in the Final Terms; and

The "**Cash Return Day Count Fraction**" means the Day Count Fraction specified in the relevant Final Terms.

(xlvi) *Booster Risk Barrier 2*

If the Basket Return, calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) ("*Basket Long" structure*), is at or above the Barrier Level, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and by the Basket Return.

If the Basket Return calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) ("*Basket Long" structure*), is below the Barrier Level, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio 2 and the Basket Return calculated in the same manner as for the "Basket Short" structure set out in Condition 6(a)(ii) ("*Basket Short" structure*).

(xlvii) *Autocallable Rate Structure*

If the Autocall Condition is satisfied on any Valuation Date prior to the final Valuation Date, the Notes will be subject to early redemption in accordance with Condition 6(w) (*Early Redemption of Notes with Autocallable Rate structure*). If the Autocall Condition is not satisfied on any Valuation Date prior to the final Valuation Date, the Notes will be redeemed on the Redemption Date at an amount equal to their Principal Amount.

(xlviii) *In Option – Basket Long*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Factor and the sum of:

(A) The result obtained by multiplying the Participation Ratio by the Knock-In Factor and the higher of (1) the Basket Return; and (2) zero; and

(B) The result obtained by multiplying the Knock-In Differential by the Coupon.

If the "**In Option Type**" is specified as "**Bought Up and In**" in the relevant Final Terms:

(i) The "**Knock-In Factor**" will be:

(A) A value equal to 1 if the Basket Return is at or above the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is below the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to 1.

If "**In Option Type**" is specified as "**Sold Up and In**" in the relevant Final Terms:

(i) The "**Knock-In Factor**" will be:

(A) A value equal to 1 if the Basket Return is above the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is at or below the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to -1.

If "**In Option Type**" is specified as "**Bought Down and In**" in the relevant Final Terms:

(i) The "**Knock-In Factor**" will be:

(A) A value equal to 1 if the Basket Return is at or below the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is above the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to 1.

If "**In Option Type**" is specified as "**Sold Down and In**" in the relevant Final Terms the following will apply:

(i) The "**Knock-In Factor**" will be:

(A) A value equal to 1 if the Basket Return is below the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is at or above the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to -1.

The "**Coupon**" means the value specified in the relevant Final Terms.

The "**Knock-In Differential**" means 1 minus the Knock-In Factor.

The "**Basket Return**" will be calculated on the basis of the "Basket Long" structure in accordance with Condition 6(a)(i) ("*Basket Long" Structure*).

(xlix) *In Option – Basket Short*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Factor and the sum of:

(A) The result obtained by multiplying the Participation Ratio by the Knock-In Factor and the higher of (1) the Basket Return; and (2) zero; and

(B) The result obtained by multiplying the Knock-In Differential by the Coupon.

If "**In Option Type**" is specified as "**Bought Down and In**" in the relevant Final Terms:

(i) The "**Knock-In Factor**" will be:

(A) A value equal to 1 if the Basket Return is at or above the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is below the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to 1.

If "**In Option Type**" is specified as "**Sold Down and In**" in the relevant Final Terms:

(i) The "**Knock-In Factor**" will be:

(A) A value equal to 1 if the Basket Return is above the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is at or below the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to -1.

If "**In Option Type**" is specified as "**Bought Up and In**" in the relevant Final Terms:

(i) The "**Knock-In Factor**" will be:

(A) A value equal to 1 if the Basket Return is at or below the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is above the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to 1.

If "**In Option Type**" is specified as "**Sold Up and In**" in the relevant Final Terms:

(i) The "**Knock-In Factor**" will be:

(A) A value equal to 1 if the Basket Return is below the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is at or above the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to -1.

The "**Coupon**" means the value specified in the relevant Final Terms.

The "**Knock-In Differential**" means 1 minus the Knock-In Factor.

The "**Basket Return**" will be calculated on the basis of the "Basket Short" structure in accordance with Condition 6(a)(ii) (*"Basket Short" structure*).

(l) *Out Option – Basket Long*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Factor and the sum of:

(A) The result obtained by multiplying the Participation Ratio by the Knock-Out Differential and the higher of (1) the Basket Return; and (2) zero.

(B) The result obtained by multiplying the Knock-Out Factor by the Rebate.

If "**Out Option Type**" is specified as "**Bought Up and Out**" in the relevant Final Terms:

(i) The "**Knock-Out Factor**" will be:

(A) A value equal to 1 if the Basket Return is above the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is at or below the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to 1.

If "**Out Option Type**" is specified as "**Sold Up and Out**" in the relevant Final Terms:

(i) The "**Knock-Out Factor**" will be:

(A) A value equal to 1 if the Basket Return is at or above the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is below the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to -1.

If "**Out Option Type**" is specified as "**Bought Down and Out**" in the relevant Final Terms:

(i) The "**Knock-Out Factor**" will be:

(A) A value equal to 1 if the Basket Return is below the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is at or above the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to 1.

If "**Out Option Type**" is specified as "**Sold Down and Out**" in the relevant Final Terms:

(i) The "**Knock-Out Factor**" will be:

(A) A value equal to 1 if the Basket Return is at or below the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is above the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to -1.

The "**Rebate**" means the value specified in the relevant Final Terms.

The "**Knock-Out Differential**" means 1 minus the Knock-Out Factor.

The "**Basket Return**" will be calculated on the basis of the "Basket Long" structure in accordance with Condition 6(a)(i) ("*Basket Long" structure*).

(li) *Out Option – Basket Short*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Factor and the sum of:

(A) The result obtained by multiplying the Participation Ratio by the Knock-Out Differential and the higher of (1) the Basket Return; and (2) zero.

(B) The result obtained by multiplying the Knock-Out Factor by the Rebate.

If "**Out Option Type**" is specified as "**Bought Down and Out**" in the relevant Final Terms:

(i) The "**Knock-Out Factor**" will be:

(A) A value equal to 1 if the Basket Return is above the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is at or below the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to 1.

If "**Out Option Type**" is specified as "**Sold Down and Out**" in the relevant Final Terms:

(i) The "**Knock-Out Factor**" will be:

(A) A value equal to 1 if the Basket Return is at or above the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is below the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to -1.

If "**Out Option Type**" is specified as "**Bought Up and Out**" in the relevant Final Terms:

(i) The "**Knock-Out Factor**" will be:

(A) A value equal to 1 if the Basket Return is below the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is at or above the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to 1.

If "**Out Option Type**" is specified as "**Sold Up and Out**" in the relevant Final Terms:

(i) The "**Knock-Out Factor**" will be:

(A) A value equal to 1 if the Basket Return is at or below the Barrier Level on any Valuation Date;

(B) A value equal to zero if the Basket Return is above the Barrier Level on all Valuation Dates.

(ii) The "**Factor**" will be a value equal to -1.

The "**Rebate**" means the value specified in the relevant Final Terms.

The "**Knock-Out Differential**" means 1 minus the Knock-Out Factor.

The "**Basket Return**" will be calculated on the basis of the "Basket Short" structure in accordance with Condition 6(a)(ii) ("*Basket Short*" structure).

(lii) *Steepner Booster*

The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Performance Percentage, where:

The "**Performance Percentage**" will be:

(A) if the Performance Differential is equal to or above Barrier Level 1, the product of:

(1) the result of subtracting Barrier Level 1 from the lower of the Maximum Differential and the Performance Differential; and

(2) the Participation Ratio; or

(B) if the Performance Differential is below Barrier Level 2, the product of:

(1) Participation Ratio 2; and

(2) the result of subtracting the higher of the Minimum Differential and the Performance Differential from Barrier Level 2.

The "**Performance Differential**" will be determined by subtracting the Final Price for Reference Asset 2 from the Final Price for Reference Asset 1.

In all circumstances other than those described in (A) and (B) above the Performance Percentage and the Additional Amount will be zero.

(liii) *Target Redemption Steepner*

The Redemption Amount will be the sum of the Target Redemption Amount and the Additional Amount. The Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Performance Percentage, where:

The "**Performance Percentage**" will be:

(A) if the Performance Differential is below Barrier Level 2, the product of:

(1) Participation Ratio 2; and

(2) the result of subtracting the higher of the Minimum Differential and the Performance Differential from Barrier Level 2.

(B) In all circumstances other than those described in (A) above the Performance Percentage and the Additional Amount will be zero.

The "**Performance Differential**" will be determined by subtracting the Final Price for Reference Asset 2 from the Final Price for Reference Asset 1.

(liv) *Plateau Booster Structure*

If the Basket Return is below the Barrier Level on the final Valuation Date, the Additional Amount will be calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the Basket Return on the final Valuation Date (which may result in a Redemption Amount of less than the Principal Amount of the Notes).

If the Basket Return is at or above the Barrier Level on the final Valuation Date and the Call Performance is below the Initial Basket Level on the final Valuation Date, the Additional Amount will be zero.

If the Basket Return is at or above the Barrier Level on the final Valuation Date and the Call Performance is greater than or equal to the Initial Basket Level on the final Valuation Date, the Additional Amount will be equal to:

(A) if the Call Performance is less than the OTM Strike, the Principal Amount of the Notes multiplied by:

(1) the lower of the Call Performance and the Cap; and

(2) the Gearing;

(B) if the Call Performance is greater than or equal to the OTM Strike the amount calculated by multiplying the Principal Amount of the Notes by the Participation Ratio and the Call Performance.

(b) ***FX Components***

(i) *FX Component – Reference Asset*

If "**FX Component – Reference Asset**" is specified as applicable in the relevant Final Terms, then the Reference Asset Return of one or more Reference Assets specified in the Final Terms (as determined in accordance with whichever of the provisions of Condition 6(a) (*Redemption at Maturity*) is specified as applicable to the relevant Reference Asset(s) in such Final Terms), will be further multiplied by the applicable FX Factor for the purposes of determining the relevant Additional Amount payable to the Holders.

(ii) *FX Component – Additional Amount*

If "**FX Component – Additional Amount**" is specified as applicable in the relevant Final Terms, then one or more Additional Amounts specified in the relevant Final Terms (as determined in accordance with whichever of the provisions of Condition 6(a) (*Redemption at Maturity*) is specified as applicable to the relevant Additional Amount in such Final Terms), will be further multiplied by the applicable FX Factor for the purposes of determining the relevant Additional Amount payable to the Holders. The FX Component – Additional Amount may only apply if the Additional Amount is positive, or may only apply if the Additional Amount is negative, in either case as specified in the Final Terms.

(iii) *FX Component – Base Redemption Amount*

If "**FX Component – Base Redemption Amount**" is specified as applicable in the relevant Final Terms, then the Base Redemption Amount will be multiplied by the applicable FX Factor for the purposes of determining the actual Redemption Amount payable in accordance with Condition 6(a) (*Redemption at Maturity*).

(iv) *FX Component – Composite*

If "**FX Component – Composite**" is specified as applicable in the relevant Final Terms, then the Reference Asset Return of one or more Reference Assets specified in the Final Terms (as determined in accordance with whichever of the provisions of Condition 6(a)

(*Redemption at Maturity*) is specified as applicable to the relevant Reference Asset in such Final Terms), will be calculated as:

(a) If the method of calculating the Basket Return specified in the Final Terms is the "Basket Long" structure, the "**Reference Asset Return**" will be the result obtained by dividing the Final Price for each relevant Reference Asset by the Initial Price for the relevant Reference Asset and multiplying the result by the FX Factor and then subtracting the Strike Level.

(b) If the method of calculating the Basket Return specified in the Final Terms is the "Basket Short" structure, the "**Reference Asset Return**" will be the result obtained by subtracting from the Strike Level the product of (i) the result obtained by dividing the Final Price for each relevant Reference Asset by the Initial Price for the relevant Reference Asset; and (ii) the FX Factor.

(v) *FX Component – Redemption Amount*

If "**FX Component – Redemption Amount**" is specified as applicable in the relevant Final Terms, then the Redemption Amount will be multiplied by the applicable FX Factor for the purposes of determining the actual Redemption Amount payable in accordance with Condition 6(a) (*Redemption at Maturity*).

(c) ***Best of/Worst of Modifier***

If this Condition 6(c) (*Best of/Worst of Modifier*) is specified as applicable in the relevant Final Terms, then references to the Basket Return shall be replaced by references to the "**Reference Asset Return of the Nth best performing Reference Asset**" for the purposes of calculating the Additional Amount in accordance with one or more of the applicable performance structure(s) set out in Condition 6(a) (*Redemption at Maturity*), or whether or not Notes that are subject to the Autocallable Condition ("**Autocallable Notes**") shall be subject to early redemption in accordance with Condition 6(p) (*Early Redemption of Notes with Autocallable performance structure*) or 6(w)(*Early Redemption of Notes with Autocallable Rate structure*). The Final Terms will specify which performance structure(s) and Conditions will be modified in accordance with this Condition 6(c) (*Best of/Worst of Modifier*).

The "**Nth best performing Reference Asset**" shall be the Reference Asset with the Nth highest Reference Asset Return, where "**N**" shall be the value specified in the Final Terms under the heading "*Strategy –related items* ".

(d) ***Lookback Initial Price Modifier***

If this Condition 6(d) (*Lookback Initial Price Modifier*) is specified as applicable in the relevant Final Terms, then references to the "**Initial Price**" of each Reference Asset shall be replaced by references to the "**Lookback Initial Price**" for the purposes of calculating the Additional Amount in accordance with the applicable performance structure(s) in Condition 6(a) (*Redemption at Maturity*) which are specified as applicable in the relevant Final Terms.

(i) If the "**Lookback Factor**" is specified as being "**Minimum Asset Price**", in the relevant Final Terms, the "**Lookback Initial Price**" shall be the lowest Closing Price of the relevant Reference Asset during the Initial Lookback Observation Period.

(ii) If the "**Lookback Factor**" is specified as being "**Maximum Asset Price**", the "**Lookback Initial Price**" shall be the highest Closing Price of the relevant Reference Asset during the Initial Lookback Observation Period.

(iii) If the "**Lookback Factor**" is specified as being "**Minimum Basket Price**", in the relevant Final Terms, the "**Lookback Initial Price**" shall be the Closing Price of the relevant Reference Asset on the date during the Initial Lookback Observation Period when the sum of the Closing Prices for all Reference Assets in the Basket was lowest.

(iv) If the "**Lookback Factor**" is specified as being "**Maximum Basket Price**", the "**Lookback Initial Price**" shall be the Closing Price of the relevant Reference Asset on the date during the Initial Lookback Observation Period when the sum of the Closing Prices for all Reference Assets in the Basket was highest.

(e) ***Lookback Final Price Modifier***

If this Condition 6(e) (*Lookback Final Price Modifier*) is specified as applicable in the relevant Final Terms, then references to the "**Final Price**" of each Reference Asset shall be replaced by references to the "**Lookback Final Price**" for the purposes of calculating the Additional Amount in accordance with the applicable performance structure(s) in Condition 6(a) (*Redemption at Maturity*) which are specified as applicable in the relevant Final Terms.

(i) If the "**Lookback Factor**" is specified as being "**Minimum Asset Price**", in the relevant Final Terms, the "**Lookback Final Price**" shall be the lowest Closing Price of the relevant Reference Asset during the Final Lookback Observation Period.

(ii) If the "**Lookback Factor**" is specified as being "**Maximum Asset Price**", the "**Lookback Observation Price**" shall be the highest Closing Price of the relevant Reference Asset during the Final Lookback Observation Period.

(iii) If the "**Lookback Factor**" is specified as being "**Minimum Basket Price**", in the relevant Final Terms, the "**Lookback Final Price**" shall be the Closing Price of the relevant Reference Asset on the date during the Final Lookback Observation Period when the sum of the Closing Prices for all Reference Assets in the Basket was lowest.

(iv) If the "**Lookback Factor**" is specified as being "**Maximum Basket Price**", the "**Lookback Observation Price**" shall be the Closing Price of the relevant Reference Asset on the date during the Final Lookback Observation Period when the sum of the Closing Prices for all Reference Assets in the Basket was highest.

(f) ***"Lock-in" Modifier***

If this Condition 6(f) (*"Lock-in" Modifier*) is specified as applicable in the relevant Final Terms, then references to the Basket Return shall be replaced by the Lock-in Basket Return for the purposes of calculating the Additional Amount in accordance with the applicable performance structure(s) in Condition 6(a) (*Redemption at Maturity*) which are specified as applicable in the relevant Final Terms.

The "**Lock-in Basket Return**" will be the highest of the Locked-in Return and the Basket Return on the final Valuation Date. The "**Locked-in Return**" will be the pre-determined percentage which corresponds to the highest Lock-in Level which is reached or exceeded by the Basket Return on any Valuation Date, as specified in the Final Terms.

(g) ***Combination of Structures***

If "**Combination of Structures**" is specified as applicable in the Final Terms, the Additional Amount payable to the Holders on the Redemption Date or, if applicable, the Alternative Additional Amount Payment Date, may be a combination of two or more of the performance structures specified in Condition 6(a) (*Redemption at Maturity*) or combine the same performance structure but calculated by reference to different underlying Baskets, in either case, as set out in the relevant Final Terms:

(i) If "**Addition**" is specified in the Final Terms the Additional Amounts determined in accordance with each applicable sub-paragraph of Condition 6(a) (*Redemption at Maturity*) shall be multiplied by the relevant Performance Percentage and then aggregated for the *purposes* of calculating the total Additional Amount payable by the Issuer. If "**Single Basket**" is specified in the Final Terms, the same underlying Basket will be used to determine the Additional Amount in respect of each applicable performance structure. Otherwise, each performance structure will apply to a separate underlying Basket, as specified in the Final Terms.

The "**Performance Percentage**" will be the percentage specified in the relevant Final Terms.

(ii) If "**Subtraction**" is specified in the Final Terms the Additional Amounts determined in accordance with each applicable sub-paragraph of Condition 6(a) (*Redemption at Maturity*) shall be multiplied by the relevant Performance Percentage and then the Additional Amount relating to Basket B, shall be subtracted from the Additional Amount relating to Basket A for the *purposes* of calculating the total Additional Amount payable by the Issuer.

The "**Performance Percentage**" will be the percentage specified in the relevant Final Terms.

(iii) If "**Alternative Calculation**" is specified in the Final Terms, the applicable performance structure used to determine the Additional Amount will differ depending on whether or not the Basket Return on a particular Valuation Date has exceeded certain pre-specified Barrier Levels, as set out in the relevant Final Terms.

(h) ***Maximum Redemption***

If this Condition 6(h) (*Maximum Redemption*) is specified as applicable in the relevant Final Terms, the Redemption Amount will be the lesser of: a) the Redemption Amount determined in accordance with the applicable provisions of Condition 6(a) (*Redemption at Maturity*) and b) the Maximum Redemption Amount.

(i) ***Minimum Redemption***

If this Condition 6(i) (*Minimum Redemption*) is specified as applicable in the relevant Final Terms and Condition 6(h) (*Maximum Redemption*) is not applicable, the Redemption Amount shall be the greater of: a) the amount determined in accordance with the applicable provisions of Condition 6(a) (*Redemption at Maturity*), and b) the Minimum Redemption Amount.

If both this Condition 6(i) (*Minimum Redemption*) and Condition 6(h) (*Maximum Redemption*) are specified as applicable in the relevant Final Terms, the Redemption Amount shall be the greater of: a) the Redemption Amount determined in accordance with Condition 6(h) (*Maximum Redemption*), and b) the Minimum Redemption Amount.

(j) ***Inflation - Protected Principal***

If this Condition 6(j) (*Inflation – Protected Principal*) is specified as applicable in the relevant Final Terms, the Redemption Amount determined in accordance with the applicable provisions of Condition 6(a) (*Redemption at Maturity*) will be multiplied by the ratio obtained by dividing the Final CPI by the Base CPI.

(k) ***Instalment Redemption***

If specified in the Final Terms, certain Notes may be amortising. If so, the Redemption Amount will be paid in instalments equal to the Instalment Amount on one or several Instalment Dates, as specified in the Final Terms.

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

If, in relation to any Series of Notes, as a result of any change in the laws of the Relevant Jurisdiction or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Notes or 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 7 (*Taxation*), the Issuer may, at its option having given not less than thirty nor more than sixty days' notice, or such other period as may be specified in the Final Terms (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 16 (*Notices*) (which notice shall be irrevocable) redeem in whole (but not, unless and to the extent that the relevant Final Terms specifies otherwise, in part) the Notes of the relevant Series at its principal amount (or such other redemption amount as may be specified in the relevant Final Terms), together with accrued interest (if any) thereon.

In the event withholding tax is introduced in the Relevant Jurisdiction and, pursuant to such withholding tax the Issuer is obliged to effect deductions as referred to in the preceding paragraph, the Issuer reserves the right to obtain the following information regarding each Holder:

(i) the Holder's name, personal identification number or other identification number and postal address; and

(ii) the number of Notes held by the Holder and their Principal Amount.

The information referred to above need only be provided in relation to Notes issued under this Programme.

(m) ***Optional Early Redemption (Call)***

If specified in the relevant Final Terms, the Issuer may redeem Notes early, in whole or in part, at the Early Redemption Amount together with accrued interest (if any), on the date or dates specified in the Final Terms.

The Issuer shall notify the Holders of any early redemption in accordance with Condition 16 (*Notices*) not later than 10 days prior to the relevant Early Redemption Date. Such notice of early redemption shall be irrevocable.

(n) ***Optional Early Redemption (Put)***

If specified in the relevant Final Terms, the Holder shall be entitled to demand early redemption of Notes at their Early Redemption Amount together with accrued interest (if any) thereon, on the date or dates set out in the Final Terms and subject to any conditions specified in the Final Terms.

In order to exercise such option, the Holder, must not less than 45 days prior to the relevant Early Redemption Date give notice to the Issuer. Such notice of early redemption shall be irrevocable.

(o) ***Early Redemption of non-interest bearing Notes***

Upon early redemption of Zero Coupon Notes, the relevant Notes shall be repaid in an amount determined on the Record Date (or, in the case of Bearer Notes, the due date for payment) in accordance with the following formula:

$$\frac{\textit{Principal Amount}}{(1 + \mathrm{r})^{\mathrm{t}}}$$

r = the Reference Yield stated in the Final Terms.

t = the remaining term of the Notes, expressed as a number of days divided by 360 (whereby each month shall be deemed to consist of 30 days) or based on the actual number of days/actual number of days.

(p) ***Early Redemption of Notes with Autocallable performance structure***

If the Basket Return on any Observation Date (other than the final Observation Date) is at or above the relevant Call Barrier Level, then the Issuer will redeem the Notes early, in whole but not in part, on the later of: (i) the next following Early Redemption Date, or (ii) the date falling 40 days after the relevant Observation Date at their Early Redemption Amount which will be the Principal Amount of the relevant Notes together with any Coupon (if any) payable in accordance with Condition 5(g) (*Coupon Bearing Notes*).

The "**Basket Return**" will be calculated in the same manner as for the "Basket Long" structure set out in Condition 6(a)(i) ("*Basket Long*" *structure*) or the "Basket Short" structure set out in Condition 6(a)(ii) (*"Basket Short" structure*), as specified in the Final Terms, unless Condition 6(c) (*Best of/Worst of Modifier*) is specified as applicable to this Condition 6(p) (*Early Redemption of Notes with Autocallable performance structure*) in the relevant Final Terms, in which case the Basket Return shall be replaced with the Reference Asset Return of the Nth Best Performing Reference Asset in accordance with that Condition.

(q) ***Early Redemption of Credit-Linked Notes***

In the event that the Recovery Value in relation to one or more Reference Entities (each a "**Defaulted Reference Entity**") is determined prior to the scheduled Redemption Date for the Notes, the Issuer may elect to make an early repayment of all or part of the Notes (including any accrued but unpaid interest) on any Interest Payment Date by giving notice thereof to Holders in accordance with Condition 16 (*Notices*). The applicable Early Redemption Amount shall be determined by the Issuer in good faith and in a commercially reasonable manner, and shall be calculated on a pro-rata basis such that the Holder receives a share of the Redemption Amount that would (notwithstanding the early redemption of the Notes in accordance with this Condition 6(q) (*Early Redemption of Credit-Linked Notes*)) otherwise be due and payable on the Redemption Date in accordance with the applicable provisions of Condition 6(a) (*Redemption at Maturity*) which is proportionate to the weighting of the relevant Defaulted Reference Entity or Defaulted Reference Entities in relation to the Basket as a whole.

(r) ***Amortisation of Credit-Linked Notes by way of Pool Factor***

If a Credit Event occurs which the Issuer determines (in good faith and in a commercially reasonable manner) would have an impact on the Redemption Amount payable on the applicable Redemption Date in accordance with the applicable provisions of Condition 6(a) (*Redemption at Maturity*), the Issuer may make a *pro-rata* reduction in the outstanding principal amount of the Notes in order to reflect the occurrence of such Credit Event (and the determination of any applicable Recovery Value), or may reflect the same by way of an appropriate pool factor in the records of the relevant Clearing System. The Issuer shall notify the relevant Clearing Systems and the Fiscal Agent of any *pro-rata* reduction in the outstanding Principal Amount of the Notes or (if applicable) the appropriate pool factor from time to time. If the Issuer elects to apply a pool factor, the Redemption Amount shall (for the purposes of payment on the relevant Redemption Date) be equal to the Principal Amount of the Notes multiplied by the applicable pool factor at the relevant Redemption Date.

(s) ***Purchase of Notes***

The Issuer and its subsidiaries (if any) may at any time purchase Notes in the open market or otherwise and at any price **provided that**, in the case of interest-bearing Definitive Notes, any unmatured Receipts and Coupons appertaining thereto are purchased therewith.

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

Any redemption of the VP Notes, VPS Notes, Swedish Notes or Finnish Notes pursuant to this Condition 6 (*Redemption and Purchase*) shall be in accordance with, in the case of VP Notes, the VP Rules, in the case of VPS Notes, the VPS Rules, in the case of Swedish Notes, the Euroclear Sweden Rules and in the case of Finnish Notes, the Euroclear Finland Rules.

(u) ***Payment of Unwind Amount on Early Redemption***

If this Condition 6(u) (*Payment of Unwind Amount on Early Redemption)* is specified as applicable in the Final Terms, the Early Redemption Amount payable to the Holders shall be reduced by any applicable Unwind Amount, where: "**Unwind Amount**" means an amount determined by the Calculation Agent in its sole discretion in a commercially reasonable manner equal to the sum of (without duplication) all costs, expenses (including loss of funding), tax and duties incurred by the Issuer in connection with such early redemption, and the related termination, settlement or re-establishment of any hedge or related trading position, plus any amount payable by the relevant hedge counterparty or swap counterparty to the Issuer or minus any amount payable by the Issuer to the relevant hedge counterparty or swap counterparty equal to any amount payable as a result of the unwind of any swap transaction entered into in connection with the Notes, **provided that** such amount is greater than zero.

(v) ***TOM Cumulative Strategy***

If the "**TOM Cumulative Strategy**" is specified as applicable in the relevant Final Terms, the Redemption Amount will be equal to the Principal Amount of the Notes multiplied by the TOM Participation Ratio and multiplied by the Final TOM Value.

The "**TOM Value**" will be 100% on the Initial Valuation Date, and thereafter will be equal to the TOM Value on the preceding TOM Valuation Date multiplied by the applicable TOM Performance applicable to the relevant TOM Period or NTOM Period (as applicable).

"**Final TOM Value**" means the TOM Value on the final TOM Valuation Date or, if "**TOM Final Value Averaging**" is specified as applicable in the relevant Final Terms, the average of the TOM Values determined on each TOM Final Value Averaging Date specified in the Final Terms.

The "**TOM Performance**" will be equal to the sum of 1 and the Basket Return for each TOM Period, and the sum of 1 and the Reference Rate Return for each NTOM Period. If "**Final TOM Period Performance Averaging**" is specified as applicable in the relevant Final Terms, the TOM Performance used to determine the TOM Value on the TOM Valuation Date falling at the end of each of the final N number of TOM Periods during the term of the Notes, will be replaced with the Average Final TOM Period Performance.

The "**Average Final TOM Period Performance**" will be determined by the Issuer, at the end of the final TOM Period, as the average of the TOM Performance for each of the final N number of TOM Periods during the term of the Notes.

"**N**" will be the value specified in the relevant Final Terms.

The "**Basket Return**" will be equal to the Additional Amount for the relevant TOM Period, calculated in accordance with the performance structure(s) specified in the relevant Final Terms and expressed as a percentage of the Principal Amount of the Notes, save that references to the "**Initial Valuation Date**" and any related Averaging Dates shall be construed as references to the relevant TOM Calculation Start Date and any related Averaging Dates (if applicable), and references to the "**Valuation Date**" and any related Averaging Dates shall be construed as references to the relevant TOM Calculation End Date and any related Averaging Dates (if applicable).

The "**Reference Rate Return**" will be equal to the applicable Reference Rate multiplied by the relevant Day Count Fraction.

(w) ***Early Redemption of Notes with Autocallable Rate structure***

If the Autocall Condition is satisfied on any Valuation Date (other than the final Valuation Date), then the Issuer will redeem the Notes early, in whole but not in part, on the later of: (i) the next following Early Redemption Date, and (ii) the date falling 40 days after the relevant Valuation Date, in each case at an amount equal to the Principal Amount of the relevant Notes, together with any Interest Amount (if any) payable in accordance with Condition 5(u) (*Autocallable Rate*).

(x) ***Lock-in Basket Floor***

If "**Lock-in Basket Floor**" is specified as applicable in the relevant Final Terms, then if the Basket Return on any Valuation Date exceeds the relevant Barrier Level, then references to the Basket Return shall be replaced by the Lock-in Basket Floor for the purposes of calculating the Additional Amount in accordance with the applicable performance structure(s) in Condition 6(a) (*Redemption at Maturity*) which are specified as applicable in the relevant Final Terms.

The "**Lock-in Basket Floor**" will be the higher of the Minimum Basket Return and the Basket Return on the final Valuation Date.

(y) ***Alternative Additional Amount Payment Dates***

If an "**Alternative Additional Amount Payment Date**" is specified in the relevant Final Terms, the Additional Amount(s) will not be payable on the Redemption Date, but will be payable on the Alternative Additional Amount Payment Date specified in the relevant Final Terms. Notwithstanding the foregoing, the Base Redemption Amount will be payable on the Redemption Date in accordance with Condition 6(a) (*Redemption at Maturity*).

(z) ***Substantial Repurchase Event***

If "**Substantial Repurchase Event**" is specified as applicable in the relevant Final Terms, the Issuer may redeem Notes early, in whole but not in part, at their Fair Market Value together with accrued interest (if any), if the Issuer shall have purchased or cancelled at least 80 per cent. by principal amount of the Notes originally issued.

The "**Fair Market Value**" means an amount determined in good faith by the Calculation Agent, on the basis of a commonly accepted market valuation method and taking account such factors as it considers appropriate.

The Issuer shall notify the Holders of any early redemption in accordance with Condition 16 (*Notices*) not later than 10 days prior to the relevant date fixed for early redemption (the "**Early Redemption Date**"). Such notice of early redemption shall be irrevocable.

(aa) ***Restructuring of Credit-Linked Notes***

In the event that the Recovery Value in relation to one or more Reference Entities (each a "**Defaulted Reference Entity**") is determined prior to the scheduled Redemption Date for the Notes, and the Issuer reasonably concludes that, following such determination in relation to the relevant Defaulted Reference Entity(ies):

(i) no further Interest Amounts will be payable in accordance with the Conditions, and

(ii) the Redemption Amount of the Notes will not be adjusted as a result of any further Credit Events in respect of any Reference Entity,

the Issuer may elect to amend the Conditions of the Notes and replace the Final Terms so that the Notes shall thereafter constitute Zero-Coupon Notes. The Zero-Coupon Notes shall have an equivalent Redemption Amount to the Redemption Amount which would have been payable in relation to the related Credit-Linked Notes following determination of the relevant Recovery Value(s) in relation to such Defaulted Reference Entity(ies).

The Issuer shall give notice to Holders in accordance with Condition 16 (*Notices*) promptly following the replacement of the relevant Final Terms.

(bb) ***Running PnL Strategy***

If the "**Running PnL Strategy**" is specified as applicable in the relevant Final Terms, the Issuer intends (without assuming any obligation) to provide secondary market prices for the Notes on a regular basis under normal market conditions. If "**Reserve Provision**" is specified as applicable in the relevant Final Terms then the secondary market prices for the Notes will, up to (and including) the Reserve Provision End Date, be increased by an amount corresponding to the then remaining running fee, being the Initial Reserve Amount less the amount already allocated by the Issuer during the lifetime of the Notes, as calculated and determined by the Issuer in its sole discretion.

"**Initial Reserve Amount**" will be the value specified in the Final Terms.

"**Reserve Provision End Date**" means the date specified in the Final Terms.

7. Taxation

(a) All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes 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 Relevant Jurisdiction or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holders after such withholding or deduction shall equal the respective amounts which would have been receivable in the absence of such withholding or deduction; except that no such additional amounts shall be payable in respect of payment in respect of any Note or Coupon presented for payment:

(i) in the Relevant Jurisdiction;

(ii) by or on behalf of a Holder who is liable to such taxes or duties in respect of such Note or Coupon by reason of such Holder having some connection with the Relevant Jurisdiction other than the mere holding of such Note or Coupon; 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, 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 16 (*Notices*).

(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 7 (*Taxation*) or any undertaking given in addition thereto or in substitution therefore.

(d) Notwithstanding anything in this Condition 7 (*Taxation*) or in Condition 8 (*Payments*) to the contrary, the Issuer shall be permitted to withhold and deduct for or on account of any taxes imposed pursuant to sections 871(m) or 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service, on any amount payable in respect of the Notes and shall not be required to pay any additional amounts in respect of any such taxes.

8. **Payments**

(1) ***Payments — Bearer Notes***

(a) This Condition 8(1) (*Payments – Bearer Notes*) is applicable in relation to Bearer Notes.

(b) 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 (where 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.

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

(i) 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;

(ii) 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

(iii) 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.

(d) 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.

(e) 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:

(i) 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;

(ii) 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; and

(iii) 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.

(2) ***Payments — Registered Notes***

(a) This Condition 8(2) (*Payments – Registered Notes*) is applicable in relation to Registered Notes.

(b) Payments of amounts (including accrued interest) due on the final redemption of Registered Notes will be made against presentation and, save in the case of a partial redemption by reason of insufficiency of funds, surrender of the relevant Registered Notes as the specified office of the Registrar. If the due date for payment of the final redemption amount 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.

(c) 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 in the place of the Registrar's specified office on the fifteenth Registrar Banking Day before the due date for such payment (the "**Record Date**").

(d) Notwithstanding the provisions of Condition 8(7)(b) (*Payments – General Provisions*), 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).

(3) ***Payments — 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.

(4) ***Payments — VPS Notes***

Payments of principal and/or interest in respect of the VPS Notes shall be made to the Holders registered in the VPS System as defined by the applicable VPS Rule) as shown in the relevant records of Euronext 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. *As of the date of this Prospectus the default Euronext VPS record date for the Redemption Amount is two business days prior to the relevant payment date. Record dates for interest payments are fifteen business days prior to the relevant payment day.*

(5) ***Payments — 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 register kept by Euroclear Sweden 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.

(6) ***Payments — Finnish Notes***

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

(7) ***Payments — General Provisions***

(a) Save as otherwise specified herein, this Condition 8 (*Payments*) is applicable in relation to Notes whether in bearer or in registered form.

(b) 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 7 (*Taxation*), be subject in all cases to any applicable fiscal or other laws and regulations.

(c) For the purposes of these Conditions:

Interest Payment Dates in relation to Fixed Rate Notes, Inflation-Linked Interest Notes, Rate Adjustment Notes or Zero coupon Notes shall be subject to the Following Business Day Convention, unless otherwise specified in the Final Terms. Interest will then only be payable up to and including the originally scheduled Interest Payment Date, Redemption Date or Early Redemption Date, as applicable.

Interest Payment Dates in relation to Floating Rate Notes shall be subject to the Modified Following Business Day Convention, unless otherwise specified in the Final Terms. Interest will then be calculated on an adjusted or unadjusted basis, as set out in the Final Terms.

Other Notes shall be subject to the Following Business Day Convention, unless otherwise specified in the Final Terms.

If Notes are subject to a Business Day Convention other than those specified above, then the applicable Business Day Convention shall be specified and described in the Final Terms.

(d) In the event that the applicable Clearing System is prevented from making any payment in accordance with the above provisions due to a delay in performance by the Issuer or for any other reason, the applicable Clearing System will make such payment to each person that is registered as a Holder on the relevant Record Date as soon as payment is received from the Issuer or the reason for delay has ceased.

(e) If the Issuer is prevented from making payments to the Holders through the applicable Clearing System because the applicable Clearing System is affected by an event or circumstance set out in the first paragraph of Condition 22 (*Limitation of liability etc.*), then the Issuer shall be entitled to defer payment until such time as the event or circumstance affecting the applicable Clearing System has ceased. In such case, interest shall be payable in accordance with Condition 8(8) (*Default Interest*).

(f) If a person or entity to whom payment was made in accordance with the above provisions was not entitled to receive such payment, the Issuer and the applicable Clearing System shall nevertheless be deemed to have discharged their respective payment obligations, unless the Issuer or the applicable Clearing System had knowledge that payment was made to a person or entity that was not entitled to receive the payment or if the Issuer or the applicable Clearing System did not act with due care.

(g) All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). In the event that the Issuer (or any agent acting on its behalf) is prohibited from making any payment on account of any applicable law or regulation, the Issuer shall have no liability to Noteholders in respect of any delay or failure in making such payment to holders.

(8) ***Default Interest***

(a) In the event of any default in payment, default interest shall be payable on the due and unpaid amount from its due date up to and including the day on which payment is made at an Interest Rate equal to the Interest Base Rate (as specified in the Final Terms) for a period of one week, plus two per cent. The Interest Base Rate shall thereupon be determined by the Issuer on the first Business Day of each calendar week during the period of default. Notwithstanding the aforesaid, the default interest rate on interest bearing Notes shall not (except in circumstances set out in paragraph (b) below) be lower than the rate which applied to the relevant Notes on the relevant due date plus two per cent. Default interest shall not be capitalised.

(b) If any default in payment under the Notes is due to any event or circumstance affecting the Issuer or the relevant Clearing System as referred to in the first paragraph of Condition 22 (*Limitations on liability etc.*) the default interest rate shall, with respect to interest bearing Notes, not exceed the Interest Rate which applied to the relevant Notes on the relevant due date (without the addition of two per cent. in accordance with the preceding paragraph) and, with respect to non-interest bearing Notes, no default interest shall accrue or be payable.

(9) ***Interest Deferral***

If "**Interest Deferral**" is specified as applicable in the relevant Final Terms, then notwithstanding any of the foregoing provisions of these Conditions, the Issuer shall defer (in whole, and not in part) any Interest Amount that is otherwise scheduled to be paid to Holders on any Interest Payment Date until the earlier of: a) the Redemption Date in respect of the Notes; or b) the Early Redemption Date on which such Notes are redeemed in full.

Any Interest Amount that the Issuer is required to defer pursuant to this Condition 8(9) (*Interest Deferral*) and that has not been satisfied shall be referred to as a "**Deferred Interest Amount**". Non-payment of any Deferred Interest Amount on the scheduled Interest Payment Date in accordance with this Condition 8(9) (*Interest Deferral*) shall not constitute a default by the Issuer under the Notes, or for any other purpose, and Deferred Interest Amounts shall not themselves bear interest.

9. **Change in Law**

The following provisions shall apply to all Notes unless "**Change in Law**" is stated not to be applicable in the relevant Final Terms.

(a) Where, in the Issuer's opinion, as a consequence of any changes in any law, ordinance, regulation or equivalent or decision by a public authority or any change in the application thereof, or if a decree of moratorium, currency restriction, embargo, blockade or boycott of a central bank, national government or other public authority such as the United Nations or the European Union, (each a "**Change in Law**") it would be unlawful, significantly more difficult or cause significant reputational damage to the Issuer to issue and to hold Notes, or if it becomes unlawful or more difficult for the Issuer or a third party or cause significant reputational damage to the Issuer to hold, acquire or divest Reference Assets or to enter into derivative transactions with respect to a Reference Asset, interest rate or financing component which may be entered into to hedge the Issuer's exposure under the Notes, the Issuer may determine that the Affected Reference Asset, interest rate and financing component shall be replaced by a Replacement Reference Asset, interest rate or financing component (as selected by the Issuer in its discretion), or alternatively adjust the calculation of the Redemption Amount, any Interest Amount and/or alter the Redemption Date.

(b) Where the Issuer determines that it would not provide a reasonable result to replace the Affected Reference Asset, interest rate or financing component or to adjust the applicable calculation, the Issuer may perform an early calculation of the Redemption Amount and/or the yield. Such calculation shall be based on the most recently published value of the Reference Asset, interest rate and financing component. When the Issuer has determined the Redemption Amount and/or the yield, the Issuer shall notify the Holders of the amount of the Redemption Amount and/or the yield and the Interest Rate which shall continue to accrue on the Notes which shall be a market rate (and which may be zero). The Redemption Amount (including accrued interest, if applicable) shall be paid on the Redemption Date or alternatively the Issuer may elect to bring forward the Redemption Date to a date notified to the Holders in accordance with Condition 16 (*Notices*).

(c) The Issuer shall be entitled to make any addition, adjustment or amendment to the Conditions as the Issuer deems necessary in connection with a Change in Law.

10. **Increased Costs of Hedging**

The following terms and conditions shall apply to all Notes unless "**Increased Costs of Hedging**" is stated not to be applicable in the relevant Final Terms:

(a) Where, in the Issuer's opinion, as a consequence of any change in any law, ordinance, regulation or equivalent or decision by a public authority or the application thereof, or any other event or circumstance not directly attributable to the Issuer's deteriorated credit rating which, in the opinion of the Issuer, would affect the Issuer's costs for holding, acquiring or divesting Reference Assets or entering into, maintaining or terminating derivative instruments relating to the Reference Asset or any interest rate or financing component for the purpose of managing the Issuer's exposure under the Notes, would increase in a manner which is not insignificant for the Issuer or if the Issuer's risk management costs, for a reason other than as listed above would, in the opinion of the Issuer, increase, or where, in the Issuer's opinion, the risk management costs significantly increase (each an "**Increased Cost**"), the Issuer may determine that the Affected Reference Asset, interest rate or financing component shall be replaced by a Replacement Reference Asset, interest rate or financing component or alternatively adjust the calculation of the Redemption Amount interest rate or financing component.

(b) Where the Issuer believes that it would not provide a commercially reasonable result to replace the Affected Reference Asset, interest rate or financing component or to adjust the applicable calculation, the Issuer may perform an early calculation of the Redemption Amount interest rate or financing component and/or the yield. Such early calculation shall be based on the most recently published value of the Reference Asset, interest rate or financing component. When the Issuer has determined the Redemption Amount and/or the yield, the Issuer shall notify the Holders of the amount of the Redemption Amount and/or the yield and the Interest Rate which shall continue to accrue on the Notes, which shall be a market rate (and which may be zero). The Redemption Amount (including accrued interest, if applicable) shall be paid on the Redemption Date or alternatively the Issuer may elect to bring forward the Redemption Date to a date notified to the Holders in accordance with Condition 16 (*Notices*).

(c) The Issuer shall be entitled to make any addition, adjustment or amendment to the Conditions as the Issuer deems necessary in connection with Increased Costs.

11. Hedging Disruption

The following terms and conditions shall apply to all Notes unless "**Hedging Disruption**" is stated not to be applicable in the relevant Final Terms:

(a) Where, in the Issuer's opinion, after using commercially reasonable efforts, it would be substantially more difficult or impossible to hold, acquire, establish, re-establish, substitute, maintain, unwind or dispose of Reference Assets or enter into transactions or acquire financial instruments for the purpose of hedging/risk management with reference to Reference Assets, interest rates or financing components which have been acquired to secure the Issuer's exposure/delivery obligation under the Notes), (each such event a "**Hedging Disruption**") the Issuer may determine that Affected Reference Asset, interest rate or financing component shall be replaced by a Replacement Reference Asset, interest rate or financing component or alternatively adjust the calculation of the Redemption Amount, any Interest Amount and/or alter the Redemption Date.

(b) Where the Issuer determines that it would not provide a reasonable result to replace the Affected Reference Asset, interest rate or financing component or to adjust the applicable calculation, the Issuer may perform an early calculation of the Redemption Amount and/or the yield. Such calculation shall be based on the most recently published value of the Reference Asset, interest rate or financing component. When the Issuer has determined the Redemption Amount and/or the yield, the Issuer shall notify the Holders of the amount of the Redemption Amount and/or the yield and the Interest Rate which shall continue to accrue on the Notes which may be a market rate or which may be zero. The Redemption Amount (including accrued interest, if applicable) shall be paid on the Redemption Date or alternatively the Issuer may elect to bring forward the Redemption Date to a date notified to the Holders in accordance with Condition 16 (*Notices*).

(c) The Issuer shall be entitled to make any addition, adjustment or amendment to the Conditions as the Issuer deems necessary in connection with Hedging Disruption.

(d) If the Issuer determines, acting reasonably, that from time to time there has been a change in prevailing market standard terms or market trading conventions, which change affects any Hedge Transaction such that the terms of such Hedge Transaction are or may thenceforth be inconsistent with corresponding provisions of these Conditions, then it may, without the consent of the Noteholders or the Paying Agent, modify these Conditions to the extent necessary to preserve such consistency.

12. 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 8(1)(e) (*Payments – Bearer Notes*), 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, three years) after the due date for payment.

(c) Claims against the Issuer for the payment of a Redemption Amount or Additional Amount in respect of Finnish Notes shall become statute barred unless made within three years after the relevant payment date.

(d) Claims against the Issuer for the payment of a Redemption Amount or Additional Amount in respect of Swedish Notes, or VPS Notes will be statute barred unless made within ten years after the relevant Redemption Date or Alternative Additional Amount Payment Date (as applicable). Claims against the Issuer for the payment of interest or other yield in respect of Swedish Notes or VPS Notes shall be statute barred unless made within three years after the relevant Interest Payment Date.

If the limitation period in respect of Swedish Notes is interrupted a new limitation period of ten years will commence for claims in respect of Redemption Amounts or Additional Amounts and three years for claims in respect of interest amounts and other yield. Where the limitation period is interrupted through any acknowledgement, claim or reminder a new limitation period shall commence on the date of the interruption or, where the limitation period is interrupted through legal proceedings or the claims for payment is brought before in a court of law, enforcement authority or in arbitration proceedings, bankruptcy proceedings or proceedings for a judicial composition with creditors, a new limitation period shall commence on the date on which a judgment or final decision is rendered or the procedure is otherwise terminated.

(e) Claims against the Issuer for payment of amounts of interest in respect of VP Notes will be prescribed unless made within three years of the due date for payment.

13. 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 VPS Notes are settled through Euronext VPS, a Paying Agent with a specified office in Norway; (v) so long as any Swedish Notes are cleared through Euroclear Sweden, an Issuing Agent with a specified office in Sweden; and (vi) so long as any Finnish Notes are cleared and settled through Euroclear Finland, an Issuing Agent with a specified office in Finland. 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, and **provided further that** so long as any VP Notes are cleared and settled through VP, the Issuer, the Fiscal Agent and the VP Issuing Agent shall have the respective rights and obligations arising under the Fiscal Agency Agreement and no other Paying Agent shall have any rights and obligations in relation thereto. Notice of all changes in the identities or specified offices of the Paying Agents or the Registrar will be notified promptly to the Holders.

14. 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.

15. **Meetings of Holders; Modifications**

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.

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 Euronext VPS. For the purposes of a meeting of Holders, the person named in the certificate from Euronext VPS shall be treated as the Holder specified in such certificate **provided that** it has given an undertaking not to transfer the VPS Notes so specified (prior to the close of the meeting).

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

The Issuer is entitled to make any amendment to these Conditions that is approved at a meeting of Holders or is approved by all Holders of the relevant Notes. The Issuer shall promptly notify the Holders of any amendment to the Terms and Conditions in accordance with Condition 16 (*Notices*).

In addition to the foregoing the Issuer is entitled, without the consent of Holders, to amend these Conditions (including the relevant Final Terms): (i) in order to correct any manifest error or (ii) to the extent appropriate upon a change in applicable mandatory law, or (iii) to the extent that any such amendment would not, in the opinion of the Issuer, be materially prejudicial to the Holders of the Notes or (iv) to change the stock exchange or listing venue where the Notes are admitted to listing and/or trading, or to change the clearing system or central securities depository through which the Notes are cleared or settled.

16. **Notices**

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

Notices to Holders of Bearer Notes will, save where another means of effective communication has been specified in the relevant Final Terms, be deemed to be validly given if published on the website of the Issuer at www.nordea.com or www.nordeamarkets.com 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 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 (i) sent by first class mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the Register kept by the Registrar, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing or (ii) if published on the website of the stock exchange on which the relevant Notes are listed or on the website of the Issuer at www.nordea.com or www.nordeamarkets.com.

(c) ***To the Issuer***

Notices to the Issuer will be deemed to be validly given if delivered to 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 16 (*Notices*)) and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

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

Notices in respect of VP Notes will be either (i) in writing and shall be addressed to such Holders of the VP Notes at the address appearing in the Danish Note Register maintained by the VP Issuing Agent in accordance with the VP Rules or (ii) published on the website of the stock exchange on which the relevant Notes are listed (if applicable) or (iii) published on the website of the Issuer at www.nordea.dk or www.nordea.com

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

Notices in respect of VPS Notes will be either (i) in writing given to Euronext VPS for communication by it to such Holders, (ii) in writing, sent by first class mail, by electronic mail or through other electronic means, directly to such Holders, or (iii) published on the website of the stock exchange on which the relevant Notes are listed (if applicable) or (iv) published on the website of the Issuer at www.nordea.no or www.nordea.com.

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

Notices in respect of Swedish Notes will be either (i) in writing, addressed to such Holders at the address appearing in Euroclear Sweden Register and will be deemed to have been validly given on the fourth Business Day after the date of such mailing, or (ii) published on the website of the stock exchange on which the relevant Notes are listed (if applicable) or (iii) published on the website of the Issuer at www.nordea.se or www.nordea.com.

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

Notices regarding Finnish Notes shall be published by the Issuer in a national daily newspaper in the jurisdictions in which Notes have been offered to the public or on the Issuer website www.nordea.fi/joukkolainat or www.nordea.com or on the website of the stock exchange on which the relevant Notes are listed (if applicable). Written notice may also be sent to Holders at the address recorded in the Issuer's register. Where Notes have been issued as dematerialised securities, notice to Holders may be sent via Euroclear Finland and account operators. Notices shall be deemed received by Holders on the day on which they are published in a national daily newspaper, on a relevant website or in Euroclear Finland or, where the notice has been sent by letter, on the seventh day after despatch of the letter.

17. **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 authority, 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.

The VPS Paying Agent is obligated, upon request, to provide any relevant Norwegian authorities, including the Financial Supervisory Authority of Norway and the Norwegian tax authorities, with any information registered on the relevant Euronext VPS account(s). Such information may include the identity of the registered Holder of the Notes, the residency of the registered Holder of the Notes, the number of Notes registered with the relevant Holder, the address of the relevant Holder, the account operator in respect of the relevant VPS account and whether or not the Notes are registered in the name of a nominee and the identity of any such nominee.

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

18. **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.

19. **Obtaining Information**

The Issuer shall be entitled to obtain information from: (i) the Euroclear Sweden Register in respect of the Swedish Notes and Holders thereof; and (ii) Euroclear Finland in respect of the Finnish Notes and Holders thereof.

The Issuer has the right, with respect to Notes other than Swedish Notes, to request and obtain from the relevant Clearing System certain information relating to an account in the relevant Clearing System's noteholders register, including but not limited to: (i) the Holder's name, personal identification number or other identification number as well as postal address, (ii) Notes held and the terms and conditions of such Notes and (iii) where applicable, the number of Notes and their nominal amount.

The Issuer shall have access on demand to static data and ownership of the Bondholders registered in the Securities Depository as regulated in Part 3 of the VP Rule Book.

20. **Law and Jurisdiction**

(a) The Notes and all non-contractual obligations arising out of or in connection with them may be governed by English law, Swedish law, Finnish law, Danish law or Norwegian law, as specified in the Final Terms. In relation to VP 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 (*Lov om kapitalmarkeder*), as amended from time to time, the Danish Executive Order and the VP Rule Book. Norwegian law and jurisdiction will be applicable with regard to the registration of such VPS Notes in Euronext 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. Finnish law and jurisdiction will be applicable with regard to the registration of such Finnish Notes in Euroclear Finland and the Finnish Notes must comply with the Finnish Act on the Book-Entry Securities System and Clearing Activity (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta* (348/2017)), as amended, and the Finnish Act on Book-Entry Accounts (*Laki arvo-osuustileistä*) (827/1991), as amended, as well as the rules and regulations of Euroclear Finland.

(b) Subject to the provisions of Condition 20(a) (*Law and Jurisdiction*), 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 Notes governed by English law (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 submit to the jurisdiction of such courts. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any

Disputes and agrees not to claim that any such court is not a convenient or appropriate forum. The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Nordea Bank Abp, London Branch at its registered address in London from time to time, being presently at 6th Floor, 5 Aldermanbury Square, London EC2V 7AZ or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any 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. 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.

(c) If Swedish law is specified in the Final Terms as the governing law, then disputes concerning the interpretation or application of these terms and conditions shall be settled in Swedish courts. The Stockholm District Court shall be court of first instance.

(d) If Finnish law is specified in the Final Terms as the governing law, then disputes concerning the interpretation or application of these terms and conditions shall be settled in Finnish courts. The court of first instance shall be *Helsingin käräjäoikeus*.

(e) If Danish law is specified in the Final Terms as the governing law, then disputes concerning the interpretation or application of these terms and conditions shall be settled by Danish courts. The court of first instance shall be *Københavns Byret*.

(f) If Norwegian law is specified in the Final Terms as the governing law, then disputes concerning the interpretation or application of these terms and conditions shall be settled by Norwegian courts. The court of first instance shall be *Oslo Tingrett*.

(g) Notwithstanding that, under the SFIA Act or the operating procedures, rules and regulations of Euroclear Sweden (together, the "**Swedish Remedies**"), Holders of Swedish 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 the applicable governing law for non-payment or non-performance before any Proceedings may be brought against the Issuer in Sweden in respect of the Swedish Remedies. Notwithstanding Condition 20(b) (*Law and Jurisdiction*), and in this limited respect only, a Holder of Swedish Notes may therefore not take concurrent Proceedings in Sweden.

21. **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.

22. **Limitation of liability etc.**

The Issuer and the relevant Clearing System shall not, in connection with the discharge or purported discharge of any of their respective obligations in respect of the Notes, be held liable for any damage arising out of any legal enactment, or any measure undertaken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance. The reservation in respect of strikes, lockouts, boycotts and blockades applies even if an aforementioned entity takes such measures, or is subject to such measures.

The Issuer or the relevant Clearing System shall not be held liable for any other damage or loss incurred if such entity has exercised due care. The aforementioned entities shall not in any case be held responsible for any indirect damage, consequential damage and/or loss of profit, otherwise than as a result of or in relation to the gross negligence of the Issuer or the relevant Clearing System.

Should there be an impediment to the Issuer or the relevant Clearing System taking any action pursuant to these terms and conditions due to any circumstance set out in the first paragraph of this

Condition 22 (*Limitation of liability etc.*), such action may be postponed until the impediment has ceased.

The provisions of this Condition 22 (*Limitation of liability etc.*) shall apply unless otherwise provided by applicable law.

23. **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 23 (*Acknowledgement of Bail-in and Loss Absorption Powers*), includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Noteholder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of Bail-in and Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

(a) the effect of the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:

(i) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes on a permanent basis;

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

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

(iv) the amendment or alteration of the perpetual nature of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

(b) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority.

"**Bail-in and Loss Absorption Powers**" means any loss absorption, write-down, conversion, transfer, modification, suspension or similar or resolution related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Relevant Jurisdiction, relating to (i) the transposition of the BRRD or the application of the SRM Regulation and (ii) the instruments, rules and standards created under the BRRD or the SRM Regulation, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period).

"**Relevant Amounts**" means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and additional amounts due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority.

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

For the avoidance of doubt any exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority will not constitute an event of default or a breach of the Issuer's obligations or duties in respect of the Notes, or a failure to perform any of the Issuer's obligations or duties in respect of the Notes in any manner whatsoever, and shall not, of itself, entitle Holders to petition for the winding up or liquidation of the Issuer.

PART 2: ADDITIONAL CONDITIONS FOR CERTAIN STRUCTURED NOTES

1. Market Disruption

The following provisions will apply to all Notes, other than those in respect of which the Reference Assets, interest rates or financing component are solely interest rates, commodities or Reference Entities or any combination of the foregoing, unless "**Market Disruption**" is specified as not being applicable in the Final Terms.

(a) Market Disruption with respect to a Reference Asset, interest rate or financing component exists where, in the Issuer's opinion, any of the following events occurs:

(i) the quotation of an official final price for a Reference Asset, interest rate or financing component or significant portion of the Reference Assets, interest rates or financing components included does not exist, is unavailable or ceases;

(ii) where applicable, if a compilation and/or publication of the value of the Reference Asset's, interest rate's or financing component's value ceases or is temporarily suspended;

(iii) the Relevant Exchange and/or Options or Futures Exchange does not open for trading during its normal trading hours or closes for trading earlier than its normal closing time;

(iv) trading in a Reference Asset, interest rate or financing component, or a significant portion of the underlying assets included in a Reference Asset or options or futures contracts related to a Reference Asset, which is/are traded on the Relevant Exchange or Options or Futures Exchange ceases, is suspended or is significantly restricted;

(v) the ability of market participants to carry out trades in, or obtain the market value for, a Reference Asset, interest rate or financing component or a significant portion of the underlying assets included in a Reference Asset or options or futures contracts related to a Reference Asset, which is/are traded on the Relevant Exchange or Options or Futures Exchange ceases, is discontinued or significantly deteriorates due to any other event; or

(vi) in respect of Fund-linked Notes only, the valuation of a Reference Asset, which comprises funds or fund units, on any Relevant Date for the Reference Asset does not take place or full payment of the redemption amount with respect to such Reference Asset does not take place on a redemption day for the Fund.

(b) A limitation on the number of hours or days when trading occurs shall not be deemed to constitute a Market Disruption where the restriction is due to a published change in the normal trading hours for the Relevant Exchange and/or Options or Futures Exchange.

(c) A restriction in trading which is introduced during the course of a day due to changes in prices which exceeds permitted levels pursuant to the Relevant Exchange and/or Options or Futures Exchange shall be deemed to constitute a Market Disruption.

(d) Where, in the Issuer's opinion, a Market Disruption has occurred on any Relevant Date, the Relevant Date shall, with respect to determination of any Relevant Value to be determined on such date, be the Following Scheduled Trading Day (for each Affected Reference Asset, respectively) on which Market Disruption does not exist; however, where Market Disruption exists on the eight Scheduled Trading Days (for each Affected Reference Asset, respectively) that follows immediately after the original Relevant Date as stated in the Final Terms, such eighth Scheduled Trading Day (for each Affected Reference Asset, respectively) shall be deemed the Relevant Date irrespective of the existence of Market Disruption, and the Issuer shall thereupon determine the Relevant Value to be applied upon calculation of the Redemption Amount, Interest Amount or in conjunction with any calculation or valuation in accordance with the Conditions.

(e) Where the Issuer believes that it is not possible or would not provide a fair result to determine or replace the value of the Affected Reference Asset, interest rate or financing component at the time of such Market Disruption, the Issuer may perform an early calculation of the Redemption Amount and/or the yield or Interest Amount and determine the Redemption Amount and/or the yield or Interest Amount. Where the Issuer has determined the Redemption Amount and/or the yield or Interest Amount the Issuer shall notify the Holders of the amount of the Redemption Amount and the yield and the interest rate which will continue to accrue on the Notes. The Issuer shall pay market interest on the Principal Amount. The Redemption Amount (including accrued interest, if any) shall be paid on the Redemption Date or alternatively the Issuer may elect to bring forward the Redemption Date to a date notified to the Holders in accordance with Condition 16 (Notices).

The Issuer shall be entitled to make any addition, adjustment, or amendment to the Conditions and to the Final Terms as the Issuer deems necessary in connection with Market Disruption or Disruption.

2. **Market Disruption Commodity**

The following provisions will apply to all Notes in respect of which the Reference Assets consist of one or more commodities, or options or futures contracts related to commodities, or one or more commodity index, unless, "**Market Disruption Commodity**" is specified as not being applicable in the Final Terms:

(a) Market Disruption with respect to a Reference Asset exists where, in the Issuer's opinion, any of the following events occurs:

(i) the quotation, compilation, calculation or publication of official final prices for a Reference Asset or the underlying assets included in the Reference Asset does not exist, unavailable or ceases;

(ii) the quotation, compilation, calculation or publication of the value of a Reference Asset or the value of the underlying assets included in the Reference Asset does not exist, is unavailable or ceases;

(iii) the Relevant Exchange is not open for trading during its normal trading hours;

(iv) trading in a Reference Asset or the underlying assets included in a Reference Asset or options or futures contracts related to a Reference Asset, which is/are traded on the Stock Exchange ceases, is suspended or significantly restricted;

(v) the possibilities for parties on the market to carry out trades in or obtain the market value for a Reference Asset or a significant portion of the underlying assets included in a Reference Asset or options or futures contracts related to a Reference Asset, which is/are traded on the Relevant Exchange ceases, is discontinued or significantly deteriorates due to any other event;

(vi) the manner of calculating a Reference Asset or the underlying assets included in the Reference Asset or the value thereof changes significantly;

(vii) the content, compilation or structure of a Reference Asset or the underlying assets included in a Reference Asset or relevant options or futures contract changes significantly; or

(viii) the introduction, change or repeal of tax provisions with respect to a Reference Asset or tax provisions regarding tax calculated by way of reference to the underlying assets included in a Reference Asset (however, not tax on, or which is calculated by reference to, gross or net income) after the Initial Observation Date, Initial Valuation Date or Start Date, as a consequence of which the final price on the relevant Initial Observation Date, Initial Valuation Date or Observation Start Date changes as compared to what it would have been had the tax provisions not been introduced, changed or repealed.

(b) Where, in the opinion of the Issuer, a Market Disruption has occurred on any Relevant Date such Relevant Date for determination of the Relevant Value to be determined on such date shall be the immediately following Scheduled Trading Day (for each Affected Reference Asset) where Market Disruption does not exist (for each Affected Reference Asset), or alternatively the Relevant Value may be determined or replaced by the Issuer in another appropriate manner; however, where Market Disruption occurs during the five Scheduled Trading Days (for each Affected Reference Asset) immediately following the Relevant Date and the Relevant Value may be determined or replaced by the Issuer in another appropriate manner, such fifth Scheduled Trading Day (for each Affected Reference Asset) shall be deemed to be the Relevant Date irrespective of whether Market Disruption exists, and the Issuer shall thereupon determine or replace the Relevant Value for the purposes of calculating the Interest Amount, Redemption Amount or another relevant value.

(c) Where the Issuer believes that it is not possible or would not provide a fair result to determine or replace the value of the Affected Reference Asset at the time of such Market Disruption, the Issuer may perform an early calculation of the Redemption Amount and/or the yield or Interest Amount and determine the Redemption Amount and/or the yield or Interest Amount. Where the Issuer has determined the Redemption Amount and/or the yield or Interest Amount the Issuer shall notify the Holders of the amount of the Redemption Amount and the yield and the interest rate which will continue to accrue on the Notes. The Issuer shall pay market interest on the Principal Amount. The Redemption Amount (including accrued interest, if any) shall be paid on the Redemption Date or alternatively the Issuer may elect to bring forward the Redemption Date to a date notified to the Holders in accordance with Condition 16 (Notices).

(d) The Issuer shall be entitled to make any addition, adjustment, or amendment to the Terms and Conditions and to the Final Terms as the Issuer deems necessary in connection with Market Disruption.

3. **Disruption Currency**

The following provisions will apply to any Notes which have an FX Rate or FX Rate (Interest) as a Reference Asset, interest rate or financing component or in respect of which Condition 5(aaa) (*FX Component (Interest)*) or Condition 6(b) (*FX Components*) is applicable, unless "**Disruption Currency**" is specified as not applicable in the Final Terms:

(a) "**Disruption**" with respect to an FX Rate or FX Rate (Interest) (including an FX Rate or FX Rate (Interest) which is a Reference Asset) exists where, in the Issuer's opinion, any of the following events occurs:

(i) spot or futures prices are not available for the FX Rate or FX Rate (Interest) or the underlying assets included in the FX Rate or FX Rate (Interest);

(ii) calculation or publication of any final price/exchange rate/currency price on a specified reference source for an FX Rate or FX Rate (Interest) or the underlying assets included in the FX Rate or FX Rate (Interest) does not exist, is unavailable or ceases to be published on the specified reference source;

(iii) a material price deviation occurs between the price of various currencies, exchange rates and/or currency prices;

(iv) a quotation of spot and/or futures prices cannot be obtained on a stated minimum amount in one or a reasonable number of currency transactions which together amount to a predetermined minimum sum; or

(v) the introduction of any currency exchange regulations or currency exchange restrictions which affect the ability to exchange a currency which constitutes an FX Rate or FX Rate (Interest) into another currency and/or to transfer the relevant currency from the relevant jurisdiction.

(b) Where, in the opinion of the Issuer, Disruption has occurred on any Relevant Date, the Issuer shall determine the value of the Relevant Value based on all available information which the Issuer believes to be relevant in conjunction with calculation of the Redemption Amount, Interest Amount or any other calculation or valuation in accordance with the Conditions.

(c) The Issuer shall be entitled to make any addition, adjustment, or amendment to the Conditions as the Issuer deems necessary in connection with Disruption.

4. **Calculation Adjustment**

The following provisions will apply to all Notes unless "**Calculation Adjustment**" is specified as not applicable in the Final Terms.

(a) Where, in the opinion of the Issuer, the compilation, calculation or publication of any Reference Asset, interest rate or financing component ceases in whole or in part, or the characteristics of the Reference Assets, interest rates or financing components are changed significantly, the Issuer shall be entitled, upon calculation of the Redemption Amount, to replace such Affected Reference Asset, interest rate or financing component with a comparable alternative. Where, in the Issuer's opinion, a comparable alternative to such Affected Reference Asset, interest rate or financing component is not compiled, calculated and published or where, in the opinion of the Issuer, the method of calculating any Affected Reference Asset, interest rate or financing component or the value thereof is changed significantly, the Issuer shall be entitled to make such adjustments in the calculation as the Issuer, based on reasonable grounds deems necessary, in order for the calculation of the value of the Affected Reference Asset, interest rate or financing component to reflect and be based on the manner in which such was previously compiled, calculated and published. The value thereby calculated shall replace the value of the Affected Reference Asset, interest rate or financing component in calculations of the relevant Redemption Amount or Interest Amount.

(b) Where the Issuer believes that it would not provide a fair result to replace the Affected Reference Asset, interest rate or financing component or adjust the applicable calculation, the Issuer may perform an early calculation of the Redemption Amount and/or the yield or Interest Amount and determine the Redemption Amount and/or the yield or Interest Amount. Such calculation shall be based on the most recently published value of the Reference Asset, interest rate or financing component. When the Issuer has determined the Redemption Amount and/or the yield, the Issuer shall notify the Holders of the amount of the Redemption Amount and/or the yield and the Interest Rate which will continue to accrue on the Notes. The Issuer shall pay market interest on the Principal Amount. The Redemption Amount (including accrued interest, if any) shall be paid on the Redemption Date.

(c) The Issuer is entitled to make any addition, adjustment or amendment to the Conditions as the Issuer deems necessary in connection with Calculation Adjustment.

5. **Corrections**

The following provisions will apply to all Notes, other than those in respect of which the Reference Assets, interest rates or financing components are solely interest rates, commodities or Reference Entities or any combination of the foregoing, unless "**Corrections**" is specified as not applicable in the Final Terms:

Where the official closing price for a Reference Asset, interest rate or financing component is corrected within the number of days from the original publication as normally elapse between a trade and settlement day in conjunction with spot trading in the Reference Asset, interest rate or financing component or in the underlying assets included in the Reference Asset, and such price is used to determine a Relevant Value, the Issuer shall be entitled to make a corresponding correction **provided that** such official closing price is corrected by no later than the Number of Exchange Business Days after the Relevant Date.

6. **Correction Commodity**

The following provisions will apply to all Notes in respect of which the Reference Assets consist of one or more commodities, or options or futures contracts related to commodities, or one or more commodity index, unless "**Correction Commodity**" is stated as not applicable in the Final Terms:

Where the official closing price for a Reference Asset is corrected within 30 days of the original publication and such a price is used to determine a Closing Price and/or other Relevant Value, the Issuer shall be entitled to make a corresponding correction to the Closing Price and/or other Relevant Value.

7. **Correction Currency**

The following provisions will apply to all Notes which have an FX Rate or FX Rate (Interest) as a Reference Asset, interest rate or financing component unless "**Correction Currency**" is specified as not applicable in the Final Terms:

Where the official closing price for a Reference Asset, interest rate or financing component is corrected and such price is used to determine a Relevant Value, the Issuer shall be entitled to make a corresponding correction not later than six Currency Business Days after the official closing price for the Reference Asset, interest rate or financing component was published.

8. **Extraordinary Events**

The following provisions will apply to all Notes which have equities, or an equities Basket as Reference Asset(s), unless "**Extraordinary Events**" is specified as not applicable in the relevant Final Terms:

(a) Where, in the Issuer's opinion, delisting, nationalisation, bankruptcy proceedings, liquidation, company reorganisation, compulsory redemption, merger, demerger, asset transfer, share swap, swap offer, public tender offer or other similar event occurs with respect to equities which constitute a Reference Asset or a company whose shares are included in an equities basket which constitutes a Reference Asset; or where, in the Issuer's opinion, a subdivision, new issue, bonus issue, issuance of warrants or convertible debentures, reverse split, or buy-back occurs with respect to such an equity or basket of equities as constitute a Reference Asset, or any other event occurs as specified in the Final Terms or which, in accordance with practice on the market for equity-related derivative products, may lead to an adjustment in the calculation during outstanding transactions (each an "**Extraordinary Event**"), the Issuer shall be entitled to make such adjustments in the calculation of any Relevant Value and/or compilation of Reference Assets, or to replace the Affected Reference Asset with a Replacement Reference Asset which the Issuer thereby deems necessary in order to achieve a calculation of the Redemption Amount which reflects, and is based on, the manner in which such was previously calculated.

(b) Where the Issuer believes that it would not provide a fair result to replace the Affected Reference Asset or adjust the applicable calculation or the structure of the Reference Asset, the Issuer may perform an early calculation of the Redemption Amount and/or the yield or Interest Amount and determine the Redemption Amount and/or the yield or Interest Amount. Such early calculation shall be based on the most recently published value for the Reference Asset. When the Issuer has determined the Redemption Amount and/or the yield or Interest Amount, the Issuer shall notify the Holders of the amount of the Redemption Amount and the yield or Interest Amount and the rate at which interest will continue to accrue on the Notes. The Issuer shall pay market interest on the Principal Amount. The Redemption Amount (including accrued interest, if applicable) shall be paid on the Redemption Date.

(c) The Issuer shall be entitled to make any addition, adjustment or amendment to the Conditions as the Issuer deems necessary in connection with Extraordinary Events.

9. **Interest Rate Fallbacks**

In circumstances other than where the Issuer either: (i) determines that a Benchmark Event and/or Benchmark Transition Event has occurred; or (ii) considers that there may be a Successor Rate, where the Reference Asset or yield or financing component is an interest rate, and unless "**Rate**

Option Fallback" is specified not to apply in the relevant Final Terms, then if the relevant interest rate does not appear on the applicable price source specified in the Final Terms on any Relevant Date, and at the relevant time, required by the Conditions, the Issuer shall determine the interest rate for the applicable Relevant Date in accordance with the fallback provisions relating to the relevant Rate Option specified in the 2006 ISDA Definitions or Floating Rate Option specified in the 2021 ISDA Definitions (as applicable). If, the Issuer, acting in good faith and in a commercially reasonable manner, determines that such interest rate is not a reasonable replacement, then it shall, in its sole and absolute discretion, determine the relevant fallback rate, taking into account all available information that, in good faith, it deems relevant.

10. **Rolling of Futures Contracts**

Where "Rolling of Futures Contracts" is specified as applicable in the relevant Final Terms, on each Roll Date during the term of the Notes the Issuer may replace a Reference Asset comprising a futures contract (the "**Current Futures Contract**") with a new futures contract (the "**New Futures Contract**") that will, once the Current Futures Contract expires, in the Issuer's opinion, have the shortest time left to expiration of those cash settled futures contracts of adequate liquidity (as determined by the Issuer in its sole discretion) listed on the Price Reference Source and relating to the same underlying asset as the Current Futures Contract. The Issuer shall be entitled to make such adjustments to the terms of the Notes as it considers appropriate in order to preserve the theoretical value of the Notes in connection with such substitution of Reference Assets, and any fees, costs and expenses incurred, or that would be incurred, in connection with amending, terminating or re-establishing any relevant Hedge Transaction.

PART 3: ADDITIONAL CONDITIONS FOR CREDIT-LINKED NOTES

The provisions below shall apply when specified in the Final Terms.

Credit Event: The occurrence of one or more of the following events (as specified in the Final Terms), as determined by the Issuer in its sole discretion:

(a) in relation to a Reference Entity which is not a Sovereign: (i) Failure to Pay, (ii) Restructuring, (iii) Bankruptcy or (iv) Governmental Intervention;

(b) in relation to a Reference Entity which is a Sovereign: (i) Failure to Pay, (ii) Repudiation/moratorium or (iii) Restructuring and, in relation to east European and central Asian Sovereigns, also (iv) Obligation Acceleration;

whereupon a Credit Event shall be deemed to exist notwithstanding that the event is directly or indirectly caused by, or an obligation is contested by reference to, any of the following: (i) lack of authority, lack of legal capacity, lack of capacity to enter into legal relations or similar in respect of a Reference Entity; (ii) actual or alleged invalidity, illegality or unenforceability of Debt Obligations; (iii) applicable law, regulations, public authority decisions, judgments, court decisions, decisions of arbitrators or similar procedures or the implementation of, or amendment to, or interpretation of applicable law or regulations on order of any court of arbitration or public authority; or (iv) the introduction of, or changes to, currency regulations, monetary restrictions or similar provisions by any monetary or other authority (including central banks).

Repudiation/Moratorium: Means the occurrence of both of the following events: (i) an authorised officer of the Reference Entity or a Governmental Authority (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Debt Obligations in an aggregate amount of not less than the Failure to Pay Amount or (y) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Debt Obligations in an aggregate amount of not less than the Failure to Pay Amount and (ii) a Failure to Pay or a Restructuring, determined without regard to the Failure to Pay Amount, with respect to any such Debt Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

Governmental Authority: Means any *de facto* or *de jure* government (or any agency, instrumentality, ministry or other department therefor), any court, tribunal, administrative or other governmental, inter-governmental or supranational body; any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) of the Reference Entity or of the jurisdiction of organisation of the Reference Entity or some or all of its obligations, or any other entity which is analogous to any of the foregoing.

Repudiation/Moratorium Evaluation Date: If a Potential Repudiation/Moratorium occurs on or prior to the scheduled Redemption Date (i) if the Debt Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/ Moratorium; **provided**

that, in either case, the Repudiation/ Moratorium Evaluation Date shall occur no later than the scheduled Redemption Date.

Bond: Any obligation comprising Borrowed Money which is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money.

Borrowed Money: Means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).

Loan: Means any obligation comprising Borrowed Money that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money.

Bond or Loan: Means any obligation that is either a Bond or a Loan.

Grace Period Extension Date: Means, if (a) "**Grace Period Extension**" is specified as applicable in the relevant Final Terms and (b) a Potential Failure to Pay occurs on or prior to the Scheduled Redemption Date, the date that is the number of days in the Grace Period after the date of such Potential Failure to Pay.

Grace Period: Means:

(i) subject to paragraphs (ii) and (iii) below the applicable grace period with respect to payments under and in accordance with the terms of such Debt Obligation in effect as of the date as of which such Debt Obligation is issued or incurred;

(ii) if "**Grace Period Extension**" is specified as applicable in the relevant Final Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Redemption Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Redemption Date, the Grace Period will be deemed to be the lesser of such grace period and the period specified as the "**Maximum Length of Grace Period**" in the relevant Final Terms or, if no period is specified, thirty calendar days; and

(iii) if, as of the date as of which a Debt Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; **provided that**, unless "**Grace Period Extension**" is specified as applicable in the relevant Final Terms, such deemed Grace Period shall expire no later than the Scheduled Redemption Date.

If "**Grace Period Extension**" is specified as applicable in the relevant Final Terms, the final Observation Date or Observation End Date (as applicable) shall, notwithstanding any other provision of these Conditions, be deemed to be the Grace Period Extension Date and the Redemption Date in respect of the Notes shall be deemed to be the Extended Redemption Date specified in the Final Terms.

Grace Period Business Day: Means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Debt Obligation or, if a place or places are not so specified, (a) if the currency in which the relevant Debt Obligation is denominated (the "**Obligation Currency**") is the euro, a TARGET Settlement Day, or (b) otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the Obligation Currency.

Potential Failure to Pay Means the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Default Requirement under one or more Debt Obligations in accordance with the terms of such Debt Obligations at the time of such failure, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Debt Obligations.

Publicly Available Information: Means information confirming that a Credit Event has occurred and:

(i) that have been published in at least one Public Source (regardless of whether the reader or user thereof pays a fee to obtain such information);

(ii) is information received from or published by (A) the Reference Entity (or, if the Reference Entity is a Sovereign, any agency, instrumentality, ministry, department or other authority thereof acting in a governmental capacity (including, without limiting the foregoing, the central bank) of such Sovereign), or (B) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for the relevant Debt Obligation; or

(iii) is information contained in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body,

provided that where any information of the type described in paragraphs (ii) or (iii) above is not publicly available, it can only constitute Publicly Available Information if it can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

Potential Repudiation/ Moratorium: Means the occurrence of an event described in clause (i) of the definition of Repudiation/Moratorium.

Replacement Reference Entity: Such Reference Entity as may be determined by the Issuer.

Bankruptcy: Means that a Reference Entity:

(a) is dissolved (other than through a consolidation, amalgamation or merger);

(b) becomes insolvent, is unable to pay its debts as they fall due, suspends payments or admits or declares in writing in judicial proceedings, administrative proceedings, regulatory proceedings or otherwise admits or declares a general inability to pay its debts as they fall due;

(c) makes a general assignment, arrangement, scheme or composition with or for the benefit of its creditors generally, or such a general assignment, arrangement, scheme or composition becomes effective;

(d) institutes or has instituted against it a proceeding seeking a judgment or decision regarding insolvency, inability to pay or bankruptcy, or any similar relief pursuant to bankruptcy-, insolvency- or similar statutes or regulations which affect creditors' rights, or a petition to dissolve or place the Reference Entity into liquidation has been filed and such proceedings or such a petition

(i) result in a judgment or a decision of insolvency, inability to make payment or bankruptcy, a judgment or a decision which generally affects creditors' rights, or a decision to place the Reference Entity into liquidation; or

(ii) is not withdrawn, dismissed, discharged, stayed or restrained or generally restricted within thirty days after the proceedings have been commenced or the petition filed;

(e) has a resolution passed for its winding-up or liquidation (other than pursuant to consolidation, amalgamation or merger);

(f) seeks or becomes subject to the appointment of a trustee (including every form of bankruptcy or insolvency administration), receiver, investigator, administrator or other similar office with respect to the Reference Entity and all or a significant part of the Reference Entity's assets;

(g) has a secured party take possession of all or substantially all of the Reference Entity's assets, or the Reference Entity becomes the subject of execution, attachment or other similar measure or procedure with respect to all or a significant part of its assets, and such creditor retains possession or such procedure is not, dismissed, discharged or stayed within thirty days; or

(h) causes or is subject to an event or circumstance which, according to law applicable to the Reference Entity, has an analogous effect to any of the events specified in clauses (a) – (g).

Public Source: A public source such as Bloomberg, Reuters, Dow Jones Newswires, The Wall Street Journal, The New York Times, NihonKezain Shimbun, Asahi Shimbun, Yomiuri Shimbun, Financial Times, La Tribune, Les Echos, The Australian Financial Review and Debtwire (and successor publications), the main source of business news in the relevant Reference Entity's jurisdiction and every other internationally recognised, published or electronically displayed public source.

Sovereign: Any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority acting in a governmental capacity (including, without limiting the foregoing, the central bank) thereof.

Restructuring: (a) Restructuring means, with respect to one or more Debt Obligations, and is an amount that equals or exceeds, in total, the amount specified in the Final Terms at the time the Credit Event occurs (the "**Restructuring Amount**") any one or more of the following events occurs in a form that binds all holders of such Debt Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Debt Obligation to bind all holders of the Debt Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that binds all holders of such Debt Obligation (including, in each case, in respect of Bonds only, by way of an exchange), and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Event Backstop Date and the date as of which such Debt Obligation is issued or incurred:

(i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);

(ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);

(iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest, or (B) the payment of principal or premium;

(iv) a change in the ranking in priority of payment of any Debt Obligation, causing the subordination of such Debt Obligation to any other Debt Obligation; or

(v) any change in the currency of any payment of interest, principal or premium to any currency other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

(b) None of the following shall constitute a Restructuring:

(i) the payment in euros of interest, principal or premium in relation to a Debt Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

(ii) the redenomination from euros into another currency, if (A) the redenomination occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority and (B) a freely available market rate of conversion between euros and such other currency existed at the time of such redenomination and there is no reduction in the rate or amount of interest, principal or premium payable, as determined by reference to such freely available market rate of conversion;

(iii) the occurrence of, agreement to or announcement of any of the events described in clauses (a)(i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and

(iv) the occurrence of, agreement to or announcement of any of the events described in clauses (a)(i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity, **provided that** in respect of clause (a)(v) only, no such deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

(c) If an exchange has occurred, the determination as to whether one of the events described under clauses (a)(i) to (v) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

(d) In paragraphs (a) and (b) above, "**Debt Obligation**" also includes the Reference Entity acting as provider of a guarantee undertaking or surety, whereupon "**Reference Entity**" in paragraph (a) shall mean the debtor under the obligation for which the guarantee or surety is issued and in paragraph (b) shall mean the Reference Entity.

(e) Unless "**Multiple Holder Obligation**" is specified as not applicable in the relevant Final Terms, then, notwithstanding anything to the contrary in this definition (*Restructuring*), the occurrence of, agreement to or announcement of any of the events described in paragraphs (a)(i) to (v) above shall not be a Restructuring unless the Debt Obligation in respect of any such events is a Multiple Holder Obligation.

"**Multiple Holder Obligation**" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates (as defined in the 2002 ISDA Master Agreement) of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Debt Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Credit Event **provided that** any Debt Obligation that is a Bond shall be deemed to satisfy the requirement in this paragraph (ii). For the purposes of this definition (*Restructuring*) the term Debt Obligation shall be deemed to include any underlying obligations for which the Reference Entity is acting as provider of a Guarantee. In the case of a Guarantee and an Underlying Obligation, references to the Reference Entity in paragraph (a) shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in paragraph (b) shall continue to refer to the Reference Entity.

"**Guarantee**" means a guarantee evidenced by a written instrument (which may include a statute or regulation), pursuant to which the Reference Entity irrevocably agrees, undertakes, or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a fixed cap) due under an Underlying Obligation for which the Underlying Obligor is the obligor, by guarantee of payment and not by guarantee of collection (or, in either case, any legal arrangement which is equivalent thereto in form under the relevant governing law).

"**Underlying Obligation**" means, with respect to a guarantee, the obligation which is the subject of the guarantee.

"**Underlying Obligor**" means with respect to an Underlying Obligation, the issuer in the case of a Bond, the borrower in the case of a Loan, or the principal obligor in the case of any other Underlying Obligation.

Credit Event Backstop Date: Means, for the purposes of any event that constitutes a Credit Event (or with respect to a Repudiation/Moratorium, if applicable, the event described in paragraph (ii) of the definition of Repudiation/Moratorium), the date that is determined by the Issuer in accordance with Market Convention.

Debt Obligation: Means each Reference Entity's current, future, conditional or other payment obligations (whether or not Subordinated) under (a) agreements having the commercial effect of borrowings, e.g. loan agreements, notes or commercial paper (irrespective of term to maturity) or financing limits, payment obligations regarding deposits or letters of credit and (b) guarantees or other sureties or commitments which the Reference Entity has provided or provides with respect to the payment obligations of a third party.

Obligation Acceleration: One or more Debt Obligations in an aggregate amount of at least the amount specified in the Final Terms (the "**Obligation Acceleration Amount**") have become due and payable before they would otherwise become due and payable (through acceleration or any other reason) as a result of, or on the basis of the occurrence of a default or other similar condition or event relating to the Reference Entity (and such breach of contract does not relate to Failure to Pay).

Failure to Pay: A Reference Company's or a Sovereign's failure to pay when due (after expiry of any applicable Grace Period and after the satisfaction of any condition precedent to the commencement of such Grace Period), in accordance with the terms and conditions for one or more Debt Obligations at the time of such failure, any amount due for payment provided the amount which is due and payable or the total of the amounts that are due and payable equals or exceeds the amount specified in the Final Terms (the "**Failure to Pay Amount**"). If "**Credit Deterioration Requirement**" is specified as applicable in the relevant Final Terms, then notwithstanding the foregoing it shall not constitute a Failure to Pay if such failure does not directly or indirectly either result from, or result in, a deterioration in the creditworthiness or financial condition of the relevant Reference Company or Sovereign.

Governmental Intervention: means that, with respect to one or more Debt Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs as a result of action taken or an announcement made, by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other applicable law), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Debt Obligation:

(a) any event which would affect creditors' rights so as to cause:

(i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);

(ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);

(iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(iv) a change in the ranking in priority of payment of any Debt Obligation, causing the Subordination of such Debt Obligation to any other Debt Obligation;

(b) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Debt Obligation;

(c) a mandatory cancellation, conversion or exchange; or

(d) any event which has an analogous effect to any of the foregoing.

A CoCo Provision shall be deemed to be a provision which permits a Governmental Intervention for all purposes under the Notes.

If, with respect to one or more Debt Obligations and in relation to an aggregate amount of not less than the Default Requirement, the operation of one or more CoCo Provisions results in (i) a permanent or temporary reduction of the amount of principal payable at redemption or (ii) a conversion of principal into shares or another instrument, such event shall be deemed to constitute a Governmental Intervention.

CoCo Provision: means, with respect to a Debt Obligation, a provision which requires (i) a permanent or temporary reduction of the amount of principal payable at redemption or (ii) a conversion of principal into shares or another instrument, in each case, if the Capital Ratio is at or below the Trigger Percentage.

Trigger Percentage: means the trigger percentage specified in the Final Terms or, if no such trigger percentage is specified, 5.25 per cent.

Capital Ratio: means the ratio of capital to risk weighted assets applicable to the Debt Obligation, as described in the terms therefore in effect from time to time.

Default Requirement: the amount specified as such in the relevant Final Terms or its equivalent in the currency of the relevant Debt Obligation (or, if no such amount is specified, USD 10,000,000 or its equivalent in the currency of the relevant Debt Obligation) in either case, as of the occurrence of the relevant Credit Event or Potential Failure to pay, as applicable.

Subordination: Means, with respect to an obligation (the "**Second Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "**First Obligation**"), a contractual, trust or similar arrangement providing that (I) upon the liquidation, dissolution, reorganization or winding up of the Reference Entity, claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation or (II) the holders of the Second Obligation will not be entitled to receive or retain principal payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the First Obligation. "**Subordinated**" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared (x) the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement or security arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign and (y) in the case of the

Debt Obligation the ranking in priority of payment shall be determined as of the date as of which it was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date.

Standard Specified Currencies: Any of the lawful currencies of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

Successor:

(a) means, subject to paragraph (b) below, the entity or entities, if any, determined as follows:

(i) subject to paragraph (a)(vii) below, if one entity succeeds to seventy-five per cent or more of the Relevant Obligations of the Reference Entity, that entity will be the sole Successor;

(ii) if only one entity succeeds to more than twenty-five per cent (but less than seventy-five per cent) of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent of the Relevant Obligations will be the sole Successor;

(iii) if more than one entity each succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than twenty-five per cent of the Relevant Obligations will each be a Successor, determined in accordance with paragraph (f) below;

(iv) if one or more entities each succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity, and more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor, determined in accordance with paragraph (f) below;

(v) if one or more entities succeed, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity and the Notes will not be changed in any way as a result of such succession;

(vi) if one or more entities succeed to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations will be the Successor (**provided that** if two or more entities succeed to an equal percentage of Relevant Obligations, each such entity will be a Successor, determined in accordance with paragraph (f);

(vii) in respect of a Reference Entity which is not a Sovereign, if one entity assumes all of the obligations (including at least one Relevant Obligation) of the Reference Entity, and at the time of the determination either (A) the Reference Entity has ceased to exist, or (B) the Reference Entity is in the process of being dissolved (howsoever described) and the Reference Entity has not issued or incurred any Borrowed Money obligation at any time since the legally effective date of the assumption, such entity (the "**Universal Successor**") will be the sole Successor.

(b) An entity may only be a Successor if:

(i) either (A) the related Succession Date occurs on or after the Successor Backstop Date, or (B) such entity is a Universal Successor in respect of which the Succession Date occurred on or after 1 January 2014;

(ii) the Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and such entity succeeds to all or part of at least one Relevant Obligation of the Reference Entity; and

(iii) where the Reference Entity is a Sovereign, such entity succeeded to the Relevant Obligations by way of a Sovereign Succession Event.

(c) "**succeed**" means, with respect to the Reference Entity and its Relevant Obligations, that an entity other than the Reference Entity (i) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement (including, with respect to a Reference Entity that is a Sovereign, any protocol, treaty, convention, accord, concord, entente, pact or other agreement), or (ii) issues Bonds or incurs Loans (the "**Exchange Bonds or Loans**") that are exchanged for Relevant Obligations, and in either case the Reference Entity is not thereafter a direct obligor or a provider of a guarantee with respect to such Relevant Obligations or such Exchange Bonds or Loans, as applicable, and the terms "**succeeded**" and "**succession**" shall be construed accordingly.

(d) In the case of an exchange offer, the determination required pursuant to paragraph (a) above shall be made on the basis of the outstanding principal balance of Relevant Obligations exchanged and not on the basis of the outstanding principal balance of the Exchange Bonds or Loans.

(e) If two or more entities (each, a "**Joint Potential Successor**") jointly succeed to a Relevant Obligation (the "**Joint Relevant Obligation**"), then it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors), in equal parts.

(f) Where more than one Successor has been identified, the Issuer shall make such changes to the Conditions as it may, in its sole discretion, consider necessary in order to reflect the relative Basket Participations of the relevant Successor(s) and the other Reference Entities (if any), in relation to the Notes, including any adjustment to the Credit Event Ranked Weight(s) if a Credit Event occurs in relation to the relevant Successor(s).

The Issuer shall determine whether or not there has been a Successor to any Reference Entity, and carry out those calculations and determinations which are required under the definition of "***Successor***", and shall notify the holders of the outcome thereof. The Issuer has the right, with binding effect on the Holders, to make such adjustments to the terms and conditions of the Notes which the Issuer determines necessary as a result of the determination of a Successor. The Issuer shall perform the appropriate adjustments of the Final Terms to reflect a Successor and the scope of the Relevant Obligations as well as any other amendments that the Issuer deems necessary. The Successor shall, from the day the Issuer so determines, replace the Reference Entity as a "**Reference Entity**" in respect of the relevant Notes.

Steps Plan: A plan evidenced by Eligible Information contemplating that there will be a series of successions to some or all of the Relevant Obligations of the Reference Entity, by one or more entities. In calculating the percentages used to determine whether an entity qualifies as a Successor, if there is a Steps Plan, the Issuer shall consider all related successions in respect of such Steps Plan in aggregate as if forming part of a single succession.

Eligible Information: Information which is publicly available or which can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

Succession Date: The legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the Reference Entity; **provided that** if at such time, there is a Steps Plan, the Succession Date will be the legally effective date of the final succession in respect of such Steps Plan, or if earlier (i) the date on which a determination pursuant of a Successor would not be affected by any further related successions in respect of such Steps Plan, or (ii) the occurrence of a Credit Event in respect of the Reference Entity or any entity which would constitute a Successor.

Successor Backstop Date: For purposes of any Successor determination the date that is determined by the Issuer in accordance with market convention. The Successor Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

Relevant Obligations: Means the Debt Obligations of the Reference Entity which fall within the category of "**Bond or Loan**" (whether directly, or by way of guarantee, surety or other commitment) and which are outstanding immediately prior to the Succession Date (or, if there is a Steps Plan, immediately prior to the legally effective date of the first succession), **provided that**:

(a) any Bonds or Loans outstanding between the Reference Entity and any of its Affiliates (as defined in the standard form 2002 ISDA Master Agreement), or held by the Reference Entity, shall be excluded;

(b) if there is a Steps Plan, the Calculation Agent shall, for purposes of the determination required to be made under the definition of "**Successor**" make the appropriate adjustments required to take account of any Debt Obligations of the Reference Entity which fall within the category "**Bond or Loan**" that are issued, incurred, redeemed, repurchased or cancelled from and including the legally effective date of the first succession to and including the Succession Date;

Sovereign Succession Event: With respect to a Reference Entity that is a Sovereign, an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other similar event.

Payment Deferral: If it is not possible for the Issuer to determine either: (a) whether or not one or more Credit Events has occurred, or (b) the Recovery Value in respect of one or more Reference Entities, in either case before the

Scheduled Redemption Date or Early Redemption Date because an auction settlement procedure has not yet been concluded, or for any other reason, or if the Issuer or applicable Hedging Party reasonably determines that it has a potential liability in respect of any Hedge Transaction as at the Scheduled Redemption Date or the Early Redemption Date (as applicable) (each such event a "**Deferred Redemption**"), then the Issuer shall promptly notify the Holders of such event (a "**Deferred Redemption Notice**").

Following a Deferred Redemption Notice the Issuer may make a partial redemption of the Notes and/or, a partial payment of any accrued Interest Amount due and payable on the relevant Scheduled Redemption Date or Early Redemption Date (as applicable) on (i) the Scheduled Redemption Date or the Early Redemption Date, as applicable, or (ii) such other date or date(s) as the Issuer may determine (each such date, a "**Deferred Redemption Date**").

If the Issuer has determined that a Deferred Redemption has occurred and is continuing as at the Back Stop Date, then the Issuer (i) may extend the Back Stop Date until such future date as may be determined by the Issuer, or (ii) by notice to the Holders and to the relevant Clearing System(s) cancel the Notes with immediate effect, whereupon the Issuer shall not be obliged to make, and no Holder shall be entitled to receive, any redemption payment or other amount in respect of the Notes.

Holders shall have no claim to receive any remaining part of the Redemption Amount or Interest Amount after the Back Stop Date.

Partial Restructuring: If "**Partial Restructuring**" is specified as being "**Applicable**" in the relevant Final Terms, and if a Restructuring Credit Event occurs, the Issuer may elect the portion of the notional exposure to the relevant Reference Entity that is affected by the relevant Credit Event (the "**Exercise Amount**") by giving notice thereof to Holders in accordance Condition 16 (*Notices*). The Issuer will also notify the Holders of the reduction of the notional exposure to the relevant Reference Entity, and any calculation and/or determination of payments or other amounts (including, without limitation, any redemption or interest amount) in respect of the Notes following such early redemption shall take into account such reduction in the notional exposure to the relevant Reference Entity. The Issuer shall be entitled to make any addition, adjustment, or amendment to the Conditions as the Issuer deems necessary in connection with any Partial Restructuring.

Other Terms: In case of dispute regarding the interpretation of the conditions for Credit-Linked Notes, guidance shall be sought in the definitions issued by ISDA in the "**2014 ISDA Credit Derivatives Definitions**" together with all from time to time published addendums, protocols, updates and similar (the "**ISDA Definitions**").

PART 4: ADDITIONAL CONDITIONS FOR FUND-LINKED NOTES

The following provisions will apply if stated in the Final Terms.

"**Fund**"	As specified in the Final Terms;
"**Fund Manager**"	Means in respect of a Fund, any person who is appointed to provide services, directly or indirectly, for that Fund, whether or not specified under law or the constitutive and governing documents, subscription agreements and other agreements, applicable to the Fund, including any fund adviser, fund administrator, operator, management company, depository, custodian, sub-custodian, prime broker, administrator, trustee, registrar and transfer agent, domiciliary agent and any other person specified as such in the Final Terms.
"**Fund Event**"	The Issuer may, in its own discretion, determine that a Fund Event has occurred, if any of the following events should occur following the initial Observation Date, Observation Start Date, Risk Barrier Observation Date, or Initial Valuation Date:

1. the Net Asset Value ("**NAV**") in respect of the Fund is not calculated and not published on such a day or in such a way as stated in the provisions for the Fund and the terms of the Fund and Fund Manager's operations;

2. the occurrence of any event or circumstance affecting the Fund or the fund units which has (or may potentially have) a negative effect on the value of the Fund or the fund units;

3. the Fund or the Fund Manager refuses subscription or redemption (in whole or partially) of fund units of the Fund on such a day when subscription or redemption should be possible in accordance with the provisions of the Fund and in accordance with the terms of the Funds operation;

4. the proceeds that the Fund pays out as a result of a redemption consists of assets other than cash;

5. the Fund or the Fund Manager restricts the ability to subscribe for or redeem fund units, introduces or amends fees or any additional taxes or other charges arises in connection with subscription or redemption after the Initial Observation Date, Observation Start Date, initial Risk Barrier Observation Date, or Initial Valuation Date;

6. a material change of the Reference Assets or the Fund occurs, which includes expropriation or similar event, such event resulting in the assets being transferred to or taken over by an authority or similar institution or organisation, or by other by instruction from an authority or similar institution or organisation, which has a negative effect on the value of the fund units;

7. the Fund or the Fund Manager becomes insolvent, negotiations are initiated in regard to declaring either the Fund or the Fund Manager bankrupt, either the Fund or the Fund Manager seeks or becomes subject to winding up, seeks the appointment of an administrator, makes a composition or is subject to any similar event;

8. the Fund or the Fund Manager merges with or into or becomes subject to sale (in whole or partially);

9. the Fund breaches any terms applicable to the Fund's operations, including its investment guidelines and its constitutive documents;

10. the Fund or the Fund Manager makes any changes in the terms applicable to the Fund's or the Fund Manager's operations such as changes in the risk profile of the Fund, changes in regard to the right to vote in respect of the fund units, change of the investment guidelines of the Fund, change of the denomination of the fund units or such other change that is adverse in the Issuer's opinion;

11. the Fund breaches any agreements to which it is party or any court order or governmental order;

12. any change in law, regulation or other set of rules (including tax legislation and accounting rules), or resolution is passed by governmental agency, court or other body which has a negative impact on the Fund or the Fund Manager or the Issuer's possibilities to subscribe for or redeem the Reference Asset;

13. the Fund, the Fund Manager, the administrator, the account operator or the board of directors becomes subject to investigation, lawsuit or similar action by an authority or other due to breach of relevant legislation or other rules applicable to the Fund, the Fund Manager, the administrator, the account operator or the board of directors or the relevant license for any of these is withdrawn;

14. the Fund Manager, the administrator, the account operator or the board of directors are replaced;

15. any conversion of the Reference Asset into other fund units;

16. any compulsory transfer or redemption of fund units occur;

17. the Fund experience difficulties, or is not able, to carry out investments;

18. any change of the derivative instruments of the Fund which has a negative effect on the value of the fund units or the possibility of the fund to admit redemption;

19. the Fund, the Fund Manager or the administrator fails to provide such information within such grace period as The Fund, the Fund Manager or the administrator has undertaken to provide information to any investor;

20. any other event or circumstance occurs which, as determined by the Issuer, has a negative effect on the application of the Conditions of the Notes.

If a Fund Event occurs with respect to one or more Funds which constitutes a Reference Asset, the Issuer shall be entitled to make such adjustments in the calculation of the Redemption Amount, Interest Amount and/or compilation of Reference Assets, or to replace the Affected Reference Asset with a Replacement Reference Asset which the Issuer thereby deems necessary in order to achieve a calculation of the Redemption Amount which reflects, and is based on, the manner in which such was previously calculated.

Where the Issuer believes that it would not provide a fair result to replace the Affected Reference Asset or adjust the applicable calculation or the structure of the Reference Asset, the Issuer may either elect to extend the

Back Stop Date to such future date as may be determined by the Issuer, or perform an early calculation of the Redemption Amount and/or the yield or Interest Amount and determine the Redemption Amount and/or the yield or Interest Amount. Such early calculation shall be based on the most recently published value for the Reference Asset. When the Issuer has determined the Redemption Amount and/or the yield or Interest Amount, the Issuer shall notify the Holders of the amount of the Redemption Amount and the yield or Interest Amount and the rate at which interest will continue to accrue on the Notes. The Issuer shall pay market interest on the Principal Amount. The Redemption Amount (including accrued interest, if applicable) shall be paid on the Redemption Date.

The Issuer shall be entitled to make any addition, adjustment or amendment to the Conditions as the Issuer deems necessary in connection with Fund Events.

FORMS OF FINAL TERMS FOR NOTES

Form of Final Terms for Certain Structured Notes with a denomination of less than €100,000 to be admitted to trading on an EEA regulated market and/or offered to the public in the EEA

[IMPORTANT NOTICE

In accessing the attached final terms (the "Final Terms") you agree to be bound by the following terms and conditions.

[EU 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, "**EU 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 EU 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.]

[**UK MIFIR 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); 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**")]/[distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") 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, "**EU MiFID II**")][EU MiFID II]]; [or]/[;] (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II[; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129]. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**EU 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 EU PRIIPs Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); [or]/[;] (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA]. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

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
Legal entity identifier (LEI): 529900OD13047E2L1V03
Issue of [Currency] [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €15,000,000,000
Structured Note Programme

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (b) below, any offer of Notes in any Member State of the European Economic Area will be made pursuant to an exemption under the EU Prospectus Regulation, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

(a) in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation, in each case, in relation to such offer; or

(b) in those Public Offer Jurisdictions mentioned in Paragraph 10 of Part B below, provided such person is one of the persons described in Paragraph 10 of Part B below [and which satisfies conditions set out therein] and that such offer is made during the Offer Period specified for such purpose therein.

The Issuer has not authorised, and it does not authorise, the making of any offer of Notes in any other circumstances. The expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.][1]

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in any Member State of the European Economic Area of the Notes may only do so in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation, in relation to such offer. The Issuer has not authorised, and it does not authorise, the making of any offer of Notes in any other circumstances. The expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.][2]

[The Base Prospectus referred to below is valid until and including 16 December 2022. The succeeding base prospectus relating to the Programme shall be [made available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Satamaradankatu 5, FI-00020 Nordea, Helsinki, Finland and from [[*website of distributor*]/www.nordea.com/www.nordea.se/www.nordea.no/www.nordea.dk/www.nordea.fi]][3].

1 Include this legend where a non-exempt offer of Notes is anticipated.

2 Include this legend where a non-exempt offer of Notes is NOT anticipated.

3 Include this where the Offer Period will continue after the expiration of the base prospectus under which it was commenced, provided that a succeeding base prospectus is approved and published no later than the last day of validity of the previous base prospectus.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the [original base prospectus dated [16 April 2013/20 December 2013/19 December 2014/18 December 2015/19 December 2016/19 December 2017/18 December 2018/18 December 2019/18 December 2020] and which are incorporated by reference into the][4] base prospectus dated 17 December 2021 [and the supplemental base prospectus dated [•]] [which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the EU Prospectus Regulation [5]]. This document constitutes the Final Terms of the Notes described herein [for the purposes of the EU Prospectus Regulation [6]] and must be read in conjunction with the Base Prospectus in order to obtain all relevant information. A summary of the Notes is annexed to these Final Terms. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the base prospectus supplement[s]] and these Final Terms are available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Satamaradankatu 5, FI-00020 Nordea, Helsinki, Finland and from [[*website of distributor*]/www.nordea.com/www.nordea.se/www.nordea.no/www.nordea.dk/www.nordea.fi].

Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]

I. GENERAL TERMS

1.	(i)	Issuer:	Nordea Bank Abp
2.	(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 [*insert description of series*] on [[*insert date*]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 61 below [which is expected to occur on or about [*insert date*]].]
3.	Specified Currency or Currencies:		[•]
4.	Aggregate Principal Amount:		[•]
	(i)	Series:	[•]/Up to [*insert amount*]. To be confirmed in the Final Terms Confirmation Announcement]
	(ii)	Tranche:	[•]//Up to [*insert amount*]. To be confirmed in the Final Terms Confirmation Announcement]
5.	Issue Price:		[[•] per cent. of the Aggregate Principal Amount of each Note [plus accrued interest from [*insert date*]]/. [The Issue Price will be determined by the Issuer on a daily basis during the Offer Period (as defined below), based on the prevailing market price for the Notes.] [The Notes will be issued with an initial Issue Price of approximately [ ] per cent on the Issue Date].]

4 Insert for fungible issues.

5 Delete wording in square brackets for an unlisted, exempt offer.

6 Delete wording in square brackets for an unlisted, exempt offer.

6.	(i)	Specified Denominations:	[•]
	(ii)	Calculation Amount:	[•]
7.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[[*insert date*]/Issue Date/Not Applicable]
8.	Redemption Date:		[[•]/[Interest Payment Date falling in or nearest to [•]]
9.	Base Redemption Amount:		[[•]/Not Applicable/Redemption Amount determined in accordance with "[•]" structure as set out in the Conditions [•]]
10.	Additional Amounts:		[Applicable/Not Applicable] [The Additional Amount(s) will be added to/subtracted from the Base Redemption Amount]
	[Alternative Additional Amount Payment Date:		[[•]/Not Applicable]
11.	Minimum Redemption:		[Applicable/Not Applicable]
	•	Minimum Redemption Amount:	[[•]/Not Applicable]
12.	Maximum Redemption:		[Applicable/Not Applicable]
	•	Maximum Redemption Amount:	[[•]/Not Applicable]
13.	Business Day Convention:		[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day] [adjusted/unadjusted]
14.	Currency Business Day Convention:		[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day]/[Not Applicable]
15.	Currency Business Day:		[Other / WM/Reuters/ Not Applicable]
16.	Relevant Exchange:		[[•]/[As set out in Condition 1 (*Definitions*)]]
17.	Scheduled Trading Day Convention:		[[Following Scheduled Trading Day Convention/Modified Following Scheduled Trading Day Convention/Preceding Scheduled Trading Day Convention]/[Not Applicable]]
II.	**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**		**[APPLICABLE/NOT APPLICABLE]** [Items 18-31 have been intentionally omitted][7]

[7] Include where interest provisions are marked as "Not Applicable"

18.	Interest Basis:	[[•] per cent. Fixed Rate//Indicatively [•] per cent. Fixed Rate per annum, to be finally settled after the Offer Period and disclosed in the Final Terms Confirmation Announcement] [EURIBOR]/[SOFR]/[SONIA]/[€STR]/[STIBOR]/[NIBOR]/[CIBOR]/[CDOR]/[Nordea Own Funds Rate]/[•] +/– [•] per cent. Floating Rate]. [Inflation Linked] [Zero Coupon] [Rate Adjustment] [Coupon Bearing Notes] [Non-Tranched CLN Interest] [Tranched CLN Interest] [Nth to Default CLN Interest] [Nth and Nth + 1 to Default CLN Interest] [Capped Floor Float] [Cap Floor] [Cap Floor Spread] [Range Accrual] [Range Accrual In/Out] [Knockout Range Accrual] [Binary Cap/Floor] [Binary Zero Coupon] [Inverse Floater] [Autocallable Rate] [Digital Long] [Digital Short] [Best of/Worst of Digital Long] [Best of/Worst of Digital Short] [Worst of Digital Memory Coupon 2] [Digital Podium Long] [Digital Podium Short] [Series of Digitals] [Cash Settled Swaption Straddle] [Power Cap/Floor]

[Compounding Floater]

[Lock-In 1]

[Lock-In 2]

[Snowball]

[Accumulator]

[Binary Accumulator]

[Contingent Cap/Floor]

[Dual Digital Cap]

[Dual Digital Floor]

[Binary Inflation Cap]

[Binary Inflation Floor]

[Binary Inflation Range]

[Inflation Range Accrual]

[Inflation Cap/Floor]

[Inflation Straddle]

[Inflation Cap Floor Spread]

[ZC Inflation Cap Floor]

[Inflation Linker 1]

[Inflation Linker 2]

[Strip of Call Spreads]

(further particulars specified below in paragraph[s] [22/23/24/25/27/28/29/30/31])

19.	Combination of Interest Bases:		[Applicable/Not Applicable]
	(i)	Method of Combination:	[Single Basket Addition/Multiple Basket Addition/Alternative Calculation]
	(ii)	Relevant Condition(s) for determination of Interest Amount:	[Condition [•] will be applicable if Interest Barrier Level 1 is not exceeded on [any/the final] Interest Determination Date, Condition [•] will be applicable if Interest Barrier Level 1 is exceeded on [any/the final] Interest Determination Date but Interest Barrier Level 2 is not exceeded, Condition [•] will be applicable if Interest Barrier Level 2 is exceeded on [any/the final] Interest Determination Date but Interest Barrier Level [•] is not exceeded… Condition [•] will be applicable if Interest Barrier Level [•] is exceeded on [any/the final] Interest Determination Date/Condition(s) [•] and [•] are applicable.] [Condition [•] in respect of Basket A, Condition [•] in respect of Basket B etc.]

	•	[Interest Barrier Level 1:]	[•]
	•	[Interest Barrier Level 2:]	[•]
	•	[Interest Barrier Level 3:]	[•]
20.	Method of calculating Basket Return for the purposes of Interest determination:		[Basket Long Structure/Basket Short Structure [in respect of Basket A/B]/Not Applicable]
21.	**Interest Deferral**		[Applicable/Not Applicable]
22.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable]
	(i)	Interest Rate:	[•] per cent. per annum
	(ii)	Interest Payment Date(s):	[•] [in each year][, subject to adjustment in accordance with the Business Day Convention]. [First Interest Payment Date to occur on [•].] [Last Interest Payment Date to occur on [•].]
	(iii)	Interest Determination Date:	[[•]/Not Applicable]
	(iv)	Fixed Interest Amount:	[•] per Note of [•] Denomination/Not Applicable
	(v)	Details of Irregular Interest Amount(s):	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]/Not Applicable]
	(vi)	Day Count Fraction:	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]
23.	**Floating Rate Note Provisions**		[Applicable/Not Applicable]
	(i)	Interest Payment Dates:	[•] [in each year] [, subject to adjustment in accordance with the Business Day Convention]. [First Interest Payment Date to occur on [•].] [Last Interest Payment Date to occur on [•].]
	(ii)	Interest Determination Date:	[[•]/Not Applicable]
	(iii)	Issuing Agent:	[Not Applicable/[•]]
	(iv)	Calculation Agent:	[Not Applicable/[•]]
	(v)	Interest Base Rate:	[[EURIBOR]/[SONIA]/[SOFR]/[€STR]/[SONIA Compounded Index]/[SOFR Compounded Index]/[STIBOR]/[NIBOR]/[CIBOR]/[CDOR]/[Nordea Own Funds Rate]/[•]].
	(vi)	Designated Maturity:	[•]
	•	Alternative Designated Maturity	[[•]/Not Applicable/Applicable in respect of the [short/long/ [initial/final] interest period from (and including) [date] to (but excluding) [date]]

(vii)	Linear Interpolation:	[Applicable/Not Applicable/Applicable in respect of the [short/long/ [initial/final] interest period from (and including) [date] to (but excluding) [date]]]
	• Alternative Maturity 1	[[•]/Not Applicable]
	• Alternative Maturity 2	[[•]/Not Applicable]
(viii)	Relevant Screen Page:	[•]
(ix)	Relevant Time:	[•]
(x)	Relevant Financial Centre:	[•]
(xi)	Interest Margin(s):	[+/-][•] per cent. per annum
(xii)	FRN Participation Ratio:	[•] per cent.
(xiii)	Day Count Fraction:	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]
(xiv)	Maximum Interest Rate:	[[•]/Not Applicable]
(xv)	Minimum Interest Rate:	[[•]/Not Applicable]
(xvi)	Observation Method:	[Lag / Observation Shift]
	• Lag Period:	[5 / [ ] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days/Not Applicable]
	• Observation Shift Period:	[5 / [ ] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days /Not Applicable] (*NB: A minimum of 5 should be specified for the Lag Period or Observation Shift Period, unless otherwise agreed with the Calculation Agent*)
	• Relevant Decimal Place	[ ] [5/7] *(unless otherwise specified in the Final Terms, be the fifth decimal place in the case of the SONIA Compounded Index and the seventh decimal place in the case of the SOFR Compounded Index*)
	• Relevant Number of Index Days	[ ] [5] (*unless otherwise specified in the Final Terms, the Relevant Number shall be 5*)
	• D:	[ ][360]
(xvii)	2021 ISDA Definitions:	[Applicable/Not Applicable]

24.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable]
	Reference Yield:	[•] per cent. per annum
25.	**Inflation-Linked Interest Note Provisions**	[Applicable/Not Applicable]
	(i) Interest Rate:	[Fixed Rate Note Provisions (further details specified in paragraph 22)/Floating Rate Note Provisions (further details specified in paragraph 23)]

(ii) Base Index/CPI:

- Relevant date: [•]
- Relevant time: [•] [a.m./p.m.]

26. **Rate Adjustment Note Provisions** [Applicable/Not Applicable]

Provisions relating to the adjustment of the Interest Rate: The Interest Basis will be [•] from [and including/but excluding] [•] to [and including/but excluding] the Interest Payment Date falling in [•], and [•] from [and including/but excluding] the Interest Payment Date falling in [•] up to ([and including/but excluding]) the Redemption Date.

27. **Coupon Bearing Note Provisions** [Applicable/Not Applicable]

(i) Valuation Date(s): [Valuation Date 1: [•]/ Valuation Date 2: [•]/ Valuation Date [•]: [•]/

Valuation Date(s)	Reference Asset	Valuation Date Averaging	Averaging Dates relevant to applicable Valuation Date
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

/[•]]

(ii) Coupon Barrier Level(s): [[•] / For:

Valuation Date 1: [•]

Valuation Date 2: [•]

Valuation Date [•]: [•]]

(iii) Interest Payment Date(s): [•] [in each year][, subject to adjustment in accordance with the Business Day Convention]. [First Interest Payment Date to occur on [•].] [Last Interest Payment Date to occur on [•].] [In relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]: [•] [and in relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]:[•]]

(iv) Flat Coupon: [Applicable/Not Applicable/Applicable if Coupon Barrier Level [•] is reached [and Coupon Barrier Level [•] is not reached]/Applicable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]]

(v) Memory Coupon: [Applicable/Not Applicable/Applicable if Coupon Barrier Level [•] is reached [and Coupon Barrier Level [•] is not reached]/Applicable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]]

(vi)	Memory Relevant Coupon(s):	[Flat Coupon/Memory Coupon/any Coupon/any Coupon paid if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]]
(vii)	Plus Flat Coupon:	[Applicable/Applicable if Coupon Barrier Level [•] is reached [and Coupon Barrier Level [•] is not reached]/Applicable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]]
(viii)	Plus Memory Coupon:	[Applicable/Not Applicable/Applicable if Coupon Barrier Level [•] is reached [and Coupon Barrier Level [•] is not reached]/Applicable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]]
(ix)	First Coupon Multiplier:	[[•]/Not Applicable]
(x)	Coupon Rate(s):	[[•]/[•] in respect of the first Variable Coupon Payment Date on which a Coupon is paid if the Basket Return is at or above Coupon Barrier Level [•] but below Coupon Barrier Level [•]/[•] in relation to the Coupon that is paid if the Basket Return is at or above Coupon Barrier Level [•] but below Coupon Barrier Level [•] on that Interest Payment Date/Not Applicable]
(xi)	Automatic Coupon Payment:	[Applicable/Not Applicable]
(xii)	Basket Rate:	[Applicable – Basket [Long]/[Short]]/[Not Applicable]
(xiii)	Best of/Worst of Rate:	[Applicable/Not Applicable]
(xiv)	N:	[[•]/Not Applicable]

28.	**CLN Interest Provisions**	[Applicable/Not Applicable]
(i)	Interest Rate:	[Fixed Rate Note Provisions (further details specified in paragraph 22)/Floating Rate Note Provisions (further details specified in paragraph 23)]
(ii)	Determination Date Exposure:	[Applicable/Not Applicable]
	• [Number of Business Days:	[[•]/The Observation Date shall be the relevant Interest Payment Date]
(iii)	Weighted Average Exposure:	[Applicable/Not Applicable]
(iv)	Tranche Attachment Point:	[[•]rounded to the [•] decimal /Not Applicable]
(v)	Tranche Detachment Point:	[[•]rounded to the [•] decimal /Not Applicable]
(vi)	Fixed Recovery Value:	[[•]/Not Applicable]
(vii)	Market Recovery Value:	[Applicable/Not Applicable]
(viii)	N:	[[•]/Not Applicable]
(ix)	Observation Date(s):	[[•]/Each day from and including [•] to and including [•]/Not Applicable/the day falling [•] Business Days prior to each Interest Payment Date]

(x)	Credit Event Ranked Basket Participation (Interest):	[Applicable/Not Applicable]

- Credit Event Ranked Weight:

Credit Event (in order of occurrence)	Weighting
1	[•]%
2	[•]%
3	[•]%
N	[•]%

(xi)	Restructuring Amount:	[[•]/Not Applicable]
(xii)	Replacement Reference Entity:	[Applicable/Not Applicable]
(xiii)	Obligation Acceleration Amount:	[[•]/Not Applicable]
(xiv)	Failure to Pay Amount:	[[•]/Not Applicable]
(xv)	Credit Events:	[[Failure to Pay/ Restructuring/ Bankruptcy/ Governmental Intervention/ Repudiation/ Moratorium/ Obligation Acceleration]/ Not Applicable]
(xvi)	Default Requirement:	[[•]/Not Applicable/As set out in Part 3: *Additional Conditions for Credit-Linked Notes* to the Conditions]
(xvii)	Grace Period Extension:	[Applicable/Not Applicable]
(xviii)	Maximum Length of Grace Period:	[[•] Business Days/Not Applicable]
(xix)	Extended Redemption Date:	[The date falling [•] Business Days after the Grace Period Extension Date]
(xx)	Multiple Holder Obligation:	[Applicable/Not Applicable]
(xxi)	Partial Restructuring:	[Applicable/Not Applicable]
(xxii)	Credit Deterioration Requirement:	[Applicable/Not Applicable]

29.	**Digital Interest Provisions**	[Applicable/Not Applicable]
(i)	Interest Determination Date:	[[•]/Not Applicable]
(ii)	Interest Payment Date(s):	[[[•] [in each year][, subject to adjustment in accordance with the Business Day Convention]. [First Interest Payment Date to occur on [•].] [Last Interest Payment Date to occur on [•].]]/Not Applicable] [In relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]: [•] [and in relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]:[•]]
(iii)	Strike Level:	[[•]/Not Applicable]
(iv)	Coupon:	[[•]/Not Applicable]

(v)	Coupon 2:	[[•]/Not Applicable]
(vi)	N:	[[•]/Not Applicable]
(vii)	Barrier Level:	[[•]/Not Applicable]
(viii)	Basket Strike Level:	[[•]/Not Applicable]
(ix)	Observation Date(s):	[[•]/Each day from and including [•] to but excluding [•]/Each Scheduled Trading Day up to and including the Interest Determination Date/Not Applicable]
(x)	Valuation Time:	[[•]/Not Applicable]

Reference Asset (Interest)	Valuation Time
[•]	Valuation Time 1: [•]
[•]	Valuation Time 2: [•]
[•]	Valuation Time [•]: [•]

30.	**Additional Interest Provisions**	[Applicable/Not Applicable]
(i)	Interest Determination Date:	[[•]/Not Applicable]
(ii)	Interest Payment Date(s):	[[[•] [in each year][, subject to adjustment in accordance with the Business Day Convention]. [First Interest Payment Date to occur on [•].] [Last Interest Payment Date to occur on [•].]]/Not Applicable] [In relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]: [•] [and in relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]:[•]]
(iii)	Day Count Fraction:	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]
(iv)	Reference Rate:	[[•]/Not Applicable]
(v)	Reference Rate 2:	[[•]/Not Applicable]
(vi)	Spread:	[[•]/Not Applicable]
(vii)	Cap Strike:	[[•]/Not Applicable]
(viii)	Cap Strike 1:	[[•]/Not Applicable]
(ix)	Cap Strike 2:	[[•]/Not Applicable]
(x)	Floor Strike:	[[•]/Not Applicable]
(xi)	Floor Strike 1:	[[•]/Not Applicable]
(xii)	Floor Strike 2:	[[•]/Not Applicable]
(xiii)	Cap Value 1:	[1/-1/0/Not Applicable]
(xiv)	Cap Value 2:	[1/-1/0/Not Applicable]
(xv)	Floor Value 1:	[1/-1/0/Not Applicable]

(xvi) Floor Value 2: [1/-1/0/Not Applicable]

(xvii) Leverage (Cap) 1: [Applicable/Not Applicable]

[Interest Period(s)	**Leverage (Cap)**
[•]	[•]
[•]	[•]
[•]	[•]
[All Interest Periods]	[•]]

(xviii) Leverage (Cap) 2: [Applicable/Not Applicable]

[Interest Period(s)	**Leverage (Cap)**
[•]	[•]
[•]	[•]
[•]	[•]
[All Interest Periods]	[•]]

(xix) Leverage (Floor) 1: [Applicable/Not Applicable]

[Interest Period(s)	**Leverage (Floor)**
[•]	[•]
[•]	[•]
[•]	[•]
[All Interest Periods]	[•]]

(xx) Leverage (Floor) 2: [Applicable/Not Applicable]

[Interest Period(s)	**Leverage (Floor)**
[•]	[•]
[•]	[•]
[•]	[•]
[All Interest Periods]	[•]]

(xxi) Cap Strike Upper: [[•]/Not Applicable]

(xxii) Cap Strike Lower: [[•]/Not Applicable]

(xxiii) Cap Strike Upper 1: [[•]/Not Applicable]

(xxiv) Cap Strike Lower 1: [[•]/Not Applicable]

(xxv) Cap Strike Upper 2: [[•]/Not Applicable]

(xxvi) Cap Strike Lower 2: [[•]/Not Applicable]

(xxvii) Floor Strike Upper: [[•]/Not Applicable]

(xxviii) Floor Strike Lower: [[•]/Not Applicable]

(xxix) Floor Strike Upper 1: [[•]/Not Applicable]

(xxx) Floor Strike Lower 1: [[•]/Not Applicable]

(xxxi) Floor Strike Upper 2: [[•]/Not Applicable]

(xxxii)	Floor Strike Lower 2:	[[•]/Not Applicable]
(xxxiii)	Strike Upper:	[[•]/Not Applicable]
(xxxiv)	Strike Lower:	[[•]/Not Applicable]
(xxxv)	Strike 2	[[•]/Not Applicable]
(xxxvi)	K:	[[•]/Not Applicable]
(xxxvii)	N:	[[•]/Not Applicable]
(xxxviii)	W:	[[•]/Not Applicable]
(xxxix)	X:	[[•]/Not Applicable]
(xl)	Y:	[[•]/Not Applicable]
(xli)	Z:	[[•]/Not Applicable]
(xlii)	Maximum Interest Rate:	[[•]/Not Applicable]
(xliii)	Gearing:	[[•]/Not Applicable]
(xliv)	Coupon:	[[•]/Not Applicable]
(xlv)	Coupon Barrier Level(s):	[[•]/Not Applicable] [The Autocall Condition will be satisfied if the Reference Rate [exceeds/equals/is below] the Coupon Barrier Level]
(xlvi)	Minimum Basket Return:	[[•]/Not Applicable]
(xlvii)	Gearing Payer:	[[•]/Not Applicable]
(xlviii)	Gearing Receiver:	[[•]/Not Applicable]
(xlix)	Payer Strike:	[[•]/Not Applicable]
(l)	Receiver Strike:	[[•]/Not Applicable]
(li)	Power Factor:	[[•]/Not Applicable]
(lii)	Fixed Rate:	[[•]/Not Applicable]
(liii)	Flag:	[[•]/Not Applicable]
(liv)	Tenor:	[[•]/Not Applicable]
(lv)	Gearing Cap:	[[•]/Not Applicable]
(lvi)	Gearing Floor:	[[•]/Not Applicable]
(lvii)	Inflation Index:	[[•]/Not Applicable]
(lviii)	Valuation Date(s):	[Valuation Date 1: [•]; Valuation Date 2: [•]; Valuation Date [•]: [•]/

Valuation Date(s)	**Reference Asset (Interest)**	**Valuation Date Averaging**	**Averaging Dates relevant to applicable Valuation Date**
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

/[•]]

(lix) Valuation Time: [[•]/Not Applicable]

Reference Asset (Interest)	Valuation Time
[•]	Valuation Time 1: [•]
[•]	Valuation Time 2: [•]
[•]	Valuation Time [•]: [•]

31. **Provisions relating to FX Components (Interest)** [Applicable/Not Applicable]

FX Component (Interest): [Applicable/Not Applicable/Applicable to the Interest Amount(s) determined in accordance with the [•] Interest Basis on the following Interest Payment Dates: [•]]

- FX Rate (Interest): [[•]/Not Applicable]
- Initial FX Valuation Date(s) (Interest): [[•]/1 Currency Business Day prior to the Initial Valuation Date/Not Applicable/

Reference Asset	Initial FX Valuation Date(s) (Interest)
[•]	[•]
[•]	[•]
[•]	[•]]

- FX Valuation Date(s) (Interest): [[•]/1 Currency Business Day after the Valuation Date/Not Applicable/

Reference Asset	FX Valuation Date(s) (Interest)
[•]	[•]
[•]	[•]
[•]	[•]]

- FX Valuation Time (Interest): [[•]/Not Applicable]
- FX Factor (Interest) Long/Short: [FX Factor (Interest) Long/FX Factor (Interest) Short/Not Applicable]
- Initial FX Rate (Interest): [[•]/As set out in the Base Prospectus]
- Final FX Rate (Interest): [[•]/As set out in the Base Prospectus]

III. ADDITIONAL PROVISIONS RELATING TO REDEMPTION **[APPLICABLE/NOT APPLICABLE]** [Items 32 to 40 have been intentionally omitted][8]

32. Applicable performance structures: ["Basket Long" structure]

["Basket Short" structure]

8 Insert where additional redemption provisions are marked as Not Applicable.

["Barrier outperformance" structure]

["Barrier underperformance" structure]

["Best of/Worst of Barrier Outperformance" structure]

["Best of/Worst of Barrier Underperformance" structure]

["Autocallable Structure Long"]

["Autocallable Structure Short"]

["Replacement Basket" structure]

["Locally Capped Basket" structure]

["Rainbow Basket" structure]

["Booster Short" structure]

["Booster Long" structure]

["Booster Long Minimum Redemption" structure]

["Booster Risk Barrier Short" structure]

["Booster Risk Barrier Long" structure]

["Twin Win" structure]

["Bonus Booster Short" structure]

["Bonus Booster Long" structure]

["Cliquet" structure]

["Reverse Cliquet" structure]

["Replacement Cliquet" structure]

["Reverse Replacement Cliquet" structure]

["Rainbow Replacement Cliquet" structure]

["Reverse Convertible" structure]

["Reverse Convertible Risk Barrier" structure]

["Best of/Worst of Reverse Convertible" structure]

[Worst of Digital Memory Coupon 1]

[Worst of Call Option]

[Outperformance Option [Long against Short/Long Against Long]]

["Non-Tranched CLN" structure]

["Tranched CLN" structure]

["Nth to Default CLN" structure]

["Nth and Nth + 1 Default CLN" structure]

		[Option CLN structure]
		["Digital Long" structure]
		["Digital Short" structure]
		["Worst of Digital Long" structure]
		["Worst of Digital Short" structure]
		["Series of Digitals" structure]
		["Delta 1" structure]
		["Inflation Linker 2"]
		["Barrier Outperformance" Structure 2]
		["Barrier Underperformance" Structure 2]
		["Target Volatility" Structure]
		["Booster Risk Barrier 2" structure]
		["Autocallable Rate" structure]
		["In Option – Basket Long" structure]
		["In Option – Basket Short" structure]
		["Out Option – Basket Long" structure]
		["Out Option – Basket Short" structure]
		["Steepner Booster" structure]
		["Target Redemption Steepner" structure]
		["Plateau Booster" structure]
33.	Method of calculating Basket Return for the purposes of applicable Performance Structure:	[Basket Long Structure/Basket Short Structure/ Not Applicable] [Basket A: Basket Long/Short Structure] [Basket B: Basket Long/Short Structure]
34.	Combination of structures:	[Applicable/Not Applicable]
	(i) Method of Combination:	[Addition/Subtraction/Alternative Calculation]
	(ii) Additional Amount Basket A:	[Not Applicable/the [•] structure]
	(iii) Additional Amount Basket B:	[Not Applicable/the [•] structure]
	(iv) Relevant Condition(s) for determination of Redemption Amount:	[Condition [•] will be applicable if Barrier Level 1 is not exceeded on [any/the final] Valuation Date, Condition [•] will be applicable if Barrier Level 1 is exceeded on [any/the final] Valuation Date but Barrier Level 2 is not exceeded, Condition [•] will be applicable if Barrier Level 2 is exceeded on [any/the final] Valuation Date but Barrier Level [•] has not been exceeded Condition [•] will be applicable if Barrier Level [•] is exceeded on [any/the final] Valuation Date/Condition(s) [•] and [•] are applicable and the following Performance Percentages shall apply:

Basket	Performance Structure	Performance Percentage
[Basket A/ single Basket]	[•]	[•]
[Basket B]	[•]	[•]
[Basket [•]]	[•]	[•]

35. **Performance structure-related items:** [Applicable/Not Applicable]

Dates and Times

(i) Initial Valuation Date(s): [[•]/Not Applicable/

Initial Valuation Date(s)	Reference Asset	Initial Valuation Date Averaging	Averaging Dates relevant to applicable Valuation Date
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

]

(ii) Valuation Date(s): [[•]/Not Applicable]

[The relevant Valuation Date(s) for comparing the Basket Return to the [Initial Basket Level/Barrier Level 1/Barrier Level 2] are:]

Valuation Date(s)	Reference Asset	Valuation Date Averaging	Averaging Dates relevant to applicable Valuation Date
[•]	[•]	[Applicable/ Not Applicable/ Applicable to Synthetic Index Return calculation only]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable/ Applicable to Synthetic Index Return calculation only]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable/ Applicable to Synthetic Index Return calculation only]	[[•]/Not Applicable]

(iii) Twin-Win Valuation Date(s): [[•] if the Initial Basket Level is reached or exceeded on the relevant Valuation Date(s), [•] if Barrier Level 1 is reached or exceeded on the relevant Valuation Date(s), [•] if Barrier Level 2 is reached or exceeded on the relevant Valuation Date(s), [•] if Barrier Level N is reached or exceeded on the relevant Valuation Date(s)/Not Applicable].

(iv) Valuation Time: [[•]/As set out in Condition 1 (*Definitions*)/Not Applicable/

Reference Asset	**Valuation Time**
[•]	Valuation Time 1: [•]
[•]	Valuation Time 2: [•]
[•]	Valuation Time [•]: [•]

]

(v) Rebalancing Date: [[•]/Not Applicable]

(vi) Scheduled Redemption Date: [[•]/Not Applicable]

(vii) Back Stop Date: [[•]/Not Applicable]

(viii) Observation Date(s): [[•]/Each day from and including [•] to but excluding [•]/Not Applicable]

(ix) Observation Date Averaging: [[•]/Not Applicable/

Observation Date(s)	**Reference Asset**	**Observation Date Averaging**	**Averaging Dates relevant to applicable Observation Date**
Observation Date 1: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
Observation Date 2: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
Observation Date [•]: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

]

(x) Risk Barrier Observation Date(s): [[•]/Not Applicable/

Risk Barrier Observation Date(s)	**Reference Asset**	**Risk Barrier Observation Date Averaging**	**Averaging Dates relevant to Risk Barrier Observation Date**
Observation Date 1: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
Observation Date 2: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
Observation Date [•]: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

]

Amounts and Values

(xi) Participation Ratio: [[•]/Not Applicable]

(xii)	Participation Ratio 2:	[[•]/Not Applicable][9]
(xiii)	Participation Ratio 3:	[[•]/Not Applicable]
(xiv)	Initial Price:	[[•]/As set out in Condition 1 (*Definitions*)]
(xv)	Final Price:	[[•]/As set out in Condition 1 (*Definitions*)]
(xvi)	Basket Strike Level:	[[•]/Not Applicable]
(xvii)	Initial Basket Level:	[[•]/Not Applicable]/[•] in respect of Basket A and [•] in respect of Basket B
(xviii)	Basket Floor:	[Applicable/Not Applicable]
(xix)	Minimum Basket Return:	[[•]/Not Applicable]
(xx)	Basket Cap:	[Applicable/Not Applicable]
(xxi)	Maximum Basket Return:	[[•]/Not Applicable]
(xxii)	Reference Asset Floor:	[Applicable/Not Applicable]
(xxiii)	Minimum Reference Asset Return:	[Not Applicable/

Reference Asset	Maximum Reference Asset Return
[•]	[•]
[•]	[•]
[•]	[•]

]

(xxiv)	Reference Asset Cap:	[Applicable/Not Applicable]
(xxv)	Maximum Reference Asset Return:	[Not Applicable/

Reference Asset	Maximum Reference Asset Return
[•]	[•]
[•]	[•]
[•]	[•]

]

(xxvi)	Barrier Level(s):	[[•]/Not Applicable]
(xxvii)	Risk Barrier Level(s):	[[•]/Not Applicable]
(xxviii)	Replacement Factor:	[[•]/Not Applicable]
(xxix)	Maximum Performance:	[[•]/Not Applicable]
(xxx)	Minimum Performance:	[[•]/Not Applicable]

[9] Note, for the Steepner structure this should be expressed as a negative value

(xxxi)	Lock-in Level(s):	[[•]/Not Applicable]
	• Locked-in Return(s)	[Applicable/Not Applicable]
	• Lock-in Level [1/2/3 …n]	[•]
(xxxii)	Global Cap:	[[•]/Not Applicable]
(xxxiii)	Global Floor:	[[•]/Not Applicable]
(xxxiv)	Initial Coupon:	[[•]/Not Applicable]
(xxxv)	Local Cap:	[[•]/Not Applicable]
(xxxvi)	Local Floor:	[[•]/Not Applicable]
(xxxvii)	N:	[[•]/Not Applicable]
(xxxviii)	Outperformance Option:	[Applicable/Not Applicable]
(xxxix)	Fixed Periodic Basket Return(s):	[[•]/Not Applicable]
(xl)	Fixed Reference Asset Return(s):	[[•]/Not Applicable]
(xli)	Coupon Barrier Level(s):	[[•]/Not Applicable]
(xlii)	Coupon:	[[•]/Not Applicable]
(xliii)	K:	[[•]/Not Applicable]
(xliv)	I:	[[•]/Not Applicable]
(xlv)	Inflation-Protected Principal:	[Applicable/Not Applicable]
(xlvi)	Fee Amount:	[[•]/Not Applicable]
(xlvii)	Rebate:	[[•]/Not Applicable]
(xlviii)	Target Volatility:	[[•]/Not Applicable]
	• Minimum Adjustment Threshold:	[[•]/Not Applicable]
	• Minimum Exposure:	[[•]/Not Applicable]
	• Maximum Exposure:	[[•]/Not Applicable]
	• Annualising Factor:	[[•]/Not Applicable]
	• Second Annualising Factor:	[[•]/Not Applicable]
	• Initial Synthetic Index Value:	[[•]/Not Applicable]
	• Synthetic Index Strike Level:	[[•]/Not Applicable]

	•	Minimum Synthetic Index Return:	[[•]/Not Applicable]
	•	Cash Rate:	[[•]/Not Applicable]
	•	Cash Return Day Count Fraction:	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]
	(xlix)	In Option – Basket Long:	[Applicable/Not Applicable]
	•	Option Type:	[Bought Up and In/ Sold Up and In/ Bought Down and In/ Sold Down and In]
	(l)	In Option – Basket Short:	[Applicable/Not Applicable]
	•	Option Type:	[Bought Up and In/ Sold Up and In/ Bought Down and In/ Sold Down and In]
	(li)	Out Option – Basket Long:	[Applicable/Not Applicable]
	•	Option Type:	[Bought Up and Out/ Sold Up and Out/ Bought Down and Out/ Sold Down and Out]
	(lii)	Out Option – Basket Short:	[Applicable/Not Applicable]
	•	Option Type:	[Bought Up and Out/ Sold Up and Out/ Bought Down and Out/ Sold Down and Out]
	(liii)	Target Redemption Amount:	[[•]/Not Applicable]
	(liv)	Maximum Differential:	[[•]/Not Applicable]
	(lv)	Minimum Differential:	[[•]/Not Applicable]
	(lvi)	Cap:	[[•]/Not Applicable]
	(lvii)	Gearing:	[[•]/Not Applicable]
36.	**Strategy-related items**		[Applicable/Not Applicable/Applicable for the purposes of Condition [•] only]
	(i)	Best of/Worst of Modifier:	[Applicable/Not Applicable]
	•	N:	[[•]/Not Applicable]
	(ii)	TOM Cumulative Strategy:	[Applicable/Not Applicable]
	•	Reference Rate:	[[•]/Not Applicable]
	•	TOM Participation Ratio:	[[•]/Not Applicable]
	•	Day Count Fraction:	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]
	•	TOM Commencement Date:	[•]
	•	TOM End Date:	[•]

- TOM Calculation Start Date: [•] Scheduled Trading Days prior to the first Scheduled Trading Day in each calendar month

TOM Calculation Start Date Averaging	Averaging Dates relevant to applicable TOM Calculation Start Date
[Applicable/Not Applicable]	[[•] Scheduled Trading Days prior to the first Scheduled Trading Day in each calendar month /Not Applicable]

- TOM Calculation End Date: [•] Scheduled Trading Days following the first Scheduled Trading Day in each calendar month

TOM Calculation End Date Averaging	Averaging Dates relevant to applicable TOM Calculation End Date
[Applicable/Not Applicable]	[[•] Scheduled Trading Days following the first Scheduled Trading Day in each calendar month /Not Applicable]

- TOM Final Value Averaging: [Applicable/Not Applicable]
- TOM Final Value Averaging Dates: [The TOM Valuation Dates falling on [•] and [•]/Not Applicable]
- Final TOM Period Performance Averaging: [Applicable/Not Applicable]
- N: [[•]/Not Applicable]

(iii) Lookback Initial Price Modifier: [Applicable/Not Applicable]

(iv) Lookback Final Price Modifier: [Applicable/Not Applicable]

(v) Lookback Observation Period[s]: [Not Applicable/The Initial Lookback Observation Period will comprise each Scheduled Trading Day falling on or after [•]] [and] [the Final Observation Period will comprise each Scheduled Trading Day falling on or after [•] and on or before [•]]]

(vi) Lookback Factor: [Minimum Asset Price/Maximum Asset Price/Minimum Basket Price/Maximum Basket Price/Not Applicable]

(vii) Lock-in Modifier: [Applicable. The relevant Lock-in Levels are specified in paragraph 35 above/Not Applicable]

(viii) Lock-in Basket Floor: [Applicable/Not Applicable]

(ix)	Running PnL Strategy:	[Applicable/Not Applicable]
(x)	Reserve Provision:	[Applicable/Not Applicable]
(xi)	Initial Reserve Amount:	[[•] per cent of the Principal Amount of each Note//Not Applicable]
(xii)	Reserve Provision End Date:	[[•]/Maturity/ Not Applicable]

37. **Provisions relating to FX Components** [Applicable/Not Applicable]

(i) FX Component - Reference Asset: [Applicable/Not Applicable/Applicable if the Basket Return is positive/Applicable if the Basket Return is negative]

- FX Rate: [[•]/Not Applicable]
- Initial FX Valuation Date: [[•]/1 Currency Business Day prior to the Initial Valuation Date/Not Applicable/

Reference Asset	Initial FX Valuation Date(s)
[•]	[•]
[•]	[•]
[•]	[•]]

- FX Valuation Date(s): [[•]/1 Currency Business Day after the Valuation Date/Not Applicable/

Reference Asset	FX Valuation Date(s)
[•]	[•]
[•]	[•]
[•]	[•]]

- FX Valuation Time: [[•]/Not Applicable]
- FX Factor Long/Short: [FX Factor – Long/FX Factor – Short/Not Applicable]
- Initial FX Rate: [[•]/As set out in the Base Prospectus]
- Final FX Rate: [[•]/As set out in the Base Prospectus]

(ii) FX Component – Additional Amount: [Applicable/Not Applicable/Applicable if the Basket Return is positive/Applicable if the Basket Return is negative]

- FX Rate: [[•]/Not Applicable]
- Initial FX Valuation Date: [[•]/1 Currency Business Day prior to the Initial Valuation Date/Not Applicable/

Additional Amount	Initial FX Valuation Date(s)
[•]	[•]
[•]	[•]
[•]	[•]]

- FX Valuation Date(s): [[•]/1 Currency Business Day after the Valuation Date/Not Applicable/

Additional Amount	FX Valuation Date(s)
[•]	[•]
[•]	[•]

- FX Valuation Time: [[•]/Not Applicable]
- FX Factor Long/Short: [FX Factor – Long/FX Factor – Short/Not Applicable]
- Initial FX Rate: [[•]/As set out in the Base Prospectus]
- Final FX Rate: [[•]/As set out in the Base Prospectus]

(iii) FX Component – Base Redemption Amount or Redemption Amount: [Applicable to Base Redemption Amount/Applicable to Redemption Amount/Not Applicable]

- FX Rate: [[•]/Not Applicable]
- Initial FX Valuation Date: [[•]/1 Currency Business Day prior to the Initial Valuation Date/Not Applicable/

[Base Redemption Amount/Redemption Amount]	Initial FX Valuation Date(s)
[•]	[•]
[•]	[•]
[•]	[•]]

- FX Valuation Date(s): [[•]/1 Currency Business Day after the Valuation Date/Not Applicable/

[Base Redemption Amount/Redemption Amount]	FX Valuation Date(s)
[•]	[•]
[•]	[•]]

- FX Valuation Time: [[•]/Not Applicable]
- FX Factor Long/Short: [FX Factor – Long/FX Factor – Short/Not Applicable]
- Initial FX Rate: [[•]/As set out in the Base Prospectus]
- Final FX Rate: [[•]/As set out in the Base Prospectus]

(iv) FX Component - Composite: [Applicable/Not Applicable]

- FX Rate: [[•]/Not Applicable]
- Initial FX Valuation Date: [[•]/1 Currency Business Day prior to the Initial Valuation Date/Not Applicable/

	Reference Asset	Initial FX Valuation Date(s)
	[•]	[•]
	[•]	[•]
	[•]	[•]]

• FX Valuation Date(s):	[[•]/1 Currency Business Day after the Valuation Date/Not Applicable/	

	Reference Asset	Initial FX Valuation Date(s)
	[•]	[•]
	[•]	[•]]

•	FX Valuation Time:	[[•]/Not Applicable]
•	FX Factor Long/Short:	[FX Factor – Long/FX Factor – Short/Not Applicable]
•	Initial FX Rate:	[[•]/As set out in the Base Prospectus]
•	Final FX Rate:	[[•]/As set out in the Base Prospectus]

38. **Provisions relating to Inflation-Linked Notes:** [Applicable/Not Applicable]

(i)	Inflation-Protected Principal:	[[•]/Not Applicable]
(ii)	Inflation Rate:	[[•]/Not Applicable]
(iii)	Final CPI:	[[•]/Not Applicable]

39. **Provisions relating to Credit-Linked Notes:** [Applicable/Not Applicable]

(i)	Observation Start Date:	[[•]/Not Applicable]
(ii)	Observation End Date:	[[•]/Not Applicable]
(iii)	Portfolio Exposure:	[[•] [in respect of Basket A/B]/Not Applicable]
(iv)	Fixed Recovery Value:	[[•] [in respect of Basket A/B]/Not Applicable]
(v)	Market Recovery Value:	[Applicable/[in respect of Basket A/B]/Not Applicable]
(vi)	Tranche Attachment Point:	[[•] rounded to the [•] decimal [in respect of Basket A/B]/Not Applicable]
(vii)	Tranche Detachment Point:	[[•] rounded to the [•] decimal [in respect of Basket A/B]/Not Applicable]
(viii)	Restructuring Amount:	[[•]/Not Applicable]
(ix)	Replacement Reference Entity:	[Applicable/Not Applicable]
(x)	Obligation Acceleration Amount:	[[•]/Not Applicable]

(xi)	Failure to Pay Amount:	[[•]/Not Applicable]
(xii)	Default Requirement:	[[•]/Not Applicable/As set out in Part 3: *Additional Conditions for Credit-Linked Notes* to the Conditions]
(xiii)	Credit Events:	[Failure to Pay/ Restructuring/ Bankruptcy/ Governmental Intervention/ Repudiation/ Moratorium/ Obligation Acceleration/Not Applicable]
(xiv)	Partial Restructuring:	[Applicable/Not Applicable]
(xv)	Credit Deterioration Requirement:	[Applicable/Not Applicable]
(xvi)	Grace Period Extension:	[Applicable/Not Applicable]
(xvii)	Maximum Length of Grace Period:	[[•] Business Days/Not Applicable]
(xviii)	Extended Redemption Date:	[The date falling [•] Business Days after the Grace Period Extension Date]
(xix)	Multiple Holder Obligation:	[Applicable/Not Applicable]
(xx)	Target Redemption Amount:	[[•][in respect of Basket A/B]/Not Applicable]
(xxi)	Credit Event Ranked Basket Participation:	[Applicable/Not Applicable]

• Credit Event Ranked Weight:

Credit Event (in order of occurrence)	Weighting
1	[•]%
2	[•]%
3	[•]%
N	[•]%

(xxii)	Scheduled Redemption Date:	[[•]/Not Applicable]
(xxiii)	N:	[[•]/Not Applicable]
(xxiv)	K:	[[•]/Not Applicable]
(xxv)	Factor1:	[[•]/Not Applicable]
(xxvi)	Factor2:	[[•]/Not Applicable]
(xxvii)	Factor3:	[[•]/Not Applicable]
(xxviii)	Factor4:	[[•]/Not Applicable]
(xxix)	Strike 1:	[[•]/Not Applicable]
(xxx)	Strike 2:	[[•]/Not Applicable]
(xxxi)	Strike 3:	[[•]/Not Applicable]
(xxxii)	Strike 4:	[[•]/Not Applicable]
(xxxiii)	Indicator 1:	[[•]/Not Applicable]

	(xxxiv)	Indicator 2:	[[•]/Not Applicable]
	(xxxv)	Indicator 3:	[[•]/Not Applicable]
	(xxxvi)	Indicator 4:	[[•]/Not Applicable]
	(xxxvii)	Trigger Percentage:	[[•]/Not Applicable]
40.	**Provisions relating to Fund Linked Notes:**		[Applicable/Not Applicable]
	(i)	Fund:	[[•]/Not Applicable]
	(ii)	Fund Manager:	[[•]/Not Applicable]
	(iii)	Back Stop Date:	[[•]/Not Applicable]
41.	**Provisions relating to Futures Contracts:**		[Applicable/Not Applicable]
	(i)	Rolling of Futures Contracts:	[[•]/Not Applicable]
	(ii)	Roll Date(s):	[•] [Any trading day from and including] [the [•] Scheduled Trading Day [in the month prior] to the expiration of the relevant futures contract]
IV.	**INSTALMENT AND EARLY REDEMPTION**		**[APPLICABLE/NOT APPLICABLE]** [Items 41-47 have been intentionally omitted][10]
42.	Instalment Redemption		[[•]/Not Applicable]
	(i)	Instalment Amount:	[[•] per Calculation Amount/Not Applicable]
	(ii)	Instalment Date(s):	[[•]/Not Applicable]
43.	Optional Early Redemption (Call)		[Applicable/Not Applicable]
	(i)	Early Redemption Date(s):	[[•]/Not Applicable]
	(ii)	Early Redemption Amount(s) of each Note:	[•] per Calculation Amount
44.	Optional Early Redemption (Put)		[Applicable/Not Applicable]
	(i)	Early Redemption Date(s):	[[•]/Not Applicable]
	(ii)	Early Redemption Amount(s) of each Note:	[•] per Calculation Amount
45.	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons:		[[•] per Calculation Amount/Such percentage per Calculation Amount as may be determined by the Issuer]
46.	Substantial Repurchase Event		[Applicable/Not Applicable]
47.	Early Redemption Date(s) of Notes with "Autocallable" or "Autocallable Rate" performance structure:		[[•]/Not Applicable]
	•	Call Barrier Level:	[[•]/For:

[10] Include where instalment and early redemption provisions are marked as "Not Applicable"

		Observation Date 1: [•]
		Observation Date 2: [•]
		Observation Date [•]: [•]/Not Applicable]
48.	Payment of Unwind Amount on Early Redemption:	[Applicable/Not Applicable]

V. PROVISIONS APPLICABLE TO DISRUPTION, ADJUSTMENTS AND OTHER EXTRAORDINARY EVENTS.

49.	Change in Law:	[As set out in Condition 9 (*Change in Law*)/Not Applicable]
50.	Increased Costs of Hedging:	[As set out in Condition 10 (*Increased Costs of Hedging*)/Not Applicable]
51.	Hedging Disruption:	[As set out in Condition 11 (*Hedging Disruption*)/Not Applicable]
52.	Market Disruption:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions /Not Applicable]
53.	Market Disruption Commodity:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
54.	Disruption Currency:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
55.	Calculation Adjustment:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
56.	Corrections:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
	• [Number of Exchange Business Days:	[•]/As set out in Part 1: *General Conditions* to the Conditions]
57.	Correction Commodity:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
58.	Correction Currency:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
59.	Extraordinary Events:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
60.	Rate Option Fall Back:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

61.	Form of Notes:	[Bearer Notes:]
		[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
		[Temporary Global Note exchangeable for Definitive Notes]

		[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
		[Registered Notes:]
		[Global Registered Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is held under the New Safekeeping Structure)]
		[VP Notes]
		[The Notes are VP Notes in uncertificated and dematerialised book entry form]
		[VPS Notes]:
		[The Notes are VPS Notes in uncertificated and dematerialised book entry form]
		[Swedish Notes]
		[The Notes are Swedish Notes in uncertificated and dematerialised book entry form]
		[Finnish Notes]
		[The Notes are Finnish Notes in uncertificated and dematerialised book entry form]
62.	New Global Note:	[Yes] [No]
63.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[[•]/Not Applicable]
64.	Calculation Agent:	[[•]/Not Applicable]
65.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No.]
66.	Relevant Benchmark[s]:	[[EURIBOR / SOFR / SONIA / €STR / STIBOR / NIBOR / CIBOR / CDOR / *insert name of index*] is provided by [administrator legal name]][repeat as necessary]. [As at the date hereof, [[administrator legal name][appears]/[does not appear][[repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of Regulation (EU) 2016/1011, as amended]/[As far as the Issuer is aware, as at the date hereof, the [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011, as amended] / [As at the date hereof, the European Central Bank is not required to obtain authorisation under Regulation (EU) 2016/1011, as amended] / [Not Applicable]].
67.	Governing Law:	[English Law/ Finnish Law/

Swedish Law/
Norwegian Law/
Danish Law]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for the issue [and admission to trading on the regulated market of the Irish Stock Exchange plc, trading as Euronext Dublin] of the Notes described herein pursuant to the €15,000,000,000 Structured Note Programme of Nordea Bank Abp.]

RESPONSIBILITY

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

Signed on behalf of Nordea Bank Abp:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

[Not Applicable]/[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to the official list and to trading on the [Irish Stock Exchange plc, trading as Euronext Dublin/Nasdaq Stockholm/Nasdaq Helsinki/Nasdaq Copenhagen/Oslo Børs/Nasdaq Oslo/Nordic Derivatives Exchange] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to the official list and to trading on the [Irish Stock Exchange plc, trading as Euronext Dublin/Nasdaq Stockholm/Nasdaq Helsinki/Nasdaq Copenhagen/Oslo Børs/Nasdaq Oslo/Nordic Derivatives Exchange] with effect from [•].]

2. **RATINGS**

The Notes to be issued have not been rated.

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

[*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement*:]

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."] (*Amend as appropriate if there are other interests)*

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the EU Prospectus Regulation.)]

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

[(i) Reasons for the offer:

[The net proceeds of the issue of the Notes will be used for the general banking and other corporate purposes of the Issuer and the Nordea Group.]/

[The Issuer intends to apply an amount equal to net proceeds of the Notes to finance or refinance assets that have been evaluated and selected by the Issuer pursuant to its Green Bond Framework. The Green Bond Assets comprise financing within the Green Bond Asset Categories which are or have been originated by the various business units of the Issuer mostly in the Nordic countries.

The net proceeds of the Notes will not be used towards financing nuclear or fossil fuel energy operations or operations that are deemed by the Issuer to be in the sectors "Weapons and Defence", "Coal Mining" or "Tobacco". Additionally, any existing financing of customers which are deemed not to be eligible in reference to Nordea's corporate customer Environment, Social and Governance ("**ESG**") assessment process will not be selected for financing or refinancing by the net proceeds of the Notes.

"**Green Bond Asset Categories**" means the green bond asset categories of the Issuer as set out in its Green Bond Framework.

"**Green Bond Framework**" means the green bond framework of the Issuer dated October 2021 available for viewing on its website (https://www.nordea.com/en/investors/debt-and-rating/green-bonds).

For further information in relation to the Notes, please see "*Green Notes*" and "*Notes – Overview of Key Features – Green Notes"* on pages [•] to [•] and [•] to [•] of the Base Prospectus.] /

[*Specify alternative purpose if applicable*].

[(ii)]	Estimated net proceeds:	[•]/[The net proceeds will be determined on the basis of the number of Notes sold during the Offer Period multiplied by the relevant Offer Price, net of any applicable fees and expenses.]
[(iii)]	Estimated total expenses:	[•]

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

Indication of yield: [Indicatively [•] but in no event lower than [•]/[•] per cent. per annum]

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

Details of historic [EURIBOR/SONIA/SOFR/€STR/STIBOR/NIBOR/CIBOR/CDOR/[•]] rates can be obtained from [Reuters].]

7. ***[Index-linked or other variable-linked notes only* – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where information about the past and the future performance of the underlying and its volatility can be obtained by electronic means and whether or not it can be obtained free of charge [11]*]*

Basket	Reference Asset(s)	Basket Participation	Stock Exchange and Options or Futures Exchange	Initial Price	Strike Level	Source for past and future performance data
[Basket A /Single Basket]	[•] [Reference Asset 1] [•] [Reference Asset 2]	[•]	[•]	[•]/ [As determined in accordance with the Conditions set out in the Base Prospectus] [•]	[•]	[•]
[Basket B]	[•]	[•]	[•]	[•]	[•]	[•]

11 Required for derivative securities to which Annex 17 to the EU Prospectus Regulation applies.

[Reference Entity	ISIN	Regulated Market/ SME Growth Market	Address	Country	Industry]
[•]	[•]	[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]	[•]	[•]

Basket	Reference Entity(ies) /Reference Entity(ies) (Interest)	Number of existing Credit Events	Basket Participation (Interest)/ Basket Participation	Observation Start Date	Observation End Date	Source for past and future performance data
[Basket A/Single Basket]	[•]	[•]	[•]	[•]	[•]	[•]
[Basket B]	[•]	[•]	[•]	[•]	[•]	[•]

[Option]	CDS	CDS Maturity and Convention Spread	CDS Factor	Reference Entities/ Index	Source for past and future performance data
[Option1]	[•]	[•]	[•]	[•]	[•]
[Option 2]	[•]	[•]	[•]	[•]	[•]
[Option 3]	[•]	[•]	[•]	[•]	[•]
[Option 4]	[•]	[•]	[•]	[•]	[•]

8. **FURTHER DETAILS OF BASKET PARTICIPATION**

Basket Participation (Interest): [Applicable/Not Applicable]

- Fixed Basket Participation (Interest): [Applicable/Not Applicable]
- Rainbow Basket Participation (Interest): [Applicable/Not Applicable]

Ranking (Best performing first)	Weighting
1	[•]%
2	[•]%
3	[•]%
N	[•]%

- Replacement Cliquet Basket Participation (Interest): [Applicable/Not Applicable]
- Momentum Basket Participation (Interest): [Applicable/Not Applicable]
- Accumulating Rainbow Basket Participation (Interest): [Applicable/Not Applicable]

Basket Participation:	[Applicable/Not Applicable]
• Fixed Basket Participation:	[Applicable/Not Applicable]
• Rainbow Basket Participation:	[Applicable/Not Applicable]

Ranking (Best performing first)	Weighting
1	[•]%
2	[•]%
3	[•]%
N	[•]%

• Replacement Cliquet Basket Participation:	[Applicable/Not Applicable]
• Momentum Basket Participation:	[Applicable/Not Applicable]
• Accumulating Rainbow Basket Participation:	[Applicable/Not Applicable]

9. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
[FISN:	[•]]
[CFI Code:	[•]]
Issuer LEI:	529900OD13047E2L1V03
[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No]

[Note that the designation "yes" means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [12] 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 satisfaction of the Eurosystem eligibility criteria.]

[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 one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common Safekeeper]. Note that this does not necessarily mean that the Notes will then be recognised as eligible

[12] Insert this text for registered notes.

	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 ECB being satisfied that Eurosystem eligibility criteria have been met.][13]
Clearing system(s) [and identification number, if applicable]:	Euroclear / Clearstream, Luxembourg / Euroclear Finland / Euroclear Sweden / VP / Euronext VPS / SIS
Name(s) and address(es) of additional [Paying Agent(s) / VP Issuing Agent(s) / VPS Paying Agent(s) / Finnish Issuing Agent(s)/ Swedish Issuing Agent(s)] (if any):	Not applicable / *Give name and address*

10. **DISTRIBUTION**

(i)	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/Finnish Notes/Swedish Notes*) -TEFRA Not Applicable
(ii)	Section 871(m):	[The Notes are [not] subject to U.S. federal withholding tax under Section 871(m).]
(iii)	Public Offer:	[The Issuer does not consent to the use of the Base Prospectus in connection with a Public Offer of the Notes by any person.] [The Issuer intends to use the Base Prospectus in connection with a Public Offer of the Notes during the period from and including [*specify date*] to and including [*specify date*] (the "**Offer Period**") in [*specify relevant Member State(s) – which must be jurisdictions where the Base Prospectus and any supplements have been passported*] ("**Public Offer Jurisdictions**"), but does not consent to the use of the Base Prospectus by any person other than the Issuer.] [The Issuer consents to the use of the Base Prospectus in connection with a Public Offer of the Notes during the period from and including *[specify date]* to and including *[specify date]* (the "**Offer Period**") by [*insert names of financial intermediaries*] specified in *[specify relevant Member State(s) – which must be jurisdictions where the Base Prospectus and any supplements have been passported*] ("**Public Offer Jurisdictions**") [and subject to the following conditions: [*set out clear and objective conditions*], for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2014/65/EU), as amended or superseded.]

13 Include this text if "yes" is selected, in which case bearer Notes must be issued in NGN form.

(iv)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If no KID will be prepared, "Applicable" should be specified.)*
(v)	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] *(If no KID will be prepared, "Applicable" should be specified.)*

11. **TERMS AND CONDITIONS**

Offer Price:	[[•]/Not Applicable. The Notes will initially be created and held by the Issuer for its own account, in order that they are available for resale to prospective investors from time to time. The Notes will be offered for purchase over the relevant securities exchange at the price that is the official price quoted on the securities exchange from time to time]
Expenses included in the Offer Price:	[[•]/Not Applicable]
Conditions to which the offer is subject:	[Not Applicable/[•]] [The Issuer reserves its rights to cancel the offer under the following circumstances; (a) if the aggregate principal amount of Notes purchased on or before [*insert date*] is less than [*insert amount*]; (b) if the [*insert relevant variable*] cannot be set at [*relevant value corresponding to the indicated minimum value*]; or (c) if any event of an economic, financial or political nature occurs and which may jeopardise a successful offer, as determined by the Issuer]. [The Issuer may also replace any Reference Asset listed in the table(s) above at any time on or prior to [*insert date*] with a comparable type of underlying Reference Asset].
Description of the application process:	[Not Applicable/[•]/Prospective investors should purchase Notes through an intermediary that is a direct or indirect member of the relevant securities exchange where the Notes are admitted to trading]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable. [Notes will be offered for purchase over the relevant securities exchange and there will be no offer for subscription]/[•]/The terms on which any subscriptions may be reduced will be determined in accordance with the terms and conditions agreed between the relevant investor and the relevant distributor or Authorised Offeror.]
Details of the minimum and/or maximum amount of application:	[Not Applicable/[•]]

Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable [purchases of Notes will be settled in accordance with the standard procedures of the relevant settlement system] /[•]/ The Issuer will use reasonable endeavours to settle any application to purchase instruments promptly following the communication of any order by a distributor or Authorised Offeror. Arrangements for the delivery of the Notes to investors, and payment of the applicable purchase price, will be determined in accordance with the procedures agreed between the relevant investor and the relevant distributor or Authorised Offeror.]
Manner in and date on which results of the offer are to be made public:	[Not Applicable.] [Following the Offer Period a Final Terms Confirmation Announcement will be published by the Irish Listing Agent. Notes will be made available for sale on a continuing basis and therefore may be purchased at any time throughout their life and at a variety of different prices depending on prevailing market conditions at the time of purchase.] [Notes will be made available for sale on a continuing basis and therefore may be purchased at any time throughout their life and at a variety of different prices depending on prevailing market conditions at the time of purchase] /[•]]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/[•]]]
[Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/[•]]]
[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable. /[•]/ [Notes will be offered for purchase over the relevant securities exchange and therefore the Issuer will not provide notification of allotments] / Notification of allotments will be provided by the relevant distributor or Authorised Offeror in accordance with the terms and conditions agreed between the relevant investor and such distributor or authorised offeror.]]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/[In connection with the issuance of this type of notes, the Issuer incurs costs for, among other things, production, distribution, licences, [stock exchange listing] and risk management. In order to cover these costs, the Issuer charges production fees. The production fee is included in the purchase price charged by the Issuer to the relevant purchaser, distributor or Authorised Offeror and will amount to a maximum of [ ] per cent ([•] per cent. per year), calculated on the price of the Notes]. [A distribution fee of up to [ ] per cent: ([ ] per cent. per year) calculated on the price of the Notes will be paid by the Issuer to the Authorised Offeror. The distribution fee is included in the purchase price charged by the Issuer.]

Name(s) and address(es), to the extent known to the Issuer, of the Authorised Offerors in the various countries where the offer takes place.	[None/[•]] [Address: [[•]]

[**DISCLAIMERS**]

[*Insert applicable disclaimer text with respect to index providers, in accordance with any applicable licence agreement*]

ANNEX TO THE FINAL TERMS – SUMMARY OF THE ISSUE

[*To be inserted.*]

Form of Final Terms for Certain Structured Notes with a denomination of at least €100,000 to be admitted to trading on the Regulated Market of Euronext Dublin

[IMPORTANT NOTICE

In accessing the attached final terms (the "Final Terms") you agree to be bound by the following terms and conditions.

[EU 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, "**EU 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 EU 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.]

[**UK MIFIR 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); 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**")]/[distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") 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, "**EU MiFID II**")][EU MiFID II]]; [or]/[;] (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II[; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129]. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**EU 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 EU PRIIPs Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); [or]/[;] (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA]. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

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
Legal entity identifier (LEI): 529900OD13047E2L1V03
Issue of [Currency] [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €15,000,000,000
Structured Note Programme

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in any Member State of the European Economic Area of the Notes may only do so in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation in relation to such offer. The Issuer has not authorised, and it does not authorise, the making of any offer of Notes in any other circumstances. The expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the [original base prospectus dated [16 April 2013/20 December 2013/19 December 2014/18 December 2015/19 December 2016/19 December 2017/18 December 2018/18 December 2019/18 December 2020] and which are incorporated by reference into the][14] base prospectus dated 17 December 2021 [and the supplemental base prospectus dated [•]] [which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the EU Prospectus Regulation [15]]. This document constitutes the Final Terms of the Notes described herein [for the purposes of the EU Prospectus Regulation [16]] and must be read in conjunction with the Base Prospectus in order to obtain all relevant information. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the base prospectus supplement[s]] and these Final Terms are available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer at Satamaradankatu 5, FI-00020 Nordea, Helsinki, Finland and from [[*website of distributor*]/www.nordea.com/www.nordea.se/www.nordea.no/www.nordea.dk/www.nordea.fi].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]

I. GENERAL TERMS

1.	(i)	Issuer:	Nordea Bank Abp
2.	(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 [*insert description of series*] on [[*insert date*]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 61 below [which is expected to occur on or about [*insert date*]].]
3.	Specified Currency or Currencies:		[•] / Up to [*insert amount*]. To be confirmed in the Final Terms Confirmation Announcement]
4.	Aggregate Principal Amount:		[•] / Up to [*insert amount*]. To be confirmed in the Final Terms Confirmation Announcement]
	(i)	Series:	[•]
	(ii)	Tranche:	[•]
5.	Issue Price:		[[•] per cent. of the Aggregate Principal Amount of each Note [plus accrued interest from [*insert date*]]/ The Issue Price will be determined by the Issuer on a daily basis during the Offer Period (as defined below), based on the prevailing market price for the Notes. The Notes will be issued with an initial Issue Price of approximately [•] per cent on the Issue Date].

14 Insert for fungible issues.

15 Delete wording in square brackets for an unlisted issuance or third country issuance.

16 Delete wording in square brackets for an unlisted issuance or third country issuance.

6.	(i) Specified Denominations:	[•]
	(ii) Calculation Amount:	[•]
7.	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	[[*insert date*]/Issue Date/Not Applicable]
8.	Redemption Date:	[[•]/[Interest Payment Date falling in or nearest to [•]]
9.	Base Redemption Amount:	[[•]/Not Applicable/Redemption Amount determined in accordance with "[•]" structure as set out in the Conditions [•]]]
10.	Additional Amounts:	[Applicable/Not Applicable] [The Additional Amount(s) will be added to/subtracted from the Base Redemption Amount]
	[Alternative Additional Amount Payment Date:	[•]/Not Applicable]
11.	Minimum Redemption	[Applicable/Not Applicable]
	• Minimum Redemption Amount	[[•]/Not Applicable]
12.	Maximum Redemption	[Applicable/Not Applicable]
	• Maximum Redemption Amount	[[•]/Not Applicable]
13.	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day] [adjusted/unadjusted]
14.	Currency Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day]/[Not Applicable]
15.	Currency Business Day:	[Other / WM/Reuters/ Not Applicable]
16.	Relevant Exchange:	[[•]/[As set out in Condition 1 (*Definitions*)]]
17.	Scheduled Trading Day Convention:	[[Following Scheduled Trading Day Convention/Modified Following Scheduled Trading Day Convention/Preceding Scheduled Trading Day Convention]/[Not Applicable]]
II.	**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**	**[APPLICABLE/NOT APPLICABLE]** [Items 18- 31 have been intentionally omitted][17]

[17] Include where interest provisions are marked as "Not Applicable"

18.	Interest Basis:	[•] per cent. Fixed Rate / Indicatively [•] per cent. Fixed Rate per annum, to be finally settled after the Offer Period and disclosed in the Final Terms Confirmation Announcement] [EURIBOR]/[SOFR]/[SONIA]/[€STR]/[STIBOR] /[NIBOR]/[CIBOR]/[CDOR]/[Nordea Own Funds Rate] /[•] +/– [•] per cent. Floating Rate]. [Inflation Linked] [Zero Coupon] [Rate Adjustment] [Coupon Bearing Notes] [Non-Tranched CLN Interest] [Tranched CLN Interest] [Nth to Default CLN Interest] [Nth and Nth + 1 to Default CLN Interest] [Capped Floor Float] [Cap Floor] [Cap Floor Spread] [Range Accrual] [Range Accrual In/Out] [Knockout Range Accrual] [Binary Cap/Floor] [Binary Zero Coupon] [Inverse Floater] [Autocallable Rate] [Autocall Swap] [Digital Long] [Digital Short] [Best of/Worst of Digital Long] [Best of/Worst of Digital Short] [Worst of Digital Memory Coupon 2] [Digital Podium Long] [Digital Podium Short] [Series of Digitals] [Cash Settled Swaption Straddle]

		[Power Cap/Floor]
		[Compounding Floater]
		[Lock-In 1]
		[Lock-In 2]
		[Snowball]
		[Accumulator]
		[Binary Accumulator]
		[Contingent Cap/Floor]
		[Dual Digital Cap]
		[Dual Digital Floor]
		[Binary Inflation Cap]
		[Binary Inflation Floor]
		[Binary Inflation Range]
		[Inflation Range Accrual]
		[Inflation Cap/Floor]
		[Inflation Straddle]
		[Inflation Cap Floor Spread]
		[ZC Inflation Cap Floor]
		[Inflation Linker 1]
		[Inflation Linker 2]
		[Strip of Call Spreads]
		(further particulars specified below in paragraph[s] [22/23/24/25/27/28/29/30/31])
19.	Combination of Interest Bases:	[Applicable/Not Applicable]
	(i) Method of Combination:	[Single Basket Addition/Multiple Basket Addition/Alternative Calculation]
	(ii) Relevant Condition(s) for determination of Interest Amount:	[Condition [•] will be applicable if Interest Barrier Level 1 is not exceeded on [any/the final] Interest Determination Date, Condition [•] will be applicable if Interest Barrier Level 1 is exceeded on [any/the final] Interest Determination Date but Interest Barrier Level 2 is not exceeded, Condition [•] will be applicable if Interest Barrier Level 2 is exceeded on [any/the final] Interest Determination Date but Interest Barrier Level [•] is not exceeded Condition [•] will be applicable if Interest Barrier Level [•] is exceeded on [any/the final] Interest Determination Date/Condition(s) [•] and [•] are applicable.]

		[Condition [•] in respect of Basket A/Condition [•] in respect of Basket B etc.]
	• [Interest Barrier Level 1:]	[•]
	• [Interest Barrier Level 2:]	[•]
	• [Interest Barrier Level 3:]	[•]
20.	Method of calculating Basket Return for the purposes of Interest determination:	[Basket Long Structure/Basket Short Structure [in respect of Basket A/B]/Not Applicable]
21.	**Interest Deferral**	[Applicable/Not Applicable]
22.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable]
	(i) Interest Rate:	[•] per cent. per annum
	(ii) Interest Payment Date(s):	[•] [in each year][, subject to adjustment in accordance with the Business Day Convention]. [First Interest Payment Date to occur on [•].] [Last Interest Payment Date to occur on [•].]
	(iii) Interest Determination Date:	[[•]/Not Applicable]
	(iv) Fixed Interest Amount:	[•] per Note of [•] Denomination/Not applicable.
	(v) Details of Irregular Interest Amount(s):	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]/Not Applicable]
	(vi) Day Count Fraction:	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]
23.	**Floating Rate Note Provisions**	[Applicable/Not Applicable]
	(i) Interest Payment Dates:	[•] [in each year]
	(ii) Interest Determination Date:	[[•]/Not Applicable]
	(iii) Issuing Agent:	[Not Applicable/[•]]
	(iv) Calculation Agent:	[Not Applicable/[•]]
	(v) Interest Base Rate:	[[EURIBOR]/[SONIA]/[SOFR]/[€STR]/ [STIBOR]/[NIBOR]/[CIBOR]/[CDOR]/[Nordea Own Funds Rate] /[•]]
	(vi) Designated Maturity:	[•]
	• Alternative Designated Maturity	[[•]/Not Applicable/Applicable in respect of the [Short/Long] [initial/final] interest period from (and including) [*date*] to (but excluding) [*date*]].
	(vii) Linear Interpolation:	[Applicable/Not Applicable/Applicable in respect of the [Short/Long] [initial/final] interest period from (and including) [*date*] to (but excluding) [*date*]].
	• Alternative Maturity 1	[[•]/Not Applicable]

• Alternative Maturity 2	[[•]/Not Applicable]
(viii) Relevant Screen Page:	[•]
(ix) Relevant Time:	[•]
(x) Relevant Financial Centre:	[•]
(xi) Interest Margin(s):	[+/-][•] per cent. per annum
(xii) FRN Participation Ratio	[•] per cent.
(xiii) Day Count Fraction:	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]
(xiv) Maximum Interest Rate:	[[•]/Not Applicable]
(xv) Minimum Interest Rate:	[[•]/Not Applicable]
(xvi) Observation Method:	[Lag / Observation Shift]
• Lag Period:	[5 / [ ] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days/Not Applicable]
• Observation Shift Period:	[5 / [ ] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days /Not Applicable] (*NB: A minimum of 5 should be specified for the Lag Period or Observation Shift Period, unless otherwise agreed with the Calculation Agent*)
• Relevant Decimal Place:	[ ] [5/7] *(unless otherwise specified in the Final Terms, be the fifth decimal place in the case of the SONIA Compounded Index and the seventh decimal place in the case of the SOFR Compounded Index*)
• Relevant Number of Index Days:	[ ] [5] (*unless otherwise specified in the Final Terms, the Relevant Number shall be 5*)
• D:	[ ][360]
(xvii) 2021 ISDA Definitions:	[Applicable/Not Applicable]
24. **Zero Coupon Note Provisions**	[Applicable/Not Applicable]
Reference Yield:	[•] per cent. per annum
25. **Inflation-Linked Interest Note Provisions**	[Applicable/Not Applicable]
(i) Interest Rate:	[Fixed Rate Note Provisions (further details specified in paragraph 22)/Floating Rate Note Provisions (further details specified in paragraph 23)]
(ii) Base Index/CPI:	
• Relevant date:	[•]
• Relevant time:	[•] [a.m./p.m.]

26. **Rate Adjustment Note Provisions** [Applicable/Not Applicable]

Provisions relating to the adjustment of the Interest Rate: The Interest Basis will be [•] from [and including/but excluding] [•] to [and including/but excluding] the Interest Payment Date falling in [•], and [•] from [and including/but excluding] the Interest Payment Date falling in [•] up to ([and including/but excluding]) the Redemption Date.

27. **Coupon Bearing Note Provisions** [Applicable/Not Applicable]

(i) Valuation Date(s): [Valuation Date 1: [•]/ Valuation Date 2: [•]/ Valuation Date [•]: [•]/

Valuation Date(s)	**Reference Asset**	**Valuation Date Averaging**	**Averaging Dates relevant to applicable Valuation Date**
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

/[•]]

(ii) Coupon Barrier Level(s): [[•] / For:

Valuation Date 1: [•]

Valuation Date 2: [•]

Valuation Date [•]: [•]]

(iii) Interest Payment Date(s): [•] [in each year][, subject to adjustment in accordance with the Business Day Convention]. [First Interest Payment Date to occur on [•].] [Last Interest Payment Date to occur on [•].] [In relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]: [•] [and in relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]:[•]]

(iv) Flat Coupon: [Applicable/Not Applicable/Applicable if Coupon Barrier Level [•] is reached [and Coupon Barrier Level [•] is not reached]/Applicable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]]

(v) Memory Coupon: [Applicable/Not Applicable/Applicable if Coupon Barrier Level [•] is reached [and Coupon Barrier Level [•] is not reached]/Applicable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]]

(vi) Memory Relevant Coupon(s): [Flat Coupon/Memory Coupon/any Coupon/any Coupon paid if the Basket Return is at or

			[above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]]
	(vii)	Plus Flat Coupon:	[Applicable/Applicable if Coupon Barrier Level [•] is reached [and Coupon Barrier Level [•] is not reached]/Applicable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]]
	(viii)	Plus Memory Coupon:	[Applicable/Not Applicable/Applicable if Coupon Barrier Level [•] is reached [and Coupon Barrier Level [•] is not reached]/Applicable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]]
	(ix)	First Coupon Multiplier:	[[•]/Not Applicable]
	(x)	Coupon Rate(s):	[[•]/[•] in respect of the first Variable Coupon Payment Date on which a Coupon is paid if the Basket Return is at or above Coupon Barrier Level [•] but below Coupon Barrier Level [•]/[•] in relation to the Coupon that is paid if the Basket Return is at or above Coupon Barrier Level [•] but below Coupon Barrier Level [•] on that Interest Payment Date/Not Applicable]
	(xi)	Automatic Coupon Payment:	[Applicable/Not Applicable]
	(xii)	Basket Rate:	[Applicable – Basket [Long]/[Short]]/[Not Applicable]
	(xiii)	Best of/Worst of Rate:	[Applicable/Not Applicable]
	(xiv)	N:	[[•]/Not Applicable]
28.	**CLN Interest Provisions**		[Applicable/Not Applicable]
	(i)	Interest Rate:	[Fixed Rate Note Provisions (further details specified in paragraph 22)/Floating Rate Note Provisions (further details specified in paragraph 23)]
	(ii)	Determination Date Exposure:	[Applicable/Not Applicable]
		• [Number of Business Days:	[[•]/The Observation Date shall be the relevant Interest Payment Date]]
	(iii)	Weighted Average Exposure:	[Applicable/Not Applicable]
	(iv)	Tranche Attachment Point	[[•] rounded to the [•] decimal/Not Applicable]
	(v)	Tranche Detachment Point:	[[•]rounded to the [•] decimal /Not Applicable]
	(vi)	Fixed Recovery Value:	[[•]/Not Applicable]
	(vii)	Market Recovery Value:	[Applicable/Not Applicable]
	(viii)	N:	[[•]/Not Applicable]
	(ix)	Observation Date(s):	[[•]/Each day from and including [•] to and including [•]/Not Applicable/the day falling [•] Business Days prior to each Interest Payment Date]

(x)	Credit Event Ranked Basket Participation (Interest):	[Applicable/Not Applicable]

- Credit Event Ranked Weight:

Credit Event (in order of occurrence)	Weighting
1	[•]%
2	[•]%
3	[•]%
N	[•]%

(xi)	Restructuring Amount:	[Applicable/Not Applicable]
(xii)	Replacement Reference Entity:	[Applicable/Not Applicable]
(xiii)	Obligation Acceleration Amount:	[Applicable/Not Applicable]
(xiv)	Failure to Pay Amount:	[Applicable/Not Applicable]
(xv)	Credit Events:	[[Failure to Pay/ Restructuring/ Bankruptcy/ Governmental Intervention/ Repudiation/ Moratorium/ Obligation Acceleration]/ Not Applicable]
(xvi)	Default Requirement:	[[•]/As set out in Part 3: *Additional Conditions for Credit-Linked Notes* to the Conditions/Not Applicable]
(xvii)	Grace Period Extension:	[Applicable/Not Applicable]
(xviii)	Maximum Length of Grace Period:	[[•] Business Days/Not Applicable]
(xix)	Extended Redemption Date:	[The date falling [•] Business Days after the Grace Period Extension Date]
(xx)	Multiple Holder Obligation:	[Applicable/Not Applicable]
(xxi)	Partial Restructuring:	[Applicable/Not Applicable]
(xxii)	Credit Deterioration Requirement:	[Applicable/Not Applicable]

29. **Digital Interest Provisions** [Applicable/Not Applicable]

(i)	Interest Determination Date:	[[•]/Not Applicable]
(ii)	Interest Payment Date(s):	[[[•] [in each year][, subject to adjustment in accordance with the Business Day Convention]. [First Interest Payment Date to occur on [•].][Last Interest Payment Date to occur on [•].]]/Not Applicable] [In relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]: [•] [and in relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]:[•]]

(iii)	Strike Level:	[[•]/Not Applicable]
(iv)	Coupon:	[•]
(v)	Coupon 2:	[[•]/Not Applicable]
(vi)	N:	[[•]/Not Applicable]
(vii)	Barrier Level:	[[•]/Not Applicable]
(viii)	Basket Strike Level:	[[•]/Not Applicable]
(ix)	Observation Date(s):	[[•]/Each day from and including [•] to but excluding [•]/Each Scheduled Trading Day up to and including the Interest Determination Date/Not Applicable]
(x)	Valuation Time:	[[•]/Not Applicable]

Reference Asset (Interest)	Valuation Time
[•]	Valuation Time 1: [•]
[•]	Valuation Time 2: [•]
[•]	Valuation Time [•]: [•]

30. **Additional Interest Provisions** [Applicable/Not Applicable]

(i)	Interest Determination Date:	[[•]/Not Applicable]
(ii)	Interest Payment Date(s):	[[[•] [in each year][, subject to adjustment in accordance with the Business Day Convention]. [First Interest Payment Date to occur on [•].][Last Interest Payment Date to occur on [•].]]/Not Applicable] [In relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]: [•] [and in relation to any Coupon payable if the Basket Return is at or [above/below] Coupon Barrier Level [•] [but [below/above] Coupon Barrier Level [•]]:[•]]
(iii)	Day Count Fraction:	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]
(iv)	Reference Rate:	[[•]/Not Applicable]
(v)	(Reference Rate 2:	[[•]/Not Applicable]
(vi)	Spread:	[[•]/Not Applicable]
(vii)	Cap Strike:	[[•]/Not Applicable]
(viii)	Cap Strike 1:	[[•]/Not Applicable]
(ix)	Cap Strike 2:	[[•]/Not Applicable]
(x)	Floor Strike:	[[•]/Not Applicable]
(xi)	Floor Strike 1:	[[•]/Not Applicable]
(xii)	Floor Strike 2:	[[•]/Not Applicable]

(xiii)	Cap Value 1:	[1/-1/0/Not Applicable]
(xiv)	Cap Value 2:	[1/-1/0/Not Applicable]
(xv)	Floor Value 1:	[1/-1/0/Not Applicable]
(xvi)	Floor Value 2:	[1/-1/0/Not Applicable]
(xvii)	Leverage (Cap) 1:	[Applicable/Not Applicable]

[Interest Period(s)	**Leverage (Cap)**
[•]	[•]
[•]	[•]
[•]	[•]
[All Interest Periods]	[•]]

(xviii)	Leverage (Cap) 2:	[Applicable/Not Applicable]

[Interest Period(s)	**Leverage (Cap)**
[•]	[•]
[•]	[•]
[•]	[•]
[All Interest Periods]	[•]]

(xix)	Leverage (Floor) 1:	[Applicable/Not Applicable]

[Interest Period(s)	**Leverage (Floor)**
[•]	[•]
[•]	[•]
[•]	[•]
[All Interest Periods]	[•]]

(xx)	Leverage (Floor) 2:	[Applicable/Not Applicable]

[Interest Period(s)	**Leverage (Floor)**
[•]	[•]
[•]	[•]
[•]	[•]
[All Interest Periods]	[•]]

(xxi)	Cap Strike Upper:	[[•]/Not Applicable]
(xxii)	Cap Strike Lower:	[[•]/Not Applicable]
(xxiii)	Cap Strike Upper 1:	[[•]/Not Applicable]
	Cap Strike Lower 1:	[[•]/Not Applicable]
	Cap Strike Upper 2:	[[•]/Not Applicable]
	Cap Strike Lower 2:	[[•]/Not Applicable]
(xix)	Floor Strike Upper:	[[•]/Not Applicable]
(xx)	Floor Strike Lower:	[[•]/Not Applicable]

	Floor Strike Upper 1:	[[•]/Not Applicable]
	Floor Strike Lower 1:	[[•]/Not Applicable]
	Floor Strike Upper 2:	[[•]/Not Applicable]
	Floor Strike Lower 2:	[[•]/Not Applicable]
(xxi)	Strike Upper:	[[•]/Not Applicable]
(xxii)	Strike Lower:	[[•]/Not Applicable]
(xxiii)	Strike 2	[[•]/Not Applicable]
(xxiv)	K:	[[•]/Not Applicable]
(xxv)	N:	[[•]/Not Applicable]
(xxvi)	W:	[[•]/Not Applicable]
(xxvii)	X:	[[•]/Not Applicable]
(xxviii)	Y:	[[•]/Not Applicable]
(xxix)	Z:	[[•]/Not Applicable]
(xxx)	Maximum Interest Rate:	[[•]/Not Applicable]
(xxxi)	Gearing:	[[•]/Not Applicable]
(xxxii)	Coupon:	[[•]/Not Applicable]
(xxxiii)	Coupon Barrier Level(s):	[[•]/Not Applicable] [The Autocall Condition will be satisfied if the Reference Rate [exceeds/equals/is below] the Coupon Barrier Level]
(xxxiv)	Minimum Basket Return:	[[•]/Not Applicable]
(xxxv)	Gearing Payer:	[[•]/Not Applicable]
(xxxvi)	Gearing Receiver:	[[•]/Not Applicable]
(xxxvii)	Payer Strike:	[[•]/Not Applicable]
(xxxviii)	Receiver Strike:	[[•]/Not Applicable]
(xxxix)	Power Factor:	[[•]/Not Applicable]
(xl)	Fixed Rate:	[[•]/Not Applicable]
(xli)	Flag:	[[•]/Not Applicable]
(xlii)	Tenor:	[[•]/Not Applicable]
(xliii)	Gearing Cap:	[[•]/Not Applicable]
(xliv)	Gearing Floor:	[[•]/Not Applicable]
(xlv)	Inflation Index:	[[•]/Not Applicable]
(xlvi)	Valuation Date(s):	[Valuation Date 1: [•]; Valuation Date 2: [•]; Valuation Date [•]: [•]/

Valuation Date(s)	**Reference Asset (Interest)**	**Valuation Date Averaging**	**Averaging Dates relevant**

			to applicable Valuation Date
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

/[•]

(xlvii) Valuation Time: [[•]/Not Applicable]

Reference Asset (Interest)	Valuation Time
[•]	Valuation Time 1: [•]
[•]	Valuation Time 2: [•]
[•]	Valuation Time [•]: [•]

31. **Provisions relating to FX Components (Interest)**

FX Component (Interest): [Applicable/Not Applicable/Applicable to the Interest Amounts determined in accordance with the [•] Interest Basis on the following Interest Payment Dates: [•]]

- FX Rate (Interest): [[•]/Not Applicable]
- Initial FX Valuation Date(s) (Interest): [[•]/1 Currency Business Day prior to the Initial Valuation Date/Not Applicable/

Reference Asset	Initial FX Valuation Date(s) (Interest)
[•]	[•]
[•]	[•]
[•]	[•]]

- FX Valuation Date(s) (Interest): [[•]/1 Currency Business Day after the Valuation Date/Not Applicable/

Reference Asset	FX Valuation Date(s) (Interest)
[•]	[•]
[•]	[•]
[•]	[•]]

- FX Valuation Time (Interest): [[•]/Not Applicable]
- FX Factor (Interest) Long/Short: [FX Factor (Interest) Long/FX Factor (Interest) Short/Not Applicable]
- Initial FX Rate (Interest): [[•]/As set out in the Base Prospectus]
- Final FX Rate (Interest): [[•]/As set out in the Base Prospectus]

III.	**ADDITIONAL PROVISIONS RELATING TO REDEMPTION**	**[APPLICABLE/NOT APPLICABLE]** [Items 32 to 40 have been intentionally omitted][18]
32.	Applicable performance structures:	["Basket Long" structure] ["Basket Short" structure] ["Barrier outperformance" structure] ["Barrier underperformance" structure] ["Best of/Worst of Barrier Outperformance" structure] ["Best of/Worst of Barrier Underperformance" structure] ["Autocallable Structure Long"] ["Autocallable Structure Short"] ["Replacement Basket" structure] ["Locally Capped Basket" structure] ["Rainbow Basket" structure] ["Booster Short" structure] ["Booster Long" structure] ["Booster Long Minimum Redemption" structure] ["Booster Risk Barrier Short" structure] ["Booster Risk Barrier Long" structure] ["Twin Win" structure] ["Bonus Booster Short" structure] ["Bonus Booster Long" structure] ["Cliquet" structure] ["Reverse Cliquet" structure] ["Replacement Cliquet" structure] ["Reverse Replacement Cliquet" structure] ["Rainbow Replacement Cliquet" structure] ["Reverse Convertible" structure] ["Reverse Convertible Risk Barrier" structure] ["Best of/Worst of Reverse Convertible" structure] [Worst of Digital Memory Coupon 1]

[18] Insert where additional redemption provisions are marked as Not Applicable.

	[Worst of Call Option]
	[Outperformance Option [Long Against Short/Long Against Long]]
	["Non-Tranched CLN" structure]
	["Tranched CLN" structure]
	["Nth to Default CLN" structure]
	["Nth and Nth + 1 Default CLN" structure]
	["Option CLN" structure]
	["Digital Long" structure]
	["Digital Short" structure]
	["Worst of Digital Long" structure]
	["Worst of Digital Short" structure]
	["Series of Digitals" structure]
	["Delta 1" structure]
	[Inflation Linker 2]
	["Barrier Outperformance" Structure 2]
	["Barrier Underperformance" Structure 2]
	["Target Volatility" Structure]
	["Booster Risk Barrier 2" structure]
	["Autocallable Rate" structure]
	["In Option – Basket Long" structure]
	["In Option – Basket Short" structure]
	["Out Option – Basket Long" structure]
	["Out Option – Basket Short" structure]
	["Steepner Booster" structure]
	["Target Redemption Steepner" structure]
	["Plateau Booster" structure]
33. Method of calculating Basket Return for the purposes of applicable Performance Structure:	[Basket Long Structure/Basket Short Structure/ Not Applicable] Basket A: Basket Long/Short Structure] [Basket B: Basket Long/Short Structure]
34. Combination of structures:	[Applicable/Not Applicable]
(i) Method of Combination:	[Addition/Subtraction/Alternative Calculation]
(ii) Additional Amount Basket A:	[Not Applicable/the [•] structure]
(iii) Additional Amount Basket B:	[Not Applicable/the [•] structure]

(iv) (Relevant Condition(s) for determination of Redemption Amount:

[Condition [•] will be applicable if Barrier Level 1 is not exceeded on [any/the final] Valuation Date, Condition [•] will be applicable if Barrier Level 1 is exceeded on [any/the final] Valuation Date but Barrier Level 2 is not exceeded, Condition [•] will be applicable if Barrier Level 2 is exceeded on [any/the final] Valuation Date but Barrier Level [•] has not been exceeded, Condition [•] will be applicable if Barrier Level [•] is exceeded on [any/the final] Valuation Date/Condition(s) [•] and [•] are applicable and the following Performance Percentages shall apply:

Basket	**Performance Structure**	**Performance Percentage**
[Basket A/Single Basket]	[•]	[•]
[Basket B]	[•]	[•]
[Basket [•]]	[•]	[•]

35. **Performance structure-related items:** [Applicable/Not Applicable]

Dates and Times

(i) Initial Valuation Date(s): [[•]/Not Applicable/

Initial Valuation Date(s)	**Reference Asset**	**Initial Valuation Date Averaging**	**Averaging Dates relevant to applicable Valuation Date**
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

]

(ii) Valuation Date(s): [[•]/Not Applicable]

[The relevant Valuation Date(s) for comparing the Basket Return to the [Initial Basket Level/Barrier Level 1/Barrier Level 2] are:]

Valuation Date(s)	**Reference Asset**	**Valuation Date Averaging**	**Averaging Dates relevant to applicable Valuation Date**
[•]	[•]	[Applicable/ Not Applicable/ Applicable to Synthetic Index Return calculation only]	[[•]/Not Applicable]
[•]	[•]	[Applicable/ Not Applicable/ Applicable to Synthetic	[[•]/Not Applicable]

		Index Return calculation only]	
[•]	[•]	[Applicable/ Not Applicable/ Applicable to Synthetic Index Return calculation only]	[[•]/Not Applicable]

(iii) Twin-Win Valuation Date(s): [•] if the Initial Basket Level is reached or exceeded on the relevant Valuation Date(s), [•] if Barrier Level 1 is reached or exceeded on the relevant Valuation Date(s), [•] if Barrier Level 2 is reached or exceeded on the relevant Valuation Date(s), [•] if Barrier Level N is reached or exceeded on the relevant Valuation Date(s).

(iv) Valuation Time: [[•]/As set out in Condition 1 (*Definitions*)/Not Applicable/

Reference Asset	**Valuation Time**
[•]	Valuation Time 1: [•]
[•]	Valuation Time 2: [•]
[•]	Valuation Time [•]: [•]

]

(v) Rebalancing Date: [[•]/Not Applicable]

(vi) Scheduled Redemption Date: [[•]/Not Applicable]

(vii) Back Stop Date: [[•]/Not Applicable]

(viii) Observation Date(s): [[•]/Each day from and including [•] to but excluding [•]/Not Applicable]

(ix) Observation Date Averaging: [[•]/Not Applicable/

Observation Date(s)	**Reference Asset**	**Observation Date Averaging**	**Averaging Dates relevant to applicable Observation Date**
		[Applicable/ Not Applicable]	[[•]/Not Applicable]
Observation Date 1: [•]	[•]		
Observation Date 2: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
Observation Date [•]: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

]

(x) Risk Barrier Observation Date(s): [[•]/Not Applicable/

Risk Barrier Observation Date(s)	Reference Asset	Risk Barrier Observation Date Averaging	Averaging Dates relevant to Risk Barrier Observation Date
Observation Date 1: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
Observation Date 2: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]
Observation Date [•]: [•]	[•]	[Applicable/ Not Applicable]	[[•]/Not Applicable]

]

Amounts and Values

(xi) Participation Ratio: [[•]/Not Applicable]

(xii) Participation Ratio 2: [[•]/Not Applicable][19]

(xiii) Participation Ratio 3: [[•]/Not Applicable]

(xiv) Initial Price: [[•]/As set out in Condition 1 (*Definitions*)]

(xv) Final Price: [[•]/As set out in Condition 1 (*Definitions*)]

(xvi) Initial Basket Level: [[•]/Not Applicable]/[•] in respect of Basket A and [•] in respect of Basket B

(xvii) Basket Strike Level: [[•]/Not Applicable]

(xviii) Basket Floor: [Applicable/Not Applicable]

(xix) Minimum Basket Return: [[•]/Not Applicable]

(xx) Basket Cap: [[•]/Not Applicable]

(xxi) Maximum Basket Return: [[•]/Not Applicable]

(xxii) Reference Asset Floor: [Applicable/Not Applicable]

(xxiii) Minimum Reference Asset Return: [Not Applicable/

Reference Asset	Maximum Reference Asset Return
[•]	[•]
[•]	[•]
[•]	[•]

]

(xxiv) Reference Asset Cap: [Applicable/Not Applicable]

[19] Note for the Steepner structure this should be expressed as a negative value

(xxv)	Maximum Reference Asset Return:	[Not Applicable/

Reference Asset	Minimum Reference Asset Return
[•]	[•]
[•]	[•]
[•]	[•]

]

(xxvi)	Barrier Level(s):	[[•]/Not Applicable]
(xxvii)	Risk Barrier Level(s):	[[•]/Not Applicable]
(xxviii)	Replacement Factor:	[[•]/Not Applicable]
(xxix)	Maximum Performance:	[[•]/Not Applicable]
(xxx)	Minimum Performance:	[[•]/Not Applicable]
(xxxi)	Lock-in Level(s):	[[•]/Not Applicable]
	• Locked-in Return(s)	[Applicable/Not Applicable]
	• Lock-in Level [1/2/3 … n]	[•]
(xxxii)	Global Cap:	[[•]/Not Applicable]
(xxxiii)	Global Floor:	[[•]/Not Applicable]
(xxxiv)	Initial Coupon:	[[•]/Not Applicable]
(xxxv)	Local Cap:	[[•]/Not Applicable]
(xxxvi)	Local Floor:	[[•]/Not Applicable]
(xxxvii)	N:	[[•]/Not Applicable]
(xxxviii)	Outperformance Option:	[Applicable/Not Applicable]
(xxxix)	Fixed Periodic Basket Return(s):	[[•]/Not Applicable]
(xl)	Fixed Reference Asset Return(s):	[[•]/Not Applicable]
(xli)	Coupon Barrier Level(s):	[[•]/Not Applicable]
(xlii)	Coupon:	[[•]/Not Applicable]
(xliii)	K:	[[•]/Not Applicable]
(xliv)	I:	[[•]/Not Applicable]
(xlv)	Inflation-Protected Principal:	[Applicable/Not Applicable]
(xlvi)	Fee Amount:	[[•]/Not Applicable]
(xlvii)	Rebate:	[[•]/Not Applicable]

(xlviii)	Target Volatility:	[[•]/Not Applicable]
	• Minimum Adjustment Threshold	[[•]/Not Applicable]
	• Minimum Exposure:	[[•]/Not Applicable]
	• Maximum Exposure:	[[•]/Not Applicable]
	• Annualising Factor:	[[•]/Not Applicable]
	• Second Annualising Factor:	[[•]/Not Applicable]
	• Initial Synthetic Index Value	[[•]/Not Applicable]
	• Synthetic Index Strike Level	[[•]/Not Applicable]
	• Minimum Synthetic Index Return:	[[•]/Not Applicable]
	• Cash Rate	[[•]/Not Applicable]
	• Cash Return Day Count Fraction:	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]
(xlix)	In Option – Basket Long:	[Applicable/Not Applicable]
	• Option Type:	[Bought Up and In/ Sold Up and In/ Bought Down and In/ Sold Down and In]
(l)	In Option – Basket Short:	[Applicable/Not Applicable]
	• Option Type:	[Bought Up and In/ Sold Up and In/ Bought Down and In/ Sold Down and In]
(li)	Out Option – Basket Long:	[Applicable/Not Applicable]
	• Option Type:	[Bought Up and Out/ Sold Up and Out/ Bought Down and Out/ Sold Down and Out]
(lii)	Out Option – Basket Short:	[Applicable/Not Applicable]
	Option Type:	[Bought Up and Out/ Sold Up and Out/ Bought Down and Out/ Sold Down and Out]
(liii)	Target Redemption Amount:	[[•]/Not Applicable]

(liv) Maximum Differential	[[•]/Not Applicable]
(lv) Minimum Differential	[[•]/Not Applicable]
(lvi) Cap:	[[•]/Not Applicable]
(lvii) Gearing:	[[•]/Not Applicable]
36. **Strategy-related items**	[Applicable/Not Applicable]
(i) Best of/Worst of Modifier	[Applicable/Not Applicable/Applicable for the purposes of Condition [•] only]
• N:	[[•]/Not Applicable]
(ii) TOM Cumulative Strategy:	[Applicable/Not Applicable]
• Reference Rate:	[[•]/Not Applicable]
• TOM Participation Ratio:	[[•]/Not Applicable]
• Day Count Fraction:	[[Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)] / [Actual 365 (Sterling)] / [Actual/360] / [30/360] / [30E/360]]
• TOM Commencement Date:	[•]
• TOM End Date:	[•]
• TOM Calculation Start Date:	[•] Scheduled Trading Days preceding the first Scheduled Trading Day in each calendar month

TOM Calculation Start Date Averaging	**Averaging Dates relevant to applicable TOM Calculation Start Date**
[Applicable/Not Applicable]	[[•] Scheduled Trading Days prior to the first Scheduled Trading Day in each calendar month /Not Applicable]

• TOM Calculation End Date:	[•] Scheduled Trading Days following the first Scheduled Trading Day in each calendar month

TOM Calculation End Date Averaging	**Averaging Dates relevant to applicable TOM Calculation End Date**
[Applicable/Not Applicable]	[[•] Scheduled Trading Days prior to the first Scheduled Trading Day in each calendar month /Not Applicable]

• TOM Final Value Averaging:	[Applicable/Not Applicable]
• TOM Final Value Averaging Dates:	[The TOM Valuation Dates falling on [•] and [•]/Not Applicable]

	•	Final TOM Period Performance Averaging:	[Applicable/Not Applicable]
	•	N:	[[•]/Not Applicable]
(iii)	Lookback Initial Price Modifier:		[Applicable/Not Applicable]
(iv)	Lookback Final Price Modifier:		[Applicable/Not Applicable]
(v)	Lookback Observation Period[s]:		[Not Applicable/The Initial Lookback Observation Period will comprise each Scheduled Trading Day falling on or after [•]] [and] [the Final Observation Period will comprise each Scheduled Trading Day falling on or after [•] and on or before [•]]]
(vi)	Lookback Factor:		[Minimum Asset Price/Maximum Asset Price/Minimum Basket Price/Maximum Basket Price/Not Applicable]
(vii)	Lock-in Modifier:		[Applicable. The relevant Lock-in Levels are specified in paragraph 35 above/Not Applicable]
(viii)	Lock-in Basket Floor:		[Applicable/Not Applicable]
(ix)	Running PnL Strategy:		[Applicable/Not Applicable]
(x)	Reserve Provision:		[Applicable/Not Applicable]
(xi)	Initial Reserve Amount:		[[•] per cent of the Principal Amount of each Note//Not Applicable]
(xii)	Reserve Provision End Date:		[[•]/Maturity/ Not Applicable]

37. **Provisions relating to FX Components**

(i)	FX Component - Reference Asset:		[Applicable/Not Applicable/Applicable if the Basket Return is positive/Applicable if the Basket Return is negative]
	•	FX Rate:	[[•]/Not Applicable]
	•	Initial FX Valuation Date:	[[•]/1 Currency Business Day prior to the Initial Valuation Date/Not Applicable/

Reference Asset
[•]
[•]
[•]]

	•	FX Valuation Date(s):	[[•]/1 Currency Business Day after the Valuation Date/ [•]; [•]/ Not Applicable/

Reference Asset
[•]
[•]
[•]]

	•	FX Valuation Time:	[[•]/Not Applicable]

• FX Factor Long/Short:	[FX Factor – Long/FX Factor – Short/Not Applicable]
• Initial FX Rate:	[[•]/As set out in the Base Prospectus]
• Final FX Rate:	[[•]/As set out in the Base Prospectus]

(i) FX Component – Additional Amount: [Applicable/Not Applicable/Applicable if the Basket Return is positive/Applicable if the Basket Return is negative]

- FX Rate: [[•]/Not Applicable]
- Initial FX Valuation Date: [[•]/1 Currency Business Day prior to the Initial Valuation Date/Not Applicable/

Additional Amount	**Initial FX Valuation Date(s)**
[•]	[•]
[•]	[•]
[•]	[•]]

- FX Valuation Date(s): [[•]/1 Currency Business Day after the Valuation Date/Not Applicable/

Additional Amount	**FX Valuation Date(s)**
[•]	[•]
[•]	[•]]

- FX Valuation Time: [[•]/Not Applicable]
- FX Factor Long/Short: [FX Factor – Long/FX Factor – Short/Not Applicable]
- Initial FX Rate: [[•]/As set out in the Base Prospectus]
- Final FX Rate: [[•]/As set out in the Base Prospectus]

(iii) FX Component – Base Redemption Amount or Redemption Amount: [Applicable to Base Redemption Amount/Applicable to Redemption Amount/Not Applicable]

- FX Rate: [[•]/Not Applicable]
- Initial FX Valuation Date: [[•]/1 Currency Business Day prior to the Initial Valuation Date/Not Applicable/

[Base Redemption Amount/Redemption Amount]	**Initial FX Valuation Date(s)**
[•]	[•]
[•]	[•]
[•]	[•]]

- FX Valuation Date(s): [[•]/1 Currency Business Day after the Valuation Date/Not Applicable/

	[Base Redemption Amount/Redemption Amount]	FX Valuation Date(s)
	[•]	[•]
	[•]	[•]]

- FX Valuation Time: [[•]/Not Applicable]
- FX Factor Long/Short: [FX Factor – Long/FX Factor – Short/Not Applicable]
- Initial FX Rate: [[•]/As set out in the Base Prospectus]
- Final FX Rate: [[•]/As set out in the Base Prospectus]

(iv) FX Component - Composite: [Applicable/Not Applicable]

- FX Rate: [[•]/Not Applicable]
- Initial FX Valuation Date:

Reference Asset	Initial FX Valuation Date(s)
[•]	[•]
[•]	[•]
[•]	[•]

- FX Valuation Date(s): [[•]/1 Currency Business Day after the Valuation Date/Not Applicable/

Reference Asset	FX Valuation Date(s)
[•]	[•]
[•]	[•]

- FX Valuation Time: [[•]/Not Applicable]
- FX Factor Long/Short: [FX Factor – Long/FX Factor – Short/Not Applicable]
- Initial FX Rate: [[•]/As set out in the Base Prospectus]
- Final FX Rate: [[•]/As set out in the Base Prospectus]

38. **Provisions relating to Inflation-Linked Notes:** [Applicable/Not Applicable]

(i) Inflation-Protected Principal: [[•]/Not Applicable]

(ii) Inflation Rate: [[•]/Not Applicable]

(iii) Final CPI: [[•]/Not Applicable]

39. **Provisions relating to Credit-Linked Notes:** [Applicable/Not Applicable]

(i) Observation Start Date: [[•]/Not Applicable]

(ii) Observation End Date: [[•]/Not Applicable]

(iii) Portfolio Exposure: [[•] [in respect of Basket A/B]/Not Applicable]

(iv)	Fixed Recovery Value:	[[•] [in respect of Basket A/B]/Not Applicable]
(v)	Market Recovery Value:	[Applicable [in respect of Basket A/B]/Not Applicable]
(vi)	Tranche Attachment Point:	[[•] rounded to the [•] decimal [in respect of Basket A/B]/Not Applicable]
(vii)	Tranche Detachment Point:	[[•]rounded to the [•] decimal [in respect of Basket A/B]/Not Applicable]
(viii)	Restructuring Amount:	[[•]/Not Applicable]
(ix)	Replacement Reference Entity:	[Applicable/Not Applicable]
(x)	Obligation Acceleration Amount:	[[•]/Not Applicable]
(xi)	Failure to Pay Amount:	[[•]/Not Applicable]
(xii)	Default Requirement:	[[•]/As set out in Part 3: *Additional Conditions for Credit-Linked Notes* to the Conditions/Not Applicable]
(xiii)	Credit Events:	[Failure to Pay/ Restructuring/ Bankruptcy/ Governmental Intervention/ Repudiation/ Moratorium/ Obligation Acceleration]/Not Applicable]
(xiv)	Partial Restructuring:	[Applicable/Not Applicable]
(xv)	Credit Deterioration Requirement:	[Applicable/Not Applicable]
(xvi)	Grace Period Extension:	[Applicable/Not Applicable]
(xvii)	Maximum Length of Grace Period:	[[•] Business Days/Not Applicable]
(xviii)	Extended Redemption Date:	[The date falling [•] Business Days after the Grace Period Extension Date]
(xix)	Multiple Holder Obligation:	[Applicable/Not Applicable]
(xx)	Target Redemption Amount:	[[•] [in respect of Basket A/B]/Not Applicable]
(xxi)	Credit Event Ranked Basket Participation:	[Applicable/Not Applicable]

- Credit Event Ranked Weight:

Credit Event (in order of occurrence)	**Weighting**
1	[•]%
2	[•]%
3	[•]%
N	[•]%

(xxii)	Scheduled Redemption Date:	[[•]/Not Applicable]
(xxiii)	N:	[[•]/Not Applicable]

(xxiv)	K:	[[•]/Not Applicable]
(xxv)	Factor1:	[[•]/Not Applicable]
(xxvi)	Factor2:	[[•]/Not Applicable]
(xxvii)	Factor3:	[[•]/Not Applicable]
(xxviii)	Factor4:	[[•]/Not Applicable]
(xxix)	Strike 1:	[[•]/Not Applicable]
(xxx)	Strike 2:	[[•]/Not Applicable]
(xxxi)	Strike 3:	[[•]/Not Applicable]
(xxxii)	Strike 4:	[[•]/Not Applicable]
(xxxiii)	Indicator 1:	[[•]/Not Applicable]
(xxxiv)	Indicator 2:	[[•]/Not Applicable]
(xxxv)	Indicator 3:	[[•]/Not Applicable]
(xxxvi)	Indicator 4:	[[•]/Not Applicable]
(xxxvii)	Trigger Percentage:	[[•]/Not Applicable]

40. **Provisions relating to Fund Linked Notes**: [Applicable/Not Applicable]

(i)	Fund:	[[•]/Not Applicable]
(ii)	Fund Manager:	[[•]/Not Applicable]
(iii)	Back Stop Date:	[[•]/Not Applicable]

41. **Provisions relating to Futures Contracts:** [Applicable/Not Applicable]

(i)	Rolling of Futures Contracts:	[[•]/Not Applicable]
(ii)	Roll Date(s):	[•] [Any trading day from and including] [the [•] Scheduled Trading Day [in the month prior] to the expiration of the relevant futures contract]

IV. **INSTALMENT AND EARLY REDEMPTION** **[APPLICABLE/NOT APPLICABLE]**

[Items 41-47 have been intentionally omitted][20]

42. Instalment Redemption [Applicable/Not Applicable]

(i)	Instalment Amount:	[[•] per Calculation Amount/Not Applicable]
(ii)	Instalment Date(s):	[[•]/Not Applicable]

43. Optional Early Redemption (Call) [Applicable/Not Applicable]

(i)	Early Redemption Date(s):	[•]

20 Include where instalment and early redemption provisions are marked as "Not Applicable"

	(ii)	Early Redemption Amount(s) of each Note:	[•] per Calculation Amount
44.	Optional Early Redemption (Put)		[Applicable/Not Applicable]
	(i)	Early Redemption Date(s):	[•]
	(ii)	Early Redemption Amount(s) of each Note:	[•] per Calculation Amount
45.	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons:		[[•] per Calculation Amount/Such percentage per Calculation Amount as may be determined by the Issuer]
46.	Substantial Repurchase Event		[Applicable/Not Applicable]
47.	Early Redemption Date(s) of Notes with "Autocallable" or "Autocallable Rate" performance structure:		[[•]/Not Applicable]
	•	Call Barrier Level:	[[•]/For: Observation Date 1: [•] Observation Date 2: [•] Observation Date [•]: [•]/Not Applicable]
48.	Payment of Unwind Amount on Early Redemption:		[Applicable/Not Applicable]

V. **PROVISIONS APPLICABLE TO DISRUPTION, ADJUSTMENTS AND OTHER EXTRAORDINARY EVENTS**

49.	Change in Law:	[As set out in Condition 9 (*Change in Law*)/Not Applicable]
50.	Increased Costs of Hedging:	[As set out in Condition 10 (*Increased Costs of Hedging*)/Not Applicable]
51.	Hedging Disruption:	[As set out in Condition 11 (*Hedging Disruption*)/Not Applicable]
52.	Market Disruption:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
53.	Market Disruption Commodity:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
54.	Disruption Currency:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
55.	Calculation Adjustment:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]

56.	Corrections:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/ Not Applicable]
	• [Number of Exchange Business Days:	[•]/As set out in Part 1: General *Conditions* to the Conditions]
57.	Correction Commodity:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
58.	Correction Currency:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
59.	Extraordinary Events:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]
60.	Rate Option Fallback:	[As set out in Part 2: *Additional Conditions for Certain Structured Notes* to the Conditions/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

61.	Form of Notes:	[Bearer Notes:] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Registered Notes:] [Global Registered Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is held under the New Safekeeping Structure)] [VP Notes] [The Notes are VP Notes in uncertificated and dematerialised book entry form] [VPS Notes]: [The Notes are VPS Notes in uncertificated and dematerialised book entry form] [Swedish Notes] [The Notes are Swedish Notes in uncertificated and dematerialised book entry form]

		[Finnish Notes] [The Notes are Finnish Notes in uncertificated and dematerialised book entry form]
62.	New Global Note:	[Yes] [No]
63.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[[•]/Not Applicable]
64.	Calculation Agent:	[[•]/Not Applicable]
65.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No.]
66.	Relevant Benchmark[s]:	[EURIBOR / SOFR / SONIA / €STR / STIBOR/ NIBOR / CIBOR / CDOR / *insert name of index*] is provided by [administrator legal name]][repeat as necessary]. [As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of Regulation (EU) 2016/1011, as amended]/[As far as the Issuer is aware, as at the date hereof, the [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011, as amended] / [As at the date hereof, the European Central Bank is not required to obtain authorisation under Regulation (EU) 2016/1011, as amended] / [Not Applicable]
67.	Governing Law:	[English Law/ Finnish Law/ Swedish Law/ Norwegian Law/ Danish Law]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for the issue [and admission to trading on the regulated market of the Irish Stock Exchange plc, trading as Euronext Dublin] of the Notes described herein pursuant to the €15,000,000,000 Structured Note Programme of Nordea Bank Abp.

RESPONSIBILITY

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

Signed on behalf of Nordea Bank Abp:

By: ....

Duly authorised

PART B – OTHER INFORMATION

1.	**LISTING AND ADMISSION TO TRADING**	[Not Applicable]/[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to the official list and to trading on the [Irish Stock Exchange plc, trading as Euronext Dublin/Nasdaq Stockholm/Nasdaq Helsinki/Nasdaq Copenhagen/Oslo Børs/Nasdaq Oslo/Nordic Derivatives Exchange] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to the official list and to trading on the [Irish Stock Exchange plc, trading as Euronext Dublin/Nasdaq Stockholm/Nasdaq Helsinki/Nasdaq Copenhagen/Oslo Børs/Nasdaq Oslo/Nordic Derivatives Exchange] with effect from [•].]
2.	**RATINGS**	The Notes to be issued have not been rate.

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

[*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement*:]

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."] (*Amend as appropriate if there are other interests)*

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the EU Prospectus Regulation.)]

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

[(i)	Reasons for the offer	[The net proceeds of the issue of the Notes will be used for the general banking and other corporate purposes of the Issuer and the Nordea Group.]/ [The Issuer intends to apply an amount equal to net proceeds of the Notes to finance or refinance assets that have been evaluated and selected by the Issuer pursuant to its Green Bond Framework. The Green Bond Assets comprise financing within the Green Bond Asset Categories which are or have been originated by the various business units of the Issuer mostly in the Nordic countries. The net proceeds of the Notes will not be used towards financing nuclear or fossil fuel energy operations or operations that are deemed by the Issuer to be in the sectors "Weapons and Defence", "Coal Mining" or "Tobacco". Additionally, any existing financing of customers which are deemed not to be eligible in reference to Nordea's corporate customer Environment, Social and Governance ("**ESG**") assessment process will not be selected for financing or refinancing by the net proceeds of the Notes.

"**Green Bond Asset Categories**" means the green bond asset categories of the Issuer as set out in its Green Bond Framework.

"**Green Bond Framework**" means the green bond framework of the Issuer dated October 2021 available for viewing on its website (https://www.nordea.com/en/investors/debt-and-rating/green-bonds).

For further information in relation to the Notes, please see "*Green Notes*" and "*Notes – Overview of Key Features – Green Notes"* on pages [•] to [•] and [•] to [•] of the Base Prospectus.] /

[*Specify alternative purpose if applicable*].

[(ii)] Estimated net proceeds: [•]/[The net proceeds will be determined on the basis of the number of Notes sold during the Offer Period multiplied by the relevant Offer Price, net of any applicable fees and expenses.]

[(iii)] Estimated total expenses in relation to admission to trading:: [•]

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

Indication of yield: [Indicatively [•], but in no event lower than [•]//[•] per cent. per annum]

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

Details of historic [EURIBOR/SONIA/SOFR/€STR/STIBOR/NIBOR/CIBOR/CDOR/[•]] rates can be obtained from [Reuters].]

7. ***[Index-linked or other variable-linked notes only* – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where information about the past and the future performance of the underlying and its volatility can be obtained by electronic means and whether or not it can be obtained free of charge[21]*.]*

[Basket	Reference Asset(s)	Basket Participation	Stock Exchange and Options or Futures Exchange	Initial Price	Strike Level	Source for past and future performance data]
[Basket A /Single Basket]	[•] [Reference Asset 1] [•] [Reference Asset 2]	[•]	[•]	[•]/ [As determined in accordance with the Conditions set out in the Base Prospectus] [•]	[•]	[•]
[Basket B]	[•]	[•]	[•]	[•]	[•]	[•]

Basket	Reference Entity(ies) /Reference	Number of existing Credit Events	Basket Participation (Interest)/ Basket	Observation Start Date	Observation End Date	Source for past and future performance data

21 Required for derivative securities to which Annex 17 to the EU Prospectus Regulation applies.

	Entity(ies) (Interest)					
[Basket A/Single Basket]	[•]	[•]	[•]	[•]	[•]	[•]
[Basket B]	[•]	[•]	[•]	[•]	[•]	[•]

[Reference Entity	ISIN	Regulated Market/ SME Growth Market	Address	Country	Industry]
[•]	[•]	[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]	[•]	[•]

[Option]	CDS	CDS Maturity and Convention Spread	CDS Factor	Reference Entities/Index	Source for past and future performance data
[Option1]	[•]	[•]	[•]	[•]	[•]
[Option 2]	[•]	[•]	[•]	[•]	[•]
[Option 3]	[•]	[•]	[•]	[•]	[•]
[Option 4]	[•]	[•]	[•]	[•]	[•]

The Issuer does not intend to provide post-issuance information under paragraph 3.1 of Annex 17 of Commission Delegated Regulation (EU) No 2019/980.

8. FURTHER DETAILS OF BASKET PARTICIPATION

Basket Participation (Interest): [Applicable/Not Applicable]

- Fixed Basket Participation (Interest): [Applicable/Not Applicable]
- Rainbow Basket Participation (Interest): [Applicable/Not Applicable]

Ranking (Best performing first)	Weighting
1	[•]%
2	[•]%
3	[•]%
N	[•]%

- Replacement Cliquet Basket Participation (Interest): [Applicable/Not Applicable]
- Momentum Basket Participation (Interest): [Applicable/Not Applicable]
- Accumulating Rainbow Basket Participation (Interest): [Applicable/Not Applicable]

Basket Participation: [Applicable/Not Applicable]

- Fixed Basket Participation: [Applicable/Not Applicable]

- Rainbow Basket Participation: [Applicable/Not Applicable]

Ranking (Best performing first)	Weighting
1	[•]%
2	[•]%
3	[•]%
N	[•]%

- Replacement Cliquet Basket Participation: [Applicable/Not Applicable]
- Momentum Basket Participation: [Applicable/Not Applicable]
- Accumulating Rainbow Basket Participation: [Applicable/Not Applicable]

9. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
[FISN:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]
[CFI Code:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the National Numbering Agency that assigned the ISIN / Not Applicable / Not Available] (*If the CFI and/or FISN is not required or requested, it/they should be specified to be "Not Applicable".*)
Issuer LEI:	529900OD13047E2L1V03
[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No] [Note that the designation "yes" means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [22] 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 satisfaction of the Eurosystem eligibility criteria.] [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

22 Insert this text for registered notes.

	may then be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting 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 ECB being satisfied that Eurosystem eligibility criteria have been met.][23]
Clearing system(s) [and identification number, if applicable]:	Euroclear / Clearstream, Luxembourg / Euroclear Finland / Euroclear Sweden / VP / Euronext VPS
Name(s) and address(es) of additional [Paying Agent(s) / VP Issuing Agent(s) / VPS Paying Agent(s) / /Finnish Issuing Agent(s)/ Swedish Issuing Agent(s)] (if any):	Not applicable / *Give name and address*

10. **DISTRIBUTION**

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/Finnish Notes/Swedish Notes*) -TEFRA Not Applicable
Section 871(m):	[The Notes are [not] subject to U.S. federal withholding tax under Section 871(m).]
Prohibition of Sales to EEA Retail Investors	[Applicable/Not Applicable] *(If no KID will be prepared, "Applicable" should be specified.)*
Prohibition of Sales to UK Retail Investors	[Applicable/Not Applicable] *(If no KID will be prepared, "Applicable" should be specified.)*

11. **TERMS AND CONDITIONS**

Offer Price:	[[•]/Not Applicable. The Notes will initially be created and held by the Issuer for its own account, in order that they are available for resale to prospective investors from time to time. The Notes will be offered for purchase over the relevant securities exchange at the price that is the official price quoted on the securities exchange from time to time]
Expenses included in the Offer Price:	[[•]/Not Applicable]

[23] Include this text if "yes" is selected, in which case bearer Notes must be issued in NGN form.

Conditions to which the offer is subject:	[Not Applicable/[•]] [The Issuer reserves its rights to cancel the offer under the following circumstances; (a) if the aggregate principal amount of Notes purchased on or before [*insert date*] is less than [*insert amount*]; (b) if the [insert relevant variable] cannot be set at [relevant value corresponding to the indicated minimum value]; or (c) if any event of an economic, financial or political nature occurs and which may jeopardise a successful offer, as determined by the Issuer]. [The Issuer may also replace any Reference Asset listed in the table(s) above at any time on or prior to [*insert date*] with a comparable type of underlying Reference Asset].
Description of the application process:	[Not Applicable/[•]/Prospective investors should purchase Notes through an intermediary that is a direct or indirect member of the relevant securities exchange where the Notes are admitted to trading]
Offer Period:	[[The Issuer intends to make an offer of the Notes from and including [*specify date*] to and including [*specify date*]/at any time on or prior to the issue of the Notes] (the "**Offer Period**")][Not Applicable]].
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable. [Notes will be offered for purchase over the relevant securities exchange and there will be no offer for subscription]/[•]/The terms on which any subscriptions may be reduced will be determined in accordance with the terms and conditions agreed between the relevant investor and the relevant distributor or authorised offeror.]
Details of the minimum and/or maximum amount of application:	[Not Applicable/[•]]
Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable [purchases of Notes will be settled in accordance with the standard procedures of the relevant settlement system] /[•]/ The Issuer will use reasonable endeavours to settle any application to purchase instruments promptly following the communication of any order by a distributor or authorised offeror. Arrangements for the delivery of the Notes to investors, and payment of the applicable purchase price, will be determined in accordance with the procedures agreed between the relevant investor and the relevant distributor or authorised offeror.]
[Manner in and date on which results of the offer are to be made public:	[Not Applicable.] [Notes will be made available for sale on a continuing basis and therefore may be purchased at any time throughout their life and at a variety of different prices depending on prevailing market conditions at the time of purchase.]
[Categories of potential investors to which the Notes are offered and	[Not Applicable/[•]]]

whether tranche(s) have been reserved for certain countries:	
[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable./[•]/ [Notes will be offered for purchase over the relevant securities exchange and therefore the Issuer will not provide notification of allotments]/Notification of allotments will be provided by the relevant distributor or authorised offeror in accordance with the terms and conditions agreed between the relevant investor and such distributor or authorised offeror]]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/[•]] [Address: [[•]]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/[In connection with the issuance of this type of notes, the Issuer incurs costs for, among other things, production, distribution, licences, [stock exchange listing] and risk management. In order to cover these costs, the Issuer charges a production fee. The production fee is included in the purchase price charged by the Issuer to the relevant purchaser, distributor or authorised offeror and will amount to a maximum of [ ] per cent ([ ] per cent per year), calculated on the price of the Notes]. [A distribution fee of up to [ ] per cent: ([ ] per cent. per year) calculated on the price of the Notes will be paid by the Issuer to the Authorised Offeror. The distribution fee is included in the purchase price charged by the Issuer.]

THE NORDEA GROUP

General

The Nordea Group is the leading bank in the Nordic markets (Denmark, Finland, Norway and Sweden) measured by total income. The Nordea Group has a large customer base with close to 10 million customers, consisting of approximately 9.2 million household customers, 540,000 small and medium-sized corporate customers and 2,350 large corporate and institutional customers, in each case as of 31 December 2020. As of the same date, the Nordea Group had total assets of EUR 552.2 billion and tier 1 capital of EUR 29.1 billion, and was the largest Nordic-based asset manager with EUR 353.8 billion in assets under management. The Nordea Group's total operating income for the year ended 31 December 2020 was EUR 8,466 million.

The Nordea Group offers a comprehensive range of banking and financial products and services to household and corporate customers, including financial institutions. The Nordea Group's products and services comprise a broad range of household banking services, including mortgages and consumer loans, credit and debit cards, and a wide selection of savings, life insurance and pension products. In addition, the Nordea Group offers a wide range of corporate banking services, including business loans, cash management, payment and account services, risk management products and advisory services, debt and equity-related products for liquidity and capital raising purposes, as well as corporate finance, institutional asset management services and corporate life and pension products. The Nordea Group also distributes general insurance products. With approximately 320 branch office locations, call centres in each of the Nordic markets, and a highly competitive net bank, the Nordea Group also has the largest distribution network for customers in the Nordic markets.

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

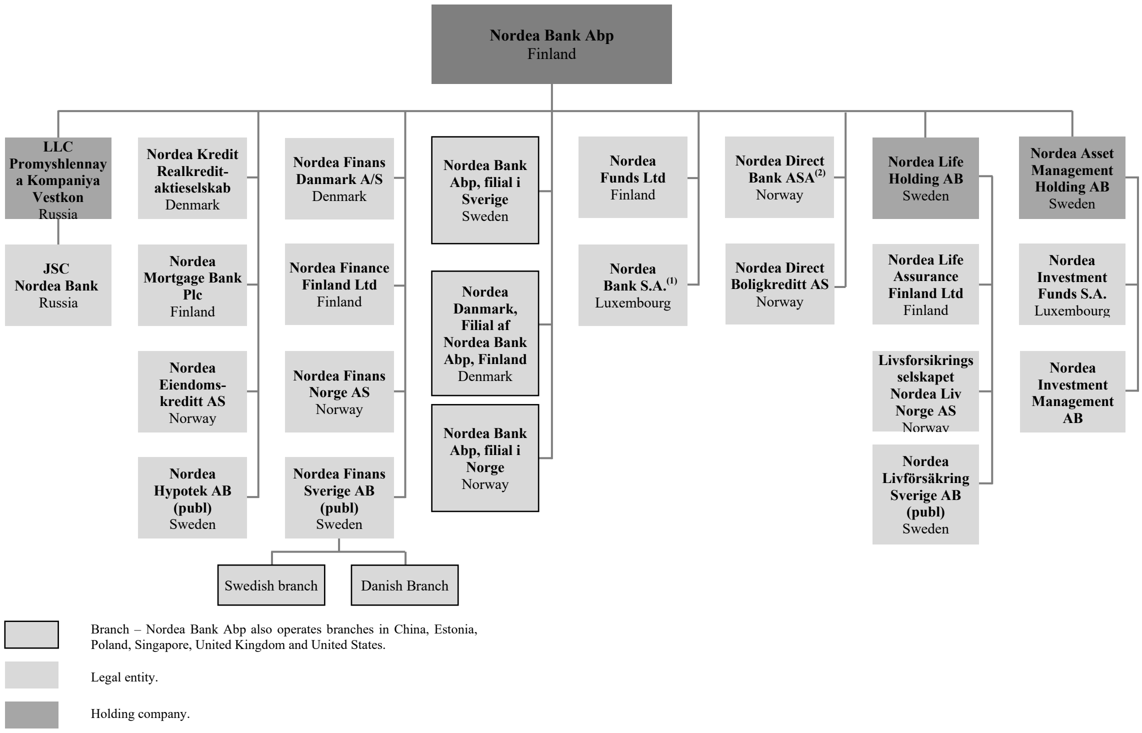
Strategy

The Nordea Group's strategy is to be a leading Nordic relationship bank. This strategy has three key priorities: to drive income growth initiatives, create great customer experiences and optimise operational efficiency. The Nordea Group's strategic direction is primarily driven by, and reflective of, the needs of its customers and the macroeconomic and regulatory environment in which the Nordea Group and its customers operate. Nordea aims to increase the profitability of the Nordea Group in line with the financial targets first introduced in October 2019.

Legal Structure

Nordea Group

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



(1) In liquidation as of 14 November 2019.
(2) Up to 27 February 2020 named Gjensidige Bank ASA. Nordea Bank Abp and Gjensidige Bank ASA signed a merger plan on 12 June 2019. The remaining business of Nordea Direct Bank ASA is expected to be merged into Nordea Bank Abp, subject to regulatory approval, with 1 November 2022 as the target date.

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

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

Overview of the Merger

The merger plan (the "**Merger Plan**"), which set out the terms and conditions and related procedures for the Merger, was signed by the boards of directors of Nordea Bank AB (publ) and Nordea Bank Abp in October 2017. Pursuant to the Merger Plan, Nordea Bank AB (publ) was to be merged into Nordea Bank Abp through the Merger, which was executed as a cross-border reversed merger by way of absorption pursuant to the provisions of Chapter 16, Sections 19–28 of the Finnish Companies Act and, as applicable, Chapter 2 of the Finnish Commercial Banking Act (Fi: *laki liikepankeista ja muista osakeyhtiömuotoisista luottolaitoksista (1501/2001)*) as well as Chapter 23, Section 36 (with further reference) of the Swedish Companies Act and Chapter 10, Sections 18–25 b of the Swedish Banking and Financing Business Act.

Nordea Bank AB (publ) was automatically dissolved on 1 October 2018, which was the date on which the Merger was registered with the Finnish Trade Register (*i.e.*, the Completion Date). For accounting and legal purposes, Nordea Bank AB (publ)'s rights and obligations as well as its assets and liabilities were by operation of law transferred to Nordea Bank Abp on the Completion Date by way of universal succession in accordance with relevant Finnish and Swedish corporate law and the transactions of Nordea Bank AB were treated as being those of Nordea Bank Abp.

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

Closure of Nordea Bank Russia

In accordance with its strategy, Nordea is focusing on its business in the Nordic region. Consequently, the Group has decided to wind down its operations in Russia. On 24 March 2021 the Extraordinary General Meeting of JSC Nordea Bank decided to initiate the voluntary liquidation process, which was approved by the Central Bank of Russia on 16 April 2021.

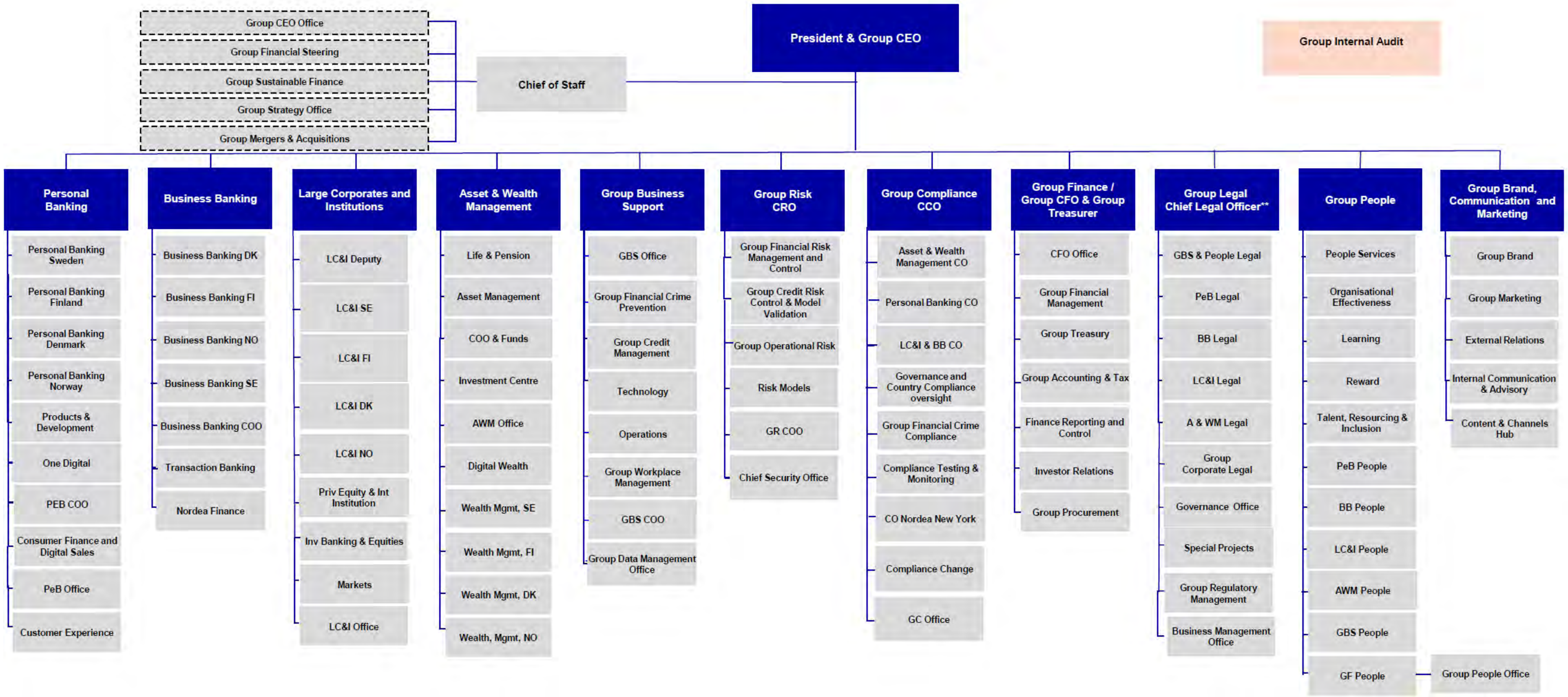
Nordea Group's Organisation

Overview

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

Business Areas

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


Group CEO Office
Group Financial Steering
Group Sustainable Finance
Group Strategy Office
Group Mergers & Acquisitions
Chief of Staff
President & Group CEO
Group Internal Audit
Personal Banking
Personal Banking Sweden
Personal Banking Finland
Personal Banking Denmark
Personal Banking Norway
Products & Development
One Digital
PEB COO
Consumer Finance and Digital Sales
PeB Office
Customer Experience
Business Banking
Business Banking DK
Business Banking FI
Business Banking NO
Business Banking SE
Business Banking COO
Transaction Banking
Nordea Finance
Large Corporates and Institutions
LC&I Deputy
LC&I SE
LC&I FI
LC&I DK
LC&I NO
Priv Equity & Int Institution
Inv Banking & Equities
Markets
LC&I Office
Asset & Wealth Management
Life & Pension
Asset Management
COO & Funds
Investment Centre
AWM Office
Digital Wealth
Wealth Mgmt, SE
Wealth Mgmt, FI
Wealth Mgmt, DK
Wealth, Mgmt, NO
Group Business Support
GBS Office
Group Financial Crime Prevention
Group Credit Management
Technology
Operations
Group Workplace Management
GBS COO
Group Data Management Office
Group Risk CRO
Group Financial Risk Management and Control
Group Credit Risk Control & Model Validation
Group Operational Risk
Risk Models
GR COO
Chief Security Office
Group Compliance CCO
Asset & Wealth Management CO
Personal Banking CO
LC&I & BB CO
Governance and Country Compliance oversight
Group Financial Crime Compliance
Compliance Testing & Monitoring
CO Nordea New York
Compliance Change
GC Office
Group Finance / Group CFO & Group Treasurer
CFO Office
Group Financial Management
Group Treasury
Group Accounting & Tax
Finance Reporting and Control
Investor Relations
Group Procurement
Group Legal Chief Legal Officer**
GBS & People Legal
PeB Legal
BB Legal
LC&I Legal
A & WM Legal
Group Corporate Legal
Governance Office
Special Projects
Group Regulatory Management
Business Management Office
Group People
People Services
Organisational Effectiveness
Learning
Reward
Talent, Resourcing & Inclusion
PeB People
BB People
LC&I People
AWM People
GBS People
GF People
Group People Office
Group Brand, Communication and Marketing
Group Brand
Group Marketing
External Relations
Internal Communication & Advisory
Content & Channels Hub

Personal Banking

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

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

Personal Banking comprises the customer units (Personal Banking Denmark, Personal Banking Finland, Personal Banking Norway, Personal Banking Sweden), Products & Development, Consumer Finance & Digital Sales, One Digital and Personal Banking COO Organisation. The Products & Development unit is responsible for lending and deposit products and related product offerings for household customers. The mortgage companies in all four Nordic countries also belong to the Products & Development unit. The Consumer Finance unit manages the consumer finance business in collaboration with the country banking units and includes digital sales and consumer lending teams. The ambition is to establish new and scale existing consumer finance business. One Digital develops and delivers digital services, solutions and experiences for all customers within Nordea, even though the unit is anchored in Personal Banking. This primarily covers mobile banking, Nordea's netbanks, Nora and Nova, the platform for digital sales, digital design and digital customer experience. The Personal Banking COO Organisation provides internal support to all Personal Banking units by maintaining and developing the core Personal Banking systems and the banking platforms.

Business Banking

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

In the second quarter of 2018, Nordea merged the divisions Commercial Banking and Business Banking into one customer responsible division, Nordea Business Banking. Nordea Business Banking is the customer responsible unit within Business Banking serving small and mid- to large corporate customers.

The customers serviced by Business Banking are small, mid-sized and large corporates, with a range of different needs. Therefore, the customer base is segmented into two main customer clusters such that each segment has similar business needs. Business Banking's organisation is divided into the following parts: Business Banking Denmark, Business Banking Finland, Business Banking Norway, Business Banking Sweden, Transaction Banking, Nordea Finance and the Business Banking COO Organisation.

Transaction organisation provides services to all personal and corporate customers across the Nordic region. Services include payments, cash management, cards, mobile payments, trade finance, point of sale financing, and working capital management. Nordea Finance provides sales financing, equipment investment financing and asset-based financing solutions to customers. The Business Banking COO Organisation has the responsibility across a number of key functions, service development, data management and operations that support Business Banking, Transaction Banking and Nordea Finance.

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

Large Corporates & Institutions

Large Corporates & Institutions (up to December 2019 named Wholesale Banking) provides financial solutions to large Nordic and international corporate and institutional customers. The offering includes a diverse range of financing, cash management and payment services, investment banking, capital markets products and securities services. The Large Corporates & Institutions business area includes the business units Large Corporates & Institutions in each of the four Nordic countries ("**LC&I**"), Private Equity & International Institutions, Investment Banking & Equities, Markets, as well as Balance Sheet & Portfolio Management, International Division & Russia, and Large Corporates & Institutions COO Organisation.

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

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

Private Equity & International Institutions operates cross Nordic and serves customers within leverage finance and custody and also international institutions. Investment Banking & Equities offers a full range of banking services, providing customers with integrated advisory and competitive financial solutions within i a mergers & acquisitions, equity capital markets, debt capital markets, cash management, project finance, export & trade finance and custody services.

Markets covers all product areas within fixed income and currencies (foreign exchange and derivatives) in which Markets specialists advise customers or execute customer trades. Sales and distribution of fixed income and foreign exchange and associated derivatives. The unit is also responsible for the Nordea Group's institutional clients. Markets provides fixed income products, currency products and other risk management products including intermediation of credit and capital.

The International Division & Russia includes the Nordea branches in New York, London, Singapore and Shanghai as well as Nordea Bank in Russia and the International Credit Desk. The division offers a comprehensive range of products and services to Corporates, Institutions & Investment Banking customers and Business Banking customers. In accordance with its strategy that focuses on core customers from the Nordic region, Nordea is winding down its Singapore operations and closed its Singapore branch during the second quarter of 2021.

Asset & Wealth Management

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

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

Wealth Management is organised in four units, one in each Nordic country, which each includes Private Banking units and Investment and Securities Advisory units and provides customers with private banking services and investment advice from over 60 branches in the Nordic region. The Nordea Group operates its Private Banking business through an integrated model with Personal Banking. The Nordea Group believes that this integrated operating model enables it to fully leverage the distribution capabilities and customer base of the whole Group as well as to utilise the investment and product development competencies in Nordea. In addition to its Nordic Private Banking operations, the Nordea Group engages in International Private Banking operations that are targeted to both customers of a Nordic origin domiciled outside the Nordic region and international customers of non-Nordic origin. In January 2018, Nordea announced that it had entered into an agreement with UBS Europe regarding the acquisition by UBS Europe of part of Nordea's Luxembourg-based private banking business and its integration onto UBS Europe's advisory platform. Assets under management for the divested private banking business as of 31 December 2017 amounted to EUR 13 billion. On 15 October 2018, Nordea announced that the transaction had been completed.

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

Investment Center supports all customer segments in Nordea with advisory concepts, asset allocation, product portfolios, processes, tools and savings support. Digital Wealth supports the customer responsible units in developing and running the savings business efficiently and with an omni-channel approach.

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

Group Functions

Group Business Support

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

Group Finance

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

Group Risk & Compliance

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

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

Group People, Group Legal and Group Brand, Communication & Marketing

Group People provides strategic partnering, support and service in all people matters. Group Legal provides legal services and advice applying Nordic rules and regulations in core legal areas as well as directly applicable EU rules in the corresponding areas. Group Brand, Communication & Marketing consists of the units Group Communication, Group Marketing and Group Brand and provides services in the areas of communication, marketing and branding.

Legal and Administrative Proceedings

During the ordinary course of business, the Nordea Group and the Issuer are subject to threatened or actual legal- and administrative proceedings and regulatory reviews and investigations, including proceedings in which the Nordea Group or the Issuer, as the case may be, is acting as plaintiff seeking to recover unpaid debts owed by defaulting borrowers and other customers, or as respondent in other cases. For example, in June 2015 the Danish financial supervisory authority investigated the compliance of Nordea Bank Danmark A/S with applicable anti-money laundering regulations. The investigation resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the Danish police for further handling and possible sanctions. The Nordea Group expects to be fined in Denmark for past weaknesses in anti-money laundering processes and, consequently, recorded a provision of EUR 95 million for ongoing anti-money laundering related matters in 2019. The Nordea Group and the Issuer are also subject to administrative claims and tax proceedings from time to time. These types of claims, disputes, legal proceedings or investigations, the outcomes of which can be difficult to predict, expose the Nordea Group and/or the Issuer to monetary damages, direct or indirect costs (including legal costs) direct or indirect financial losses, disputes, litigation, civil and criminal penalties and other sanctions, loss of licences or authorisations, or loss of reputation, criticism or penalties by supervisory authorities, as well as the potential for regulatory restrictions on its businesses. See also "*Risk Factors—Risks Relating to the Legal and Regulatory Environments in which the Nordea Group Operates—Legal and regulatory claims arise in the conduct of the Nordea Group's business*". As of the date of this Base Prospectus, the Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have, or have had in such period, significant effects on the financial position or profitability of the Issuer and none of the governmental, administrative, legal or arbitration proceedings to which the Nordea Group is party (including any such proceedings which are pending or threatened of which the board of directors of the Issuer is aware) have had in the previous 12 months or are considered likely to have any significant adverse effect on the Nordea Group or its financial position.

Capital Adequacy and Regulatory Considerations

General

As a result of the global financial crisis that extended from August 2007 through the early part of 2009, and following a review of the existing regulatory framework, a number of initiatives aimed at tightening the regulatory standards applicable to financial institutions, in particular those deemed to be systemically important, were introduced. One of the most important regulatory initiatives following the crisis was Basel III, which was a comprehensive proposal by the BCBS for reforms to the regulatory capital and liquidity framework for internationally active banks. The Basel III framework was transposed into law in the EU by way of the Capital Requirements Directive and the CRR. The CRR currently applies in all EU Member

States without further national implementation. Finnish legislation implementing the Capital Requirements Directive entered into force in 2014.

On 7 June 2019, the banking package that comprises of revisions to CRR, the Capital Requirements Directive, SRM Regulation as well as BRRD was published in the Official Journal. The banking package also included (i) the Creditor Hierarchy Directive and (ii) phase-in arrangements for the regulatory capital impact of "*IFRS 9 – Financial Instruments*" and the ongoing interaction of "*IFRS 9 – Financial Instruments*" with the regulatory framework. The banking package covers multiple areas, including the pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities and macro-prudential tools, the framework for MREL and the integration of the FSB TLAC standard into EU legislation. The initial elements entered into force on 27 June 2019. Subject to several exceptions, the main elements of the Capital Requirements Directive became applicable on 29 December 2020 and the main elements of CRR II (as defined below) will become applicable on 28 June 2021. The Finnish national transposition of the Capital Requirements Directive amendments entered into force on 1 April 2021. On 26 June 2020, a so-called CRR "quick fix" was implemented with the intention to ensure that banks can continue to lend money to support the economy and help mitigate the significant economic impact of the coronavirus pandemic. The package includes selected targeted amendments to the CRR with the intention to maximise the ability of banks to lend and absorb losses related to the coronavirus pandemic. Among the changes, the quick fix implemented the extended SME factor and the changed treatment of software at an earlier date then earlier decided. The Creditor Hierarchy Directive created a new category of "non-preferred" senior debt and has been implemented as a matter of domestic law in Finland primarily through the introduction of updates to the Finnish Act on Credit Institutions that took effect as of 15 November 2018 and that regulate, among others, the ranking of "non-preferred" senior debt in the bankruptcy of a credit institution.

Capital Requirements

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

The Nordea Group is identified as an Other Systemically Important Institution ("**O-SII**"). Pursuant to the Finnish Act on Credit Institutions (Fi: *laki luottolaitostoiminnasta (610/2014)*) (the "**Finnish Act on Credit Institutions**"), the buffer is to be set at a level between 0 per cent. and 3 per cent. for O-SIIs. Furthermore, a systemic risk buffer within the meaning of Article 133 of the Capital Requirements Directive has been implemented into Finnish law through amendments to the Finnish Act on Credit Institutions pursuant to which the FFSA may impose a systemic risk buffer of 1 per cent. to 5 per cent. on Finnish credit institutions which has been applicable since 1 January 2019. A buffer requirement in excess of 3 per cent. requires the approval of the European Commission.

On 29 June 2018, the FFSA decided to activate the systemic risk buffer in Finland. Under CRD IV, only the higher of the systemic risk buffer and O-SII buffer was applicable, but with the implementation of CRD V the systemic risk buffer is additive with the O-SII. The systemic risk buffer requirement was set by the FFSA at 3 per cent. for the Nordea Group to be met by common equity tier 1 (CET1) capital and was applicable from 1 July 2019. However, on 6 April 2020 the Board of the FFSA decided to remove the systemic risk buffer and to adjust bank-specific requirements so that the buffer requirements for all Finnish banks fell by 1 percentage point as a response to the coronavirus pandemic. As a result, the 3 per cent. systemic risk buffer for the Nordea Group was removed and instead the 2 per cent. O-SII buffer became applicable. 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. The Nordea Group's leverage ratio requirement is 3 per cent.

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

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

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

Nordea will, similar to all other banks supervised by the SSM, be allocated pillar 2 add-ons that are split between a pillar 2 requirement and pillar 2 guidance. The level of both of these add-ons will be communicated by the ECB and the FFSA as part of the formal Supervisory Review and Evaluation Process ("**SREP**") by the EU Supervisory College process. On 23 November 2020, Nordea received the results of the most recent SREP which confirmed that its pillar 2 requirement of 1.75 per cent. as decided in the SREP from 10 December 2019 will remain applicable going forward. On 12 March 2020, the ECB decided to amend the composition of the pillar 2 requirement so that it may be met with 56.25 per cent. CET1 and 75 per cent. Tier 1, as a minimum. This implies a common equity tier 1 (CET1) capital ratio requirement of approximately 10.2 per cent., including a minimum common equity tier 1 (CET1) capital requirement of 4.5 per cent., a pillar 2 requirement of approximately 1.0 per cent., a capital conservation buffer of 2.5 per cent., a buffer for other systemically important institutions of 2 per cent. and a countercyclical buffer of approximately 0.2 per cent.

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

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

Measures Related to Finalisation of Basel III

On 7 December 2017, the BCBS announced that its oversight body, the Group of Central Bank Governors and Heads of Supervision, had endorsed the outstanding Basel III post-crisis regulatory reforms proposed by the BCBS. As part of the reform process, the BCBS conducted a review of the standardised approaches and internal models of the capital requirement frameworks for credit and operational risk with a view to, among other things, reducing mechanistic reliance on external ratings. In addition, the role of internal models was reviewed by the BCBS with the aim of improving comparability and addressing excessive variability in the capital requirements for credit risk. The BCBS also worked on the design of a capital floor framework based on the revised standardised approaches for all risk types. This framework has replaced the capital floor for credit institutions using internal models, which was based on the Basel I standard. The BCBS also calibrated the floor alongside its other work on revising the risk-based capital framework. In addition, the BCBS also conducted a review of trading book capital standards, resulting in new minimum capital requirements for market risk. The revised standards, which require implementation in the EU prior to being applicable to the Nordea Group, were initially intended to effect from 1 January 2022 with the capital floor being phased in over five years. On 27 March 2020 it was announced that the revised standards would be deferred for one year and will therefore start to take effect from 1 January 2023 with a five year phase-in for the capital floor. The CRR II does not include the changes to the finalised Basel III as announced by BCBS in December 2017, however, the revised market risk framework, as agreed by the BCBS in 2016 has been included in the CRR II. The market risk framework has been revised by the BCBS in January 2019 and the full market risk framework is, therefore, expected to be implemented with the other BCBS changes at a later stage.

On 27 October 2021, the European Commission published a proposal to implement the finalisation of Basel III into EU regulations, which suggests amendments to the CRR and CRD, i.e. CRR3 and CRD6. The proposal is that CRR3 should be implemented from 1 January 2025, with the output floor being phased-in until 2030. The proposal is now subject to negotiations between the European Commission, the European Council and the European Parliament before the amended regulations are finalised.

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. Similarly, as of the date of this Base Prospectus it is not known when the changes to the finalised Basel III will be implemented and take effect in the EU.

SRM

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

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

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

Capital Adequacy

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

The Nordea Group uses a variety of capital measurements and capital ratios to manage its capital. The Nordea Group calculates its regulatory capital requirements under the CRD framework. The Nordea Group is approved by the financial supervisory authorities to use the internal ratings-based ("**IRB**") approach when calculating the capital requirements for the main part of its credit portfolio. The Nordea Group uses the Foundation IRB approach to calculate own funds requirements for exposures towards institutional customers. Institutions constituted 5 per cent. of the total IRB risk weighted assets (RWA) at the end of 2020. For exposures towards corporate customers, the Nordea Group's main approach to calculate own funds requirement is the Advanced IRB approach, with minor parts of the portfolio subject to the Foundation IRB approach or standardised approach. The Advanced IRB approach covers banking and mortgage exposures in general in the Nordic countries and the international units. Foundation IRB used for derivatives and securities lending exposures as well as exposures towards finance companies. Standardised approach is used for sovereign and equity exposures as well as a small segment of non-profit organisation customers in Denmark. Exposures to corporates includes exposures towards rated small and medium-sized enterprises and specialised lending. Corporate Advanced IRB and Foundation IRB represented 67 per cent. and 6 per cent. of total IRB risk weighted assets (RWA), respectively, at the end of 2020. The Nordea Group uses the Advanced IRB approach to calculate own funds requirements for banking and mortgage exposures towards retail customers in the Nordic countries as well as in Nordea Finance Finland. Other entities use the standardised approach to calculate own funds requirements for retail exposures. Retail exposures constituted 29 per cent. of the total IRB risk weighted assets (RWA) at the end of 2020. Nordea has obtained a temporary approval from the ECB to use IRB models when calculating own funds requirements for loans and leasing exposures in Norway and Sweden out of Nordea Finance Equipment. The models temporarily approved by the ECB were developed by Nordea Finance Equipment. They have already been approved by the NFSA for calculation of Nordea Finance Equipment's own funds requirements on a stand-alone basis. 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.

At 30 September 2021, the Nordea Group's common equity tier 1 (CET1) capital was EUR 25.7 billion, EUR1.7 billion lower than at 30 September 2020. The decrease was mainly due to the EUR 2.0 billion capital deduction associated with the upcoming share buy-back, which was partly offset by profit generation net of dividend accrual. At the end of 2020, the Nordea Group's common equity tier 1 (CET1) capital was EUR 26.6 billion from EUR 24.4 billion at the end of 2019. The increase was driven by regulatory changes to the treatment of software assets and a changed consolidation for the banking group, with Nordea Life & Pensions now being consolidated using the equity method. Profit generation, net of dividend accrual, also contributed to the increase in common equity tier 1 (CET1) capital in 2020. The Nordea Group's common equity tier 1 (CET1) capital was strengthened in 2019 from EUR 24.1 billion at the end of 2018 to EUR 24.4 billion at the end of 2019.

In September 2021, Nordea issued USD 1.0 billion in perpetual Additional Tier 1 (AT1) conversion notes under its Global Medium-Term Note Programme. In March 2019, Nordea issued USD 1.25 billion perpetual seven-year non-call additional tier 1 conversion notes, which increased the tier 1 capital ratio by approximately 70 basis points as compared to 31 December 2018. In September 2018, Nordea issued USD 500 million 10-year non-call subordinated reset notes and SEK 1,750 million and NOK 500 million 10-year non-call five-year tier 2 subordinated notes. The Nordea Group's common equity tier 1 (CET1) capital ratio was 17.1 per cent. as of 31 December 2020, compared to 16.3 per cent. as of 31 December 2019 and 15.5 per cent. as of 31 December 2018.

In January 2020, Nordea completed a synthetic securitisation transaction related to EUR 5.1 billion of the Nordea Group's loans as originator of a portfolio with corporate and small and medium-sized enterprise loans. As part of the transaction, investors purchased credit-linked notes referencing the first loss tranche of the portfolio. The investors share the risk of credit losses of the reference portfolio up to a pre-agreed amount. No assets were derecognised from Nordea Group's balance sheet and the Nordea Group continues to service the loans. The transaction improved Nordea Group's common equity tier 1 (CET1) capital ratio by approximately 20 basis points.

Recent Regulatory Developments

In March 2020, the Danish Minister of Industry, Business and Financial Affairs decided to decrease the Danish countercyclical capital buffer rate to 0 per cent. with immediate effect. Similarly in March 2020, the SFSA decided to lower the Swedish countercyclical capital buffer rate to 0 per cent. with immediate effect and the Norwegian Ministry of Finance reduced, with immediate effect, the Norwegian countercyclical capital buffer rate from 2.5 per cent. to 1 per cent. Also in March 2020, the FFSA preliminarily decided (with final decision taken in April 2020) to remove the systemic risk buffer requirement for all banks domiciled in Finland. Since the higher of the SRB (previously 3 per cent. for the Nordea Group) and the O-SII buffer (currently 2 per cent. for Nordea) was applicable, this means that the Nordea Group is required to hold an O-SII buffer of 2 per cent. Further, in March 2020, the ECB announced that it will allow banks to operate temporarily below the level of capital defined by the pillar 2 guidance, the capital conservation buffer and the liquidity coverage ratio. In addition, the ECB will allow banks to partially use capital instruments that do not qualify as common equity tier 1 (CET1) capital to meet the pillar 2 Requirements. In total, these changes resulted in a decrease in the common equity tier 1 (CET1) capital ratio requirement of the Nordea Group of 1.9 per cent. as of 31 March 2020.

In April 2020, the European Commission announced a proposed banking package to facilitate bank lending to households and businesses throughout the European Union and mitigate the significant economic impact of the coronavirus pandemic. This banking package is intended to encourage banks to make full use of the flexibility embedded in the EU's existing prudential and accounting framework and provides market participants with a uniform interpretation of this flexibility. The banking package announced in April 2020 also proposed amendments to the CRR to, among other things, (i) extend current transitional arrangements regarding the application of international accounting standards on banks' capital for two years, (ii) postpone the date of the new leverage ratio buffer requirement on G-SIIs by one year to 1 January 2023 and (iii) extend existing preferential treatment given to non-performing loans that are guaranteed by the public sector.

In June 2020, amendments to the CRR and CRR II (the so-called "CRR quick fix") were agreed. The CRR quick fix was implemented to give banks further possibilities to support the economy and include, among other things, earlier implementation of the small- and medium-sized enterprise (SME) factor and the changes to the treatment of software. It also contains amendments to the transitional rules for "*IFRS 9 – Financial Instruments*" (Non-Performing Loans) guaranteed by central governments and to the leverage ratio.

In July 2020, the ECB announced the extension of its recommendation that significant credit institutions refrain from dividend distributions and share buy-backs aimed at remunerating shareholders until 1 January 2021. On 15 December 2020, the ECB recommended that banks not consider distributing any cash dividends or conducting share buy-backs, or to limit such distributions to remain below 15 per cent. of cumulated 2019 and 2020 profits and not higher than 20 basis points of the common equity tier 1 (CET1) capital ratio, until 30 September 2021. The ECB also clarified that banks will not be required to start replenishing their capital buffers before the peak in capital depletion is reached. The same applies for replenishing the liquidity coverage ratio (LCR). The ECB also committed to allow banks to operate below the pillar 2 guidance (P2G) and the combined buffer requirement until at least the end of 2022, and below the LCR until at least the end of 2021, without automatically triggering supervisory actions. On 23 July

2021, the ECB decided not to extend its recommendation for banks to limit dividends. The recommendation accordingly expired on 30 September 2021.

In September 2020, the ECB announced that euro area banks under its direct supervision may exclude certain central bank exposures from the leverage ratio. Banks may benefit from this measure until 27 June 2021. On 18 June 2021, the ECB announced that banks could continue to exclude certain central bank exposures from the leverage ratio, given the continued exceptional macroeconomic circumstances due to COVID-19. The exemption is valid until March 2022. Nordea has, however, decided not to take advantage of this extension.

In June 2021, both Denmark and Norway decided to increase their respective countercyclical capital buffer rates. In Denmark, the buffer rate will be set at 1.0 per cent from the third quarter of 2022, and in Norway the rate will be increased to 1.5 per cent from the second quarter of 2022. On 29 September 2021, the SFSA decided to increase the buffer rate to 1.0 per cent from the third quarter of 2022. In Finland, the buffer rate was left unchanged, at 0 per cent.

On 11 June 2021, the European Systemic Risk Board's recommendation on the reciprocation of macroprudential measures in Norway was published in the EU Official Journal. The measures set the systemic risk buffer at 4.5 per cent for Norwegian exposures and introduce risk weight floors of 20 per cent for residential real estate and 35 per cent for commercial real estate. Local supervisory authorities will decide how to respond to the recommendation. If they decide to reciprocate the measures, the risk weight floors should be implemented within three months and the systemic risk buffer within 18 months. The recommendation on the systemic risk buffer recognises the regulatory differences between Norway and the European Union and states that local supervisory authorities should ensure there are no overlaps in the different requirements when reciprocating. On 19 August 2021, the Board of the FFSA decided to adopt the average risk weight floors set by the Norwegian macroprudential authority for residential and commercial real estate exposures located in Norway from 11 September 2021. The FFSA also communicated that it would decide whether to reciprocate and thus implement the systemic risk buffer of 4.5% for exposures in Norway at a later stage. Such a decision would enter into force 12 months after being taken, but no earlier than 11 December 2022, i.e. the end of the 18- month transition period stated in the European Systemic Risk Board's recommendation. If the FFSA decides to reciprocate the systemic risk buffer, it would then also apply to the Nordea Group, leading to an estimated increase in the Group's common equity tier 1 (CET1) capital ratio requirement of up to 95 basis points.

On 28 June 2021, the FFSA decided to maintain the other systemically important institutions (O-SII) capital buffer for Finnish banks identified as systemically important. For Nordea, this means that the current O-SII buffer of 2 per cent will be maintained.

On 20 September 2021, the SFSA notified the European Commission and the European Systemic Risk Board ("**ESRB**") that it intends to adopt a decision to extend the current 25 per cent. risk weight floor for Swedish mortgages for a period of two years, in accordance with Article 458 of the CRR.

NORDEA BANK ABP

Overview and legal structure

Nordea Bank Abp, the parent company of the Nordea Group, conducts banking operations within the scope of the Nordea Group's business organisation. Nordea Bank Abp, was registered with the Finnish Trade Register on 27 September 2017 and is a public limited liability company organised under the laws of Finland. According to Article 3 of Nordea Bank Abp's articles of association, as a commercial bank Nordea Bank Abp engages in business activities that are permitted to a deposit bank pursuant to the Finnish Act on Credit Institutions. Nordea Bank Abp provides investment services and performs investment activities pursuant to the Finnish Act on Investment Services. Further, in its capacity as parent company, Nordea Bank Abp attends to and is responsible for overall functions in the Nordea Group, such as management, supervision, risk management and staff functions. Nordea Bank Abp is subject to substantial regulation in all markets in which it operates. The articles of association were last amended on 1 October 2018. Nordea Bank Abp is registered in the Finnish Trade Register under business identity code 2858394-9. The head office of Nordea is located in Helsinki at the following address: *Hamnbanegatan* (Fi: *Satamaradankatu*) 5, FI-00020 Nordea, Helsinki, Finland. Nordea Bank Abp has several directly and indirectly owned subsidiaries. Nordea Bank Abp's shares are listed on the stock exchanges in Helsinki, Stockholm and Copenhagen.

Share Capital and Shareholders

Share Capital

As of the date of this Base Prospectus, Nordea's share capital is EUR 4,049,951,919, consisting of 3,965,561,160 ordinary shares. The shares in Nordea have no nominal value.

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

The additional tier 1 (AT1) conversion notes issued by Nordea in March 2019 and August 2021, respectively, automatically convert into shares if the common equity tier 1 (CET1) capital ratio of either Nordea on a solo basis or the Nordea Group on a consolidated basis falls below a specific trigger level. There are no convertible bonds issued by Nordea that give option exercise rights for holders to acquire shares in Nordea.

Shareholders

The following table sets forth information relating to Nordea's five largest shareholders as of 31 March 2021:

	Number of shares (million)	Per cent. of shares and votes[(1)]
Sampo plc	642.9	15.9
Blackrock	203.9	5.0
Cevian Capital	178.4	4.4
Nordea Fonden	158.2	3.9
Alecta	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 was from thereon included in the Sampo financial conglomerate in accordance with the Finnish Act on the Supervision of Financial and Insurance Conglomerates (Fi: *laki rahoitus- ja vakuutusryhmittymien valvonnasta (2004/699)*). On 13 August 2019, Sampo plc announced that it had on 12 August 2019 distributed a total of 55,517,639 shares of Nordea as an extra dividend to its shareholders. After the distribution, Sampo plc held 804,922,858 shares of Nordea, corresponding to 19.87 per cent. of all shares and votes, and the Nordea Group is no longer included in the Sampo financial conglomerate. On 4 September 2019, the Nordea Group was identified as a financial conglomerate on its own. On 10 November 2020, Sampo plc announced that it had completed an accelerated bookbuild offering to institutional investors of 162 million Nordea shares held by Sampo plc. The offering represented 4.0 per cent. of the outstanding shares in Nordea and reduced Sampo's ownership in Nordea to 15.9 per cent. Sampo plc also announced that it had, in connection with the offering, entered into a lock-up undertaking, under which it has, subject to certain exceptions, agreed not to sell any Nordea shares for a period ending at 9 May 2021.

Board of Directors

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

As of the date of this Base Prospectus, the board of directors of Nordea consists of 10 members elected by the general meeting for the period until the end of the Annual General Meeting ("**AGM**") of Nordea in 2022. In addition, three ordinary members and one deputy member have been appointed by the employees of Nordea Group. The CEO of Nordea is not a member of the board of directors.

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

	Year of birth	Board member since	Position
Torbjörn Magnusson	1963	2018	Chair
Kari Jordan	1956	2019	Vice Chair
Claudia Dill	1966	2021	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
Jonas Synnergren	1977	2020	Member

The board of directors also includes the following members elected by the employees of Nordea as of the date of this Base Prospectus (one of whom at any time is a deputy member of the board of directors):

	Year of birth	Board member since	Position
Joanna Koskinen	1977	2021	Member
Gerhard Olsson	1978	2016	Member
Hans Christian Riise	1961	2013	Member
Dorris Groth Brandt	1967	2018	Deputy Member

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

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

Torbjörn Magnusson (Chair) is Group CEO and President of Sampo Group and Jonas Synnergren is Senior Partner of Cevian Capital Ab who are shareholders in Nordea Bank Abp. Save for the foregoing, no potential conflicts of interest exist between any duties to Nordea Bank Abp of a member of the board of directors and the private interests or other duties of each persons.

Torbjörn Magnusson has been a member of the board of directors since 2018 and has served as its Chair since 2019. As of the date of this Base Prospectus, Mr Magnusson is the President and CEO of the Sampo Group, Managing Director and member of Group Executive Committee of Sampo plc., the Chair of the board of directors of If P&C Insurance Holding Ltd. and a member of the board of directors of Hastings Group Holdings plc.

Kari Jordan has been a member of the board of directors and served as its Vice Chair since 2019. As of the date of this Base Prospectus, Mr Jordan is the Chair of the board of directors of Outokumpu Oyj, and a member of the boards of directors of the Finnish Business and Policy Forum EVA/ETLA and several other non-profit organisations.

Petra van Hoeken has been a member of the board of directors since 2019. As of the date of this Base Prospectus, Ms van Hoeken is a member of the boards of directors of Nederlandse WaterschapsBank NV, Oranje Fonds, the Supervisory Board of Volksbank N.V and Chair of the Advisory Committee for Credit for the Ministry of Economic & Climate Affairs.

Claudia Dill has been a member of the board of directors since 2021.

Nigel Hinshelwood has been a member of the board of directors since 2018. As of the date of this Base Prospectus, Mr Hinshelwood is a member of the boards of directors of Bank of Scotland plc and Lloyds Bank plc and a member of the Finance and Risk Committee of Business in the Community.

Robin Lawther has been a member of the board of directors since 2014. As of the date of this Base Prospectus, Ms Lawther is a member of the boards of directors of Ashurst LLP and United Kingdom Government Investments Limited and an Advisory board member at Aon.

John Maltby has been a member of the board of directors since 2019. As of the date of this Base Prospectus, Mr Maltby is the Chair of the board of directors of Allica Bank Limited and a member of the boards of directors of National Citizens Service (NCS) Trust and West Brom Building Society.

Sarah Russell has been a member of the board of directors since 2010. As of the date of this Base Prospectus, Ms Russell is a member of the supervisory board of Ostrum Asset Management, Paris, France, and the Currency Exchange Fund N.V and the APG Groep NV and APG Asset Management NV.

Birger Steen has been a member of the board of directors since 2015. As of the date of this Base Prospectus, Mr Steen is a thematic partner of Summa Equity AB, the Chair of the board of directors of Nordic Semiconductor ASA, Myneva Group Gmbh and Pagero AB and a member of the boards of directors of PragmatIC. Mr Steen is also a trustee of the Nordic Heritage Museum in Seattle, United States.

Jonas Synnergren has been a member of the board of directors since 2020. As of the date of this Base Prospectus, Mr. Synnergren is a senior partner of Cevian Capital AB and Head of Cevian Capital AB's Swedish office, a member of the board of directors of Veoneer Inc. and a member nomination committee of LM Ericsson AB.

Group Leadership Team

The Group Leadership Team of the Nordea Group as of the date of this Base Prospectus consists of 12 members, including the Group CEO. The President and Group CEO is appointed by the board of directors and is charged with the day-to-day management of the Nordea Group and the Nordea Group's Group-wide affairs in accordance with applicable laws and regulations, including the Finnish Corporate Governance Code (Fi: *Suomen listayhtiöiden hallinnointikoodi*) (the "**Finnish Corporate Governance Code**"), as well as the instructions provided by the board of directors. The instructions regulate the division of responsibilities and the interaction between the Group CEO and the board of directors. The Group CEO works closely with the Chair of the board of directors, for example, in planning the meetings of the board of directors.

The following table sets forth each member of Group Leadership Team as of the date of this Base Prospectus, his or her year of birth, the year of his or her initial employment as a member of Group Leadership Team and his or her current position:

	Year of birth	Group Leadership Team member since	Position
Frank Vang-Jensen	1967	2018	President and Group Chief Executive Officer (CEO)
Nina Arkilahti	1967	2020	Head of Business Banking
Erik Ekman	1969	2015	Head of Group Business Support
Matthew Elderfield	1966	2016	Chief Risk Officer (CRO) and Head of Group Risk
Christina Gadeberg	1970	2019	Chief People Officer, Head of Group People
Jamie Graham	1974	2021	Group Chief Compliance Officer and Head of Group Compliance
Jussi Koskinen	1973	2018	Chief Legal Officer, Head of Group Legal
Sara Mella	1967	2019	Head of Personal Banking
Martin A Persson	1975	2016	Head of Large Corporates & Institutions
Ulrika Romantschuk	1966	2020	Head of Brand, Communications and Marketing
Ian Smith	1967	2020	Group Chief Financial Officer (CFO) and Head of Group Finance
Snorre Storset...................................	1972	2015	Head of Asset & Wealth Management

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

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

Frank Vang-Jensen has been the President and Group CEO of Nordea since 2019 and a member of Group Leadership Team since 2018. Before his appointment as President and Group CEO in September 2019, Mr Vang-Jensen held several executive positions since he joined the Nordea Group in 2018, most recently as Head of Personal Banking.

Nina Arkilahti has been Head of Business Banking and a member of Group Leadership Team since 2020. Ms Arkilahti has previously served in several senior positions at Svenska Handelsbanken AB, including as Executive Vice President and Country Head Finland and as Senior Vice President and Country Head Germany.

Erik Ekman has been Head of Group Business Support since 2020 and a member of Group Leadership Team since 2015. Mr Ekman has held several executive positions since he joined the Nordea Group in 2008, most recently as Head of Commercial & Business Banking (currently named Business Banking) from 2016 to 2019 and as Acting Head of Group Business Risk Management during 2019.

Matthew Elderfield has been Group CRO and Head of Group Risk and Compliance since 2019 and a member of Group Leadership Team since 2016. Between 2016 and 2019, Mr. Elderfield held the position as Group Compliance Officer and Head of Group Compliance. Prior to joining the Nordea Group in 2016, Mr Elderfield served as Global Head of Compliance at Lloyds Banking Group and a member of the International Advisory Board of The Confederation of Finnish Industries EK.

Christina Gadeberg has been Head of Group People and a member of Group Leadership Team since 2019. Ms. Gadeberg has held several executive positions since she joined the Nordea Group in 2015, most recently as Head of Group People Business Partnering and co-leader of Group People during 2019 and, prior to this, as Head of People to Asset and Wealth Management from 2017 to 2019.

Jamie Graham has been Group Chief Compliance Officer, Head of Group Compliance and a member of Group Leadership Team since 2021. Mr. Graham joined Nordea in 2016 as Group Chief Audit Executive and Head of Group Internal Audit. Before joining the Nordea Group, Mr. Graham held several senior roles at Barclays, including the position of Global Head of Compliance Audit. Mr. Graham is a UK Chartered Accountant.

Jussi Koskinen has been Chief Legal Officer and Head of Group Legal and a member of Group Leadership Team since 2018. He has also been the Interim Deputy Managing Director of Nordea since 2019. Prior to joining the Nordea Group in 2018, Mr Koskinen served as Vice President, Head of Global Corporate Legal and Secretary to the board of directors at Nokia Corporation. As of the date of this Base Prospectus, Mr

Koskinen is a member of the board of the Finnish Chamber of Commerce and a member of the Policy Committee Directors' Institute Finland.

Sara Mella has been Head of Personal Banking and a member of Group Leadership Team since 2019. Prior to her appointment as Head of Personal Banking in December 2019, Ms Mella was Acting Head of Personal Banking from September 2019 and, prior to that, she held several executive positions at the Nordea Group, most recently as Head of Personal Banking Finland. As of the date of this Base Prospectus, Ms Mella is Chair of the Banking Executive Committee of Finance Finland and a member of the board of directors of Art Foundation Merita fr.

Martin A Persson has been Head of Large Corporates & Institutions (previously named Wholesale Banking) and a member of Group Leadership Team since 2016. Mr Persson joined the Nordea Group in 2012 and served as the Co-Head of Markets Equities, Nordea Markets from 2012 to 2016. As of the date of this Base Prospectus, Mr Persson is a member of the boards of directors of the Swedish Bankers' Association and the Swedish House of Finance, Stockholm School of Economics.

Ulrika Romantschuk has been Head of Brand, Communications and Marketing and a member of Group Leadership Team since 2020. Ms Romantschuk has previously served as Executive Vice President, Communications and Branding of the Fazer Group and was a member of the Group Management Team of the Fazer Group.

Ian Smith has been Group CFO and Head of Group Finance and a member of Group Leadership Team since 2020. Mr Smith has previously served as Group CFO of Virgin Money United Kingdom PLC, Director of Group Finance at Lloyds Banking Group PLC and at Halifax Bank of Scotland PLC.

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

Independence

Nordea complies with applicable requirements regarding the independence of its board of directors according to applicable European regulatory requirements and Finnish laws and regulations, as well as requirements set forth in the Finnish Corporate Governance Code. All members of Nordea's board of directors are considered independent in relation to the Company's significant shareholders in accordance with the Finnish Corporate Governance Code.

All of the board members elected by the shareholders are independent of Nordea and its executive management, including Sarah Russell who has been a member of the board of directors of Nordea and its legal predecessors for 11 consecutive years. Based on an overall evaluation, her independence is not compromised due to her long service history, and no other factors or circumstances have been identified that could impair her independence.

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

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

The rules regarding independence of the board of directors are governed by, among others, the Finnish Corporate Governance Code, the Finnish Act on Credit Institutions, the guidelines and regulations of the FFSA and the EBA guidelines on internal governance.

External Auditors

According to Nordea's articles of association, Nordea must have one audit firm as auditor, whose chief auditor is to be an authorised public accountant approved by the Finnish Patent and Registration Office. The assignment as auditor will continue until the end of the first AGM held after the election of the auditor. PricewaterhouseCoopers Oy, Authorised Public Accountants, has been elected as Nordea's auditor until the end of the 2022 AGM. As of the date of this Base Prospectus, Jukka Paunonen, Authorised Public Accountant, has been assigned as the auditor in charge. PricewaterhouseCoopers Oy has the following office address: Itämerentori 2, FI-00100 Helsinki, Finland.

Dividends

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

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

The 2020 AGM authorised the board of directors of Nordea to decide on a dividend payment of a maximum of EUR 0.40 per share for the financial year ended 31 December 2019 to be distributed in one or several instalments. This authorisation was valid until the AGM of Nordea to be held in 2021. The board of directors of Nordea communicated in March 2020 its intention to follow the ECB recommendation and refrain from deciding on a dividend payment before 1 October 2020. On 28 July 2020, the ECB announced the extension of its recommendation that significant credit institutions refrain from dividend distributions and share buy-backs aimed at remunerating shareholders at least until 1 January 2021. Most recently, the ECB on 15 December 2020 recommended that banks not consider distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until 30 September 2021. The board of directors of Nordea acknowledged the ECB's updated recommendation and on 18 February 2021 announced that, based on the recommendation of, and after a dialogue with, the ECB it had decided to distribute a dividend of EUR 0.07 per share to shareholders in accordance with the authorisation by the 2020 AGM. The dividend was paid on 1 March 2021 and the total dividend payment amounted to EUR 282.6 million.

The 2021 AGM authorised the board of directors of Nordea to decide on a dividend payment of a maximum of EUR 0.72 per share for the year ended 31 December 2020. The amount of EUR 0.72 maximum per share is in line with Nordea's dividend policy and includes the residual amount of the 2019 dividend (EUR 0.33 per share) as well as 70 per cent. of the net profit for 2020 (EUR 0.39 per share).

On 23 July 2021, the ECB announced its decision not to extend beyond 30 September 2021 its recommendation that all banks limit dividends. Instead, supervisors will assess the capital and distribution plans of each bank as part of the regular supervisory process. Nordea is ready to distribute the residual unpaid dividend for 2019 and the unpaid dividend for 2020 after the current restrictions are repealed. Nordea will publish any possible decisions on dividend payments, including the dividend record and payment dates, by the board of directors separately.

Shareholder capital distributions

In September 2021, Nordea received approval from the European Central Bank for a share buy-back of up to EUR 2.0 billion. Together with the dividend of EUR 0.72 per share for 2019-2020, which was paid to shareholders in October 2021, the buy-back is expected to result in total shareholder capital distributions of around EUR 4.9 billion or EUR 1.20 per share in 2021.

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, inter alia, the Finnish Corporate Governance Code, the Finnish Act on Credit Institutions, the guidelines and regulations of the FFSA, the EBA guidelines on internal governance under the Capital Requirements Directive and Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders.

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, such as in relation to any Green Notes, this will be stated in the relevant Final Terms.

In relation to any Green Notes, the Issuer's Green Bond Framework and the second party opinion provided by ISS ESG (or such other second party opinion provider as may be engaged by the Issuer from time to time) are available at https://www.nordea.com/en/investors/debt-and-rating/green-bonds. The Issuer will annually publish on its website a Green Bond report that provides, *inter alia*, the amount of net proceeds that have been allocated to each category of Green Assets, the balance of net proceeds yet to be allocated to Green Assets and (where appropriate) examples of Green Assets that have been financed or refinanced by the net proceeds of Green Notes.

The Issuer's Green Bond Framework may be amended at any time without the consent of Noteholders. Any revisions or updates to the Green Bond Framework will be made available on the website indicated above, but the Issuer will not have any obligation to notify Noteholders of any such amendments.

The Green Bond Framework, any relevant opinion or certification and any other document related thereto including any footnotes, links to the Issuer's website and/or progress and impact assessment reports are not, nor shall they be deemed to be, incorporated in and/or form part of this Base Prospectus.

For further information in relation to Green Notes, please see "*Green Notes*" and "*Notes – Overview of Key Features – Green Notes"* on pages viii to x and 68 to 69 of this Base Prospectus.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. The tax laws of an investor's Member State and of the Issuer's Member State of incorporation might have an impact on the income received from the securities. Prospective purchasers of 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. It should also be noted that there are differences in the tax treatment of different Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Finnish Taxation

The following summary does not purport to present any comprehensive or complete picture of all Finnish tax aspects that could be of relevance to a Holder of the Notes. The comments in this part are based on current Finnish tax law as applied in Finland and the Finnish Tax practice (which are subject to changes that could prospectively or retroactively affect the stated tax consequences). Prospective Holders of Notes should consult their own professional advisors as to their tax position.

Payments of interest in accordance with the Terms and Conditions are not subject to withholding 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 (through a permanent establishment in Finland). Investors that are not resident in Finland for tax purposes are, furthermore, not subject to Finnish tax on capital gains arising from the transfer of Notes, unless the transfer relates to business carried on in Finland through a permanent establishment. The payer is obliged to ascertain that the recipient is not resident in Finland for tax purposes. The recipient is obliged to disclose their non-resident investor status to the payer. If a recipient fails to provide such information, the Issuer will be entitled to withhold or deduct amounts from a payment in respect of the 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.

For physical persons that are resident in Finland for tax purposes and for Finnish estates of deceased persons, interest on Notes may constitute income subject to tax prepayment withholding at a rate of 30 per cent under the Prepayment Act (Fin. *Ennakkoperintälaki* (1118/1996), as amended), and subject to final taxation as capital income under the Income Tax Act (Fin. *Tuloverolaki* (1535/1992), as amended). The tax rate applicable to capital income is at present 30 per cent. The tax rate for the part of capital income which exceeds 30,000 euros per year is, 34 per cent. Alternatively, interest paid to a Finnish tax resident physical person or a Finnish estate of a deceased person may be income subject to tax at a rate of 30 per cent pursuant to the Interest Income Withholding Tax Act (Fin. *Laki korkotulon lähdeverosta* (1341/1990), as amended). Index-linked yield is generally treated as interest income.

Where Notes are sold by a Finnish physical person or the Finnish estate of a deceased person prior to the due date, any capital gains and payment of accrued interest (Fin. *jälkimarkkinahyvitys*) constitutes capital income. Correspondingly, the subscriber is generally entitled to deduct the paid accrued interest from the taxable capital income of the year of subscription. Capital gains arising from a sale of assets are, however, exempted from tax if the total amount of the sales prices of the assets sold by the note holder does not exceed EUR 1,000 in a tax year. Capital losses arising from the transfer of notes are primarily deductible from capital gains arising from the sale of assets in the same year or during the following five years. Capital losses may secondarily be deducted also from other capital income than capital gains. The capital losses will not, however, be tax deductible if the total amount of the acquisition prices of the assets sold by the note holder does not exceed EUR 1,000 in a tax year.

The following applies to Finnish corporate entities taxed in accordance with the Business Income Tax Act (Fin. *Laki elinkeinotulon verottamisesta* (360/1968), as amended). As of tax year 2020, most Finnish corporate entities are taxed exclusively in accordance with the Business Income Tax Act.

Finnish corporations are subject to a national corporate income tax on their worldwide income. Corporate income is taxed according to a fixed tax rate which currently is 20 per cent. No tax prepayment is withheld from principal or interest payments made to corporate entities residing in Finland. The capital gain (as well as the capital loss) is calculated by deducting the total sum of the actual acquisition cost and selling cost from the consideration from the disposal. Confirmed losses can generally be carried forward and deducted from the taxable income for ten years following the loss-making year, provided that no change in ownership triggering forfeiture of tax loss carry-forwards occur. Specific limitations apply to the deductibility of any capital losses incurred under the Income Tax Act prior to tax year 2020, as well as capital losses incurred from the transfer of assets belonging to the "other assets" asset class under the Business Income Tax Act, introduced as of tax year 2020.

The Note holders are advised to consult their own tax advisers concerning their tax reporting obligations and the overall tax consequences of their ownership of the Notes.

United States Taxation

United States Foreign Account Tax Compliance Act

The United States has enacted rules, commonly referred to as "FATCA," that generally impose a reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest) and, following the date that is two years after the publication of the final U.S. Treasury Regulations defining "foreign passthru payment", certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with Finland (the "**Finnish IGA**"). Under the Finnish IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA. The Issuer would have no obligation to pay any additional amounts in relation to such withholding or deduction.

Possible United States Withholding under Section 871(m) of the U.S. Tax Code

U.S. Treasury Regulations under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended, require withholding of up to 30 per cent. (depending on whether an income tax treaty or other exemption applies) on payments or deemed payments made to non-U.S. persons on certain financial instruments to the extent that such payments are contingent upon or determined by reference to U.S.-source dividends. These rules differentiate between "Delta-One" and "Non-Delta-One" transactions. Withholding currently applies to Delta-One Notes and should not apply to Non-Delta-One Notes issued before 1 January 2023 ("**Grandfathered Notes**") (unless the Non-Delta-One Notes are "significantly modified" on or after 1 January 2023). However, significant aspects of the application of these regulations to the Notes are uncertain. Payments on Notes, other than Grandfathered Notes, that are treated by the applicable U.S. Treasury Regulations as being contingent upon, or determined by reference to, any U.S. source dividends may be subject to this withholding.

Withholding in respect of dividend equivalents amounts will generally be required when the relevant payment is made on a Note or upon the date of maturity, lapse or other disposition by a non-U.S. investor of the Notes. Notes may be treated as paying dividend equivalent amounts to the extent U.S. source dividends are expected to be paid on the underlying equity securities, even if no corresponding payment on the Note is explicitly linked to such dividends and even if, upon maturity, lapse or other disposition by the non-U.S. investor, the investor realises a loss. The US. Treasury Regulations provide exceptions to withholding, in particular for certain instruments linked to certain broad-based indices. In the event any withholding would be required pursuant to Section 871(m) with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) and the applicable regulations to the Notes.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer or by one or more Authorised Offerors acting on the Issuer's behalf.

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 accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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 United States persons, 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 and regulations thereunder.

Each Authorised Offeror will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, Notes of any Tranche (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the date of issue of the relevant Tranche of Notes and the completion of the distribution of such Tranche as certified to the Fiscal Agent or the Issuer by the relevant Authorised Offeror(s) within the United States or to, or for the account or of benefit of, U.S. persons, and that it will have sent to each Authorised Offeror to which it sells Notes of such Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account of benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any Tranche of Notes an offer or sale of Notes of such Tranche within the United States by an Authorised Offeror may violate the registration requirements of the Securities Act.

In addition, certain Series of Notes in respect of which any payment is determined by reference to an index or formula, or to changes in prices of securities or commodities, or certain other Notes will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Authorised Offeror may agree.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Authorised Offeror 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. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

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

  (ii) a customer within the meaning of Directive (EU) 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or

  (iii) in relation to Notes with a minimum denomination below €100,000 or its equivalent in any other currency, not a qualified investor as defined in the EU Prospectus Regulation; and

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

Public Offer Selling Restriction Under the EU Prospectus Regulation

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, each Authorised Offeror will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that 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 1(4) of the EU Prospectus Regulation in that 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 Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, **provided that** any such prospectus which has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the EU Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

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

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

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require the Issuer or any Authorised Offeror to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State 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.

Prohibition of Sales to UK Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" legend as "Not Applicable", each Authorised Offeror will be required to represent, warrant 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 United Kingdom.

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

    (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

    (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

    (iii) in relation to any Notes with a minimum denomination below €100,000 or its equivalent in any other currency, not a qualified investor as defined in Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"); and

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

Public Offer Selling Restriction Under the UK Prospectus Regulation

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Authorised Offeror will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) *Qualified investors:* at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) *Fewer than 150 offerees:* at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) *Other exempt offers:* at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes 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.

Other United Kingdom Regulatory Restrictions

Each Authorised Offeror will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (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, would not, if it was not an authorised person, apply to the Issuer; and

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

Denmark

Each Authorised Offeror will be required to represent and agree, that it has not offered or sold and will not offer, sell or deliver any of the Notes directly or indirectly in the Kingdom of Denmark by way of public offering, unless in compliance with the Danish Capital Markets Act (*Kapitalmarkedsloven*), as amended or replaced from time to time, the Danish executive orders issued thereunder and the EU Prospectus Regulation. For the purposes of this provision, an offer of the Notes in Denmark means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Finland

Each Authorised Offeror will be required to represent and agree, that it will not directly or indirectly offer and sell the Notes or bring the Notes into general circulation in Finland other than in compliance with all applicable provisions of the laws of Finland. Notes may only be offered and sold to the public in Finland provided that either (i) a prospectus in relation to the Notes is prepared in accordance with the Finnish Securities Markets Act (*Fi: arvopaperimarkkinalaki, (746/2012*), as amended) (the "**Finnish Securities Markets Act**") and/or other applicable laws and regulations including the EU 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 EU Prospectus Regulation, as applicable. Notwithstanding the above, each Authorised Offeror 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.

Norway

The Notes have not been registered or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or the Norwegian Registry of Business Enterprises, and, accordingly, each Authorised Offeror will be required to represent and agree, that it will comply with all laws, regulations and guidelines applicable to the offering of Notes in Norway.

Notes denominated in NOK may not be offered or sold within Norway or to or for the account or benefit of persons domiciled in Norway, unless the Norwegian Securities Trading Act, the Norwegian Central Securities Depositories Act and relevant regulations relating to the offer of VPS Notes and the registration in Euronext VPS or another securities registry which is properly authorised or recognised by the Financial Supervisory Authority of Norway as being entitled to register such bonds pursuant to Regulation (EU) No. 909/2014, has been complied with.

Each Authorised Offeror will be required to represent and agree that it will comply with all laws, regulations and guidelines applicable to the offering of Notes in the Kingdom of Norway.

Sweden

Each Authorised Offeror will be required to represent and agree that no Notes will be offered to the public in Sweden nor admitted to trading on a regulated market in Sweden unless and until (A) a prospectus in relation to those Notes has been approved by the competent authority in Sweden or, where appropriate, approved in another Member State and such competent authority has notified the competent authority in Sweden, all in accordance with the EU Prospectus Regulation; or (B) an exemption from the requirement to prepare a prospectus is available under the EU Prospectus Regulation.

Ireland

Each Authorised Offeror 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 "**EU MiFID II Regulations**"), including, without limitation, Regulation 5 thereof or any codes of conduct made under the EU MiFID II Regulations and the provisions of the Investor Compensation Act 1998 (as amended);

(b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Act 2014 (as amended), the Central Bank Acts 1942 to 2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);

(c) it will not underwrite the issue of, place or otherwise act in Ireland in respect of any Notes otherwise than in conformity with the provisions of the EU Prospectus Regulation and any rules issued by the Central Bank under Section 1363 of the Companies Act 2014; and

(d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued under Section 1370 of the Companies Act 2014 by the Central Bank.

General

With the exception of the approval by the Central Bank of this Base Prospectus as a base prospectus issued in compliance with the EU Prospectus Regulation and other than with respect to the admission of the Notes to listing, trading and/or quotation by the relevant listing authorities, stock exchanges and/or quotation systems, no action has been or will be taken in any country or jurisdiction by the Issuer 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 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 or distribute such offering material, in all cases at their own expense.

GENERAL INFORMATION

1. The update of the Programme was authorised by a duly convened meeting of the board of directors of the Issuer held on 5 September 2018.

2. Neither the Issuer nor any of its subsidiaries is, or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Nordea Group.

3. Since 31 December 2020, the date to which the latest consolidated audited financial statements of the Issuer were prepared, there has been no material adverse change in the prospects of the Issuer or the Nordea Group, except for the impact of the coronavirus outbreak referred to in the Risk Factor headed "*Risk Factors - The global coronavirus outbreak, which has negatively impacted the economies exposed to the outbreak, could have a material adverse effect on the Nordea Group's business, financial condition and results of operations and adversely affect the Nordea Group's ability to access capital and liquidity*" on page 12 of this Base Prospectus.

4. Since 30 September 2021, the date to which the latest published consolidated financial statements of the Issuer were prepared, there has been no significant change in the financial performance or the financial position of the Issuer or the Nordea Group.

5. The consolidated financial statements of the Nordea Group have been audited without qualification for the years ended 31 December 2020 and 31 December 2019 by authorised public accountants PricewaterhouseCoopers Oy. The auditors of the Issuer are PricewaterhouseCoopers Oy. The auditors of the Issuer have no material interest in the Issuer.

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

   (a) the Articles of Association of the Issuer (as the same may be updated from time to time) (Swedish: https://www.nordea.com/sv/om-oss/bolagsstyrning/bolagsordning; English translation: https://www.nordea.com/en/about-us/corporate-governance/articles-of-association);

   (b) the Fiscal Agency Agreement (as amended from time to time) (which contains the forms of the Instruments), https://www.nordea.com/en/investors/debt-and-rating/nordea-bank-abp;

   (c) the Deed of Covenant (as supplemented from time to time), https://www.nordea.com/en/investors/debt-and-rating/nordea-bank-abp;

   (d) the audited consolidated financial statements of Nordea Bank Abp for the years ended 31 December 2020 and 31 December 2019 including the audit reports relating thereto (https://www.nordea.com/en/investors/group-annual-reports);

   (e) the unaudited consolidated and unconsolidated interim financial statements of Nordea Bank Abp for the nine months ended 30 September 2021 (https://www.nordea.com/en/investors/reports-presentations);

   (f) this Base Prospectus, together with any supplements thereto (https://www.nordea.com/en/investors/debt-and-rating/nordea-bank-abp); and

   (g) the Final Terms for issues listed on any stock exchange and issued pursuant to this Base Prospectus (https://www.nordea.com/en/investors/debt-and-rating/nordea-bank-abp).

   For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the websites referred to in this Base Prospectus do not form part of this Base Prospectus.

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg or, in the case of VP Notes, the VP or, in the case of VPS Notes, Euronext VPS or, in the case of Finnish Notes, Euroclear Finland or, in the case of Swedish Notes, Euroclear Sweden. The appropriate common code and International Securities Identification Number for each issue allocated by Euroclear and Clearstream, Luxembourg and details of any other agreed clearance system(s) will be contained in the Final Terms relating thereto.

8. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

9. The address of VP is VP Securities A/S, Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen 5, Denmark.

10. The address of Euronext VPS is Norwegian Central Securities Depository, VPS ASA, P.O. 1174 Sentrum, 0107 Oslo, Norway.

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

12. The address of Euroclear Sweden AB is Swedish Central Securities Depository, Euroclear Sweden, Box 191, SE 101 23 Stockholm, Sweden.

13. It is expected that each Series of Notes which is to be admitted to the Official List of Euronext Dublin will be admitted separately as and when issued, subject only to the issue of the relevant Notes and the approval of the Programme in respect of such Note(s) will be granted on or about 17 December 2021. Notes may also be listed for trading on NASDAQ Stockholm, NASDAQ Helsinki, NASDAQ Copenhagen, Nasdaq Oslo, Oslo Børs and Nordic Growth Market NGM AB – NDX (Nordic Derivatives Exchange).

14. 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.

15. The Legal Entity Identifier ("**LEI**") code of the Issuer is: 529900OD13047E2LIV03.

16. Settlement arrangements will be agreed between the Issuer and the Fiscal Agent or, as the case may be, the Registrar in relation to each Series.

17. 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.

18. The Issuer does not intend to provide post-issuance information under paragraph 3.1 of Annex 17 of Commission Delegated Regulation (EU) No. 2019/980.

19. The price and amount of Notes to be issued under the Programme will be determined by the Issuer at the time of issue in accordance with prevailing market conditions.

20. 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 EU Prospectus Regulation.

21. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period.

22. The Issuer has commenced a number of public offers of Notes pursuant to the previous Base Prospectus dated 18 December 2020 relating to the Programme. Details of the relevant Notes are listed below:

ISIN			
FI4000385679	FI4000385687	FI4000385695	FI4000385703
FI4000385711	FI4000385737	FI4000385745	FI4000385760
FI4000385778	FI4000385786	FI4000385851	FI4000385901
FI4000385968	FI4000386057	FI4000386073	FI4000386081
FI4000386172	FI4000386198	FI4000386214	FI4000386255
FI4000386263	FI4000386271	FI4000386289	FI4000386354
FI4000386362	FI4000386370	FI4000386438	FI4000386453
FI4000386461	FI4000386479	NO0011112849	NO0011112856
NO0011112872	SE0016844104	SE0016275002	SE0016275010
SE0016844195	SE0016843999	SE0016844005	SE0016844039
SE0016844013	SE0016844211	SE0016844047	SE0016844138
SE0016844179	SE0016844187	SE0016844203	SE0016844229
SE0016844260	SE0016844245	SE0016844237	SE0016274963
SE0016274906	SE0016843973	SE0016843981	

ANNEX 1
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE YEAR ENDED 31 DECEMBER 2020, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO

Contents

Income statement

EURm	Note	2020	2019
Operating income			
Interest income calculated using the effective interest rate method		5,536	6,399
Other interest income		1,071	1,350
Negative yield on financial assets		–280	–309
Interest expense		–2,013	–3,334
Negative yield on financial liabilities		201	212
Net interest income	**G4**	**4,515**	**4,318**
Fee and commission income		3,856	3,931
Fee and commission expense		–897	–920
Net fee and commission income	**G5**	**2,959**	**3,011**
Net result from items at fair value	G6	900	1,012
Profit from associated undertakings and joint ventures accounted for under the equity method	G20	–1	50
Other operating income	G7	93	232
Total operating income		**8,466**	**8,623**
Operating expenses			
General administrative expenses:			
Staff costs	G8	–2,752	–3,017
Other expenses	G9	–1,286	–1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets	G10	–605	–1,330
Total operating expenses		**–4,643**	**–5,986**
Profit before loan losses		**3,823**	**2,637**
Net result on loans in hold portfolios mandatorily held at fair value	G6	48	12
Net loan losses	G11	–908	–536
Operating profit		**2,963**	**2,113**
Income tax expense	G12	–698	–571
Net profit for the year		**2,265**	**1,542**
Attributable to:			
Shareholders of Nordea Bank Abp		2,238	1,519
Additional Tier 1 capital holders		27	26
Non–controlling interests		–	–3
Total		**2,265**	**1,542**
Basic earnings per share, EUR	G13	0.55	0.38
Diluted earnings per share, EUR	G13	0.55	0.38

Statement of comprehensive income

EURm	Note	2020	2019
Net profit for the year		**2,265**	**1,542**
Items that may be reclassified subsequently to the income statement			
Currency translation differences		–196	18
Tax on currency translation differences		–	1
Hedging of net investments in foreign operations:	G19		
Valuation gains/losses		117	–62
Tax on valuation gains/losses		–	16
Fair value through other comprehensive income[1]:	G40		
Valuation gains/losses		48	21
Tax on valuation gains/losses		–8	–4
Transferred to the income statement		7	–37
Tax on transfers to the income statement		–1	6
Cash flow hedges:	G19		
Valuation gains/losses		–712	152
Tax on valuation gains/losses		135	–31
Transferred to the income statement		733	–170
Tax on transfers to the income statement		–140	35
Items that may not be reclassified subsequently to the income statement			
Changes in own credit risk related to liabilities classified as fair value option:	G40		
Valuation gains/losses		–9	–15
Tax on valuation gains/losses		3	2
Defined benefit plans:	G34		
Remeasurement of defined benefit plans		22	–152
Tax on remeasurement of defined benefit plans		–4	34
Other comprehensive income from companies accounted for under the equity method	G20	–1	1
Tax on other comprehensive income from companies accounted for under the equity method	G20	0	0
Other comprehensive income, net of tax		**–6**	**–185**
Total comprehensive income		**2,259**	**1,357**
Attributable to:			
Shareholders of Nordea Bank Abp		2,232	1,334
Additional Tier 1 capital holders		27	26
Non-controlling interests		–	–3
Total		**2,259**	**1,357**

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	Note	31 Dec 2020	31 Dec 2019
Assets	G40		
Cash and balances with central banks		32,955	35,509
Loans to central banks	G14	3,123	9,207
Loans to credit institutions	G14	3,123	8,519
Loans to the public	G14	329,765	323,091
Interest-bearing securities	G15	62,509	64,930
Financial instruments pledged as collateral	G16	3,795	7,151
Shares	G17	12,649	14,184
Assets in pooled schemes and unit-linked investment contracts	G18	36,484	30,799
Derivatives	G19	44,770	39,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk		359	217
Investments in associated undertakings and joint ventures	G20	555	572
Intangible assets	G21	3,771	3,695
Properties and equipment	G22	1,931	2,002
Investment properties	G24	1,535	1,585
Deferred tax assets	G12	406	487
Current tax assets		300	362
Retirement benefit assets	G34	144	173
Other assets	G25	13,349	12,543
Prepaid expenses and accrued income	G26	637	711
Total assets		**552,160**	**554,848**
Liabilities	G40		
Deposits by credit institutions	G27	23,939	32,304
Deposits and borrowings from the public	G28	183,431	168,725
Deposits in pooled schemes and unit-linked investment contracts	G18	37,534	31,859
Liabilities to policyholders	G29	18,178	19,246
Debt securities in issue	G30	174,309	193,726
Derivatives	G19	47,033	42,047
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,608	2,018
Current tax liabilities		305	742
Other liabilities	G31	21,341	19,868
Accrued expenses and prepaid income	G32	1,404	1,476
Deferred tax liabilities	G12	436	481
Provisions	G33	596	570
Retirement benefit liabilities	G34	365	439
Subordinated liabilities	G35	6,941	9,819
Total liabilities		**518,420**	**523,320**
Equity			
Additional Tier 1 capital holders		748	748
Non-controlling interests		9	40
Share capital		4,050	4,050
Invested unrestricted equity		1,063	1,080
Other reserves		–2,067	–2,062
Retained earnings		29,937	27,672
Total equity		**33,740**	**31,528**
Total liabilities and equity		**552,160**	**554,848**

Statement of changes in equity

2020

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 1 Jan 2020		**4,050**	**1,080**	**–1,941**	**–26**	**45**	**–135**	**–5**	**27,672**	**30,740**	**748**	**40**	**31,528**
Net profit for the year		–	–	–	–	–	–	–	2,238	2,238	27	–	2,265
Items that may be reclassified subsequently to the income statement													
Currency translation differences		–	–	–196	–	–	–	–	–	–196	–	–	–196
Hedging of net investments in foreign operations:	G19												
Valuation gains/losses		–	–	117	–	–	–	–	–	117	–	–	117
Fair value through other comprehensive income:	G40												
Valuation gains/losses		–	–	–	–	48	–	–	–	48	–	–	48
Tax on valuation gains/losses		–	–	–	–	–8	–	–	–	–8	–	–	–8
Transferred to the income statement		–	–	–	–	7	–	–	–	7	–	–	7
Tax on transfers to the income statement		–	–	–	–	–1	–	–	–	–1	–	–	–1
Cash flow hedges:	G19												
Valuation gains/losses		–	–	–	–712	–	–	–	–	–712	–	–	–712
Tax on valuation gains/losses		–		–	135	–	–	–	–	135	–	–	135
Transferred to the income statement[2]		–	–	–	733	–	–	–	–	733	–	–	733
Tax on transfers to the income statement[2]		–	–	–	–140	–	–	–	–	–140	–	–	–140

Statement of changes in equity, cont.

2020

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Items that may not be reclassified subsequently to the income statement													
Changes in own credit risk related to liabilities classified as fair value option:	G40												
Valuation gains/losses		–	–	–	–	–	–	–9	–	–9	–	–	–9
Tax on valuation gains/losses		–	–	–	–	–	–	3	–	3	–	–	3
Defined benefit plans:	G34												
Remeasurement of defined benefit plans		–	–	–	–	–	22	–	–	22	–	–	22
Tax on remeasurement of defined benefit plans		–	–	–	–	–	–4	–	–	–4	–	–	–4
Other comprehensive income from companies accounted for under the equity method	G20	–	–	–	–	–	–	–	–1	–1	–	–	–1
Tax on other comprehensive income from companies accounted for under the equity method	G20	–	–	–	–	–	–	–	0	0	–	–	0
Other comprehensive income, net of tax		**–**	**–**	**–79**	**16**	**46**	**18**	**–6**	**–1**	**–6**	**–**	**–**	**–6**
Total comprehensive income		**–**	**–**	**–79**	**16**	**46**	**18**	**–6**	**2,237**	**2,232**	**27**	**–**	**2,259**
Paid interest on Additional Tier 1 capital		–	–	–	–	–	–	–	–	–	–27	–	–27
Share-based payments	G8	–	–	–	–	–	–	–	6	6	–	–	6
Purchase of own shares[5]		–	–17	–	–	–	–	–	–	–17	–	–	–17
Other changes		–	–	–	–	–	–	–	22	22	–	–	22
Change in non-controlling interests		–	–	–	–	–	–	–	–	–	–	–31	–31
Balance at 31 Dec 2020		**4,050**	**1,063**	**–2,020**	**–10**	**91**	**–117**	**–11**	**29,937**	**32,983**	**748**	**9**	**33,740**

1) Total shares registered were 4,050 million. The number of own shares was 11.9 million which represents 0.3% of the total shares in Nordea. Each share represents one voting right.
2) The transfer is due to the hedged item affecting the income statement.
3) Relates to foreign exchange risk. Of the balance per 31 December 2020, EUR 639m 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.
4) For more detailed information see Note G19.
5) Refers to the change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio. The number of treasury shares held for remuneration purposes was 8.2 million.

Statement of changes in equity, cont.

2019

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 1 Jan 2019		**4,050**	**1,080**	**–1,914**	**–12**	**59**	**–17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**
Net profit for the year		–	–	–	–	–	–	–	1,519	1,519	26	–3	1,542
Items that may be reclassified subsequently to the income statement													
Currency translation differences		–	–	18	–	–	–	–	–	18	–	–	18
Tax on currency translation differences		–	–	1	–	–	–	–	–	1	–	–	1
Hedging of net investments in foreign operations:	G19												
Valuation gains/losses		–	–	–62	–	–	–	–	–	–62	–	–	–62
Tax on valuation gains/losses		–	–	16	–	–	–	–	–	16	–	–	16
Fair value through other comprehensive income:	G40												
Valuation gains/losses		–	–	–	–	21	–	–	–	21	–	–	21
Tax on valuation gains/losses		–	–	–	–	–4	–	–	–	–4	–	–	–4
Transferred to the income statement		–	–	–	–	–37	–	–	–	–37	–	–	–37
Tax on transfers to the income statement		–	–	–	–	6	–	–	–	6	–	–	6
Cash flow hedges:	G19												
Valuation gains/losses		–	–	–	152	–	–	–	–	152	–	–	152
Tax on valuation gains/losses		–	–	–	–31	–	–	–	–	–31	–	–	–31
Transferred to the income statement[2]		–	–	–	–170	–	–	–	–	–170	–	–	–170
Tax on transfers to the income statement[2]		–	–	–	35	–	–	–	–	35	–	–	35

Statement of changes in equity, cont.

2019

EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
Items that may not be reclassified subsequently to the income statement													
Changes in own credit risk related to liabilities classified as fair value option:	G40												
Valuation gains/losses		–	–	–	–	–	–	–15	–	–15	–	–	–15
Tax on valuation gains/losses		–	–	–	–	–	–	2	–	2	–	–	2
Defined benefit plans:	G34												
Remeasurement of defined benefit plans		–	–	–	–	–	–152	–	–	–152	–	–	–152
Tax on remeasurement of defined benefit plans		–	–	–	–	–	34	–	–	34	–	–	34
Other comprehensive income from companies accounted for under the equity method	G20	–	–	–	–	–	–	–	1	1	–	–	1
Tax on other comprehensive income from companies accounted for under the equity method	G20	–	–	–	–	–	–	–	0	0	–	–	0
Other comprehensive income, net of tax		**–**	**–**	**–27**	**–14**	**–14**	**–118**	**–13**	**1**	**–185**	**–**	**–**	**–185**
Total comprehensive income		**–**	**–**	**–27**	**–14**	**–14**	**–118**	**–13**	**1,520**	**1,334**	**26**	**–3**	**1,357**
Paid interest on Additional Tier 1 capital		–	–	–	–	–	–	–	–	–	–26	–	–26
Change in Additional Tier 1 capital holders		–	–	–	–	–	–	–	–	–	–2	–	–2
Share-based payments	G8	–	–	–	–	–	–	–	20	20	–	–	20
Dividend for 2018		–	–	–	–	–	–	–	–2,788	–2,788	–	–	–2,788
Divestment of own shares[5]		–	–	–	–	–	–	–	29	29	–	–	29
Change in non-controlling interests		–	–	–	–	–	–	–	–	–	–	37	37
Balance at 31 Dec 2019		**4,050**	**1,080**	**–1,941**	**–26**	**45**	**–135**	**–5**	**27,672**	**30,740**	**748**	**40**	**31,528**

1) Total shares registered were 4,050 million. The number of own shares was 10.8 million which represents 0.3% of the total shares in Nordea. Each share represents one voting right.
2) The transfer is due to the hedged item affecting the income statement.
3) Relates to foreign exchange risk. Out of the balance per 31 December 2019, EUR 522m relates to hedging relationships for which hedge accounting is applied and EUR –m relates to hedging relationships for which hedge accounting is no longer applied.
4) For more detailed information see Note G19.
5) Refers to the change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio. The number of treasury shares held for remuneration purposes was 9.2 million.

Cash flow statement

EURm	Note	2020	2019
Operating activities			
Operating profit		2,963	2,113
Adjustment for items not included in cash flow		2,074	5,005
Income taxes paid	G12	−987	−816
Cash flow from operating activities before changes in operating assets and liabilities		**4,050**	**6,302**
Changes in operating assets			
Change in loans to central banks	G14	3,605	413
Change in loans to credit institutions	G14	5,393	1,951
Change in loans to the public	G14	−3,595	−11,079
Change in interest-bearing securities	G15	2,942	10,485
Change in financial assets pledged as collateral	G16	3,400	402
Change in shares	G17	1,594	−1,379
Change in derivatives, net	G19	−643	1,281
Change in investment properties	G24	3	−36
Change in other assets	G25	−6,469	−3,921
Dividends received from associates	G20	7	19
Changes in operating liabilities			
Change in deposits by credit institutions	G27	−11,364	−10,339
Change in deposits and borrowings from the public	G28	13,801	2,050
Change in liabilities to policyholders	G29	3,807	5,229
Change in debt securities in issue	G30	−19,231	869
Change in other liabilities	G31	1,357	−4,639
Cash flow from operating activities		**−1,343**	**−2,392**
Investing activities			
Acquisition of business operations	G48	−552	−447
Sale of business operations		–	−25
Acquisition of associated undertakings and joint ventures	G20	−8	−26
Sale of associated undertakings	G20	18	879
Acquisition of property and equipment	G22	−69	−70
Sale of property and equipment	G22	19	15
Acquisition of intangible assets	G21	−418	−517
Cash flow from investing activities		**−1,010**	**−191**
Financing activities			
Issued subordinated liabilities	G35	–	1,401
Amortised subordinated liabilities	G35	−2,459	−890
Paid interest on Additional Tier 1 capital		−27	−26
Divestment/repurchase of own shares incl. change in trading portfolio		−17	29
Dividend paid		–	−2,788
Principal portion of lease payments		−143	−140
Cash flow from financing activities		**−2,646**	**−2,414**
Cash flow for the year		**−4,999**	**−4,997**
Cash and cash equivalents at beginning of year		41,164	46,009
Translation difference		38	152
Cash and cash equivalents at end of year		36,203	41,164
Change		**−4,999**	**−4,997**

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	2020	2019
Depreciation	553	558
Impairment charges	52	772
Loan losses	958	583
Net result on loans in hold portfolios mandatorily held at fair value	–48	–12
Unrealised gains/losses	–513	224
Capital gains/losses (net)	–24	–69
Change in accruals and provisions	276	–26
Translation differences	–308	198
Change in bonus potential to policyholders, Life & Pensions	–11	203
Change in technical reserves, Life & Pensions	792	1,794
Change in fair value on the hedge items, assets/liabilities (net)	429	705
Other	–82	75
Total	**2,074**	**5,005**

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

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

EURm	2020	2019
Interest payments received	6,367	7,395
Interest expenses paid	–2,033	–3,166

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

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

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

EURm	31 Dec 2020	31 Dec 2019
Cash and balances with central banks	32,955	35,509
Loans to central banks, payable on demand	2,426	4,826
Loans to credit institutions, payable on demand	822	829
Total	**36,203**	**41,164**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:
- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

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

Reconciliation of liabilities arising from financing activities
The opening balance of subordinated liabilities was EUR 9,819m (EUR 9,155m). During the period cash flows related to bonds were EUR –2,459m (EUR 511m) and the effects of FX changes and other was EUR –419m (EUR 153m), ending up in a closing balance of EUR 6,941m (EUR 9,819m).

The opening balance of lease liabilities was EUR 1,225m (at transition 1 January 2019 EUR 1,165m). During the period cash flows related to the liabilities amounted to EUR –143m (EUR –140m) and other changes from new, terminated and modified contracts and FX changes amounted to EUR 151m (EUR 200m).

G1. Accounting policies

Content for Note G1

1. Corporate information and basis of presentation

Nordea Bank Abp (business identity code 2858394-9), together with its consolidated subsidiaries (the Nordea Group), is a leading universal bank in the Nordic markets. The parent company Nordea Bank Abp is a public limited liability company organised under the laws of Finland with its headquarters located in Helsinki, Finland at the following address: Hamnbanegatan (Fi: Satamaradankatu) 5, FI-00020 Nordea, Helsinki, Finland. Nordea Bank Abp's ordinary shares are listed on Nasdaq Nordic, the stock exchanges in Helsinki (in euro), Stockholm (in Swedish krona) and Copenhagen (in Danish krone) and its American Depository Receipts (ADR) are traded in the US in US dollars.

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

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

On 24 February 2021 the Board of Directors approved the financial statements, subject to final adoption by the Annual General Meeting on 24 March 2021.

The accounting policies, the basis for calculations and presentations are unchanged in comparison with the Annual Report 2019, except from the changed accounting policies and presentation described below in the section "Changed accounting policies and presentation".

All amounts are in euro million unless otherwise stated.

2. Changed accounting policies and presentation

The new accounting requirements implemented during 2020 and their impact on Nordea's financial statements are described below.

Net result on loans in hold portfolios mandatorily held at fair value

Changes have been made to the presentation of fair value adjustments to the margin component of loans in "hold" portfolios mandatorily held at fair value. The margin component is the interest paid by customers on top of the interest charged to compensate Nordea for the related funding cost. As from 2020, these adjustments are being presented separately on a new row in the income statement entitled "Net result on loans in hold portfolios mandatorily held at fair value". The earlier policy was to present such fair value adjustments to the row "Net result from items at fair value", together with fair value adjustments to instruments in "sell" and "hold and sell" portfolios. Loans in "hold" portfolios that are mandatorily held at fair value only due to their failing the solely payment of principal and interest (SPPI) test are more similar to amortised cost loans than to instruments in "sell" or "hold and sell" portfolios. For this reason, the presentation should to the extent possible be aligned with the presentation for loans held at amortised cost. Fair value adjustments to the margin component, which are largely driven by changes in credit risk, are therefore presented separately next to the row "Net loan losses" in the income statement, where similar adjustments to loans held at amortised cost are presented. Comparative figures have been restated accordingly. The impact on the income statement can be found in the table below.

G1. Accounting policies, cont.

	2020		
EURm	Old policy	Change	New policy
Net result from items at fair value	948	–48	900
Total operating income	**8,514**	**–48**	**8,466**
Net result on loans in hold portfolios mandatorily held at fair value	–	48	48
Operating profit	**2,963**	**–**	**2,963**
Net profit of the year	**2,265**	**–**	**2,265**
Impact on EPS/DEPS, EUR		–	

	2019		
EURm	Old policy	Change	New policy
Net result from items at fair value	1,024	–12	1,012
Total operating income	**8,635**	**–12**	**8,623**
Net result on loans in hold portfolios mandatorily held at fair value	–	12	12
Operating profit	**2,113**	**–**	**2,113**
Net profit of the year	**1,542**	**–**	**1,542**
Impact on EPS/DEPS, EUR		–	

Reclassification of accrued interest on loans

Accrued interest on loans has previously been presented on the line "Prepaid expenses and accrued income" on the balance sheet. As from 2020, accrued income on loans is presented together with the loans on the lines "Loans to credit institutions" and "Loans to the public" on the balance sheet. Comparative figures have been restated accordingly. The impact on the balance sheet can be found in the table below.

	31 Dec 2020		
EURm	Old policy	Change	New policy
Loans to credit institutions	3,123	–	3,123
Loans to the public	329,507	258	329,765
Prepaid expenses and accrued income	895	–258	637

	31 Dec 2019		
EURm	Old policy	Change	New policy
Loans to credit institutions	8,516	3	8,519
Loans to the public	322,740	351	323,091
Prepaid expenses and accrued income	1,065	–354	711

Changed presentation of trading in own shares (treasury shares)

From 1 January 2020 acquisitions of own shares have been reported as a reduction in "Invested unrestricted equity" and sales of own shares as an increase in "Invested unrestricted equity". Nordea's earlier policy was to present acquisitions and sales in "Retained earnings". Comparative figures have not been restated.

Changed presentation of reportable operating segments

To reflect its current reporting and decision-making processes, Nordea changed the presentation of reportable operating segments and the definition of the Chief Operating Decision-Maker. For more information see Note G3 "Segment reporting" in the section "Changes in basis of segmentation".

Other amended requirements

The following new and amended standards and interpretations were implemented by Nordea on 1 January 2020 but have not had any significant impact on the financial statements of Nordea:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of business
- Amendments to IAS 1 and IAS 8: Definition of material
- Annual Improvements to IFRS 16: Leases COVID-19-related rent concessions

Changes to the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decree of the Ministry of Finance on the financial statements and consolidated statements of credit institutions and investment firms have not had any significant impact on Nordea's financial statements.

3. Changes in IFRSs not yet applied

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

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

IFRS 17 "Insurance contracts"

The IASB has published the new standard IFRS 17 "Insurance contracts". The new standard will change the accounting requirements for the 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 contractual cash flows, the risk adjustment margin and discounting. These definitions are based on principles similar to the measurement principles for technical provisions in the Solvency II capital requirements 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 reporting periods beginning on or after 1 January 2023 with earlier application permitted. The standard is not yet endorsed by the EU Commission. Nordea does not currently intend to adopt the standard early. Nordea's current assessment is that the new standard will not have any significant impact on its 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.

G1. Accounting policies, cont.

Interest rate benchmark reform - Phase 2

The IASB has published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in "Interest Rate Benchmark Reform – Phase 2". Phase 2 of the IBOR reform includes three major areas: hedge accounting, modifications and disclosures.

The amendments clarify that hedge accounting does not have to be discontinued just because hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

It is clarified that modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications to instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

The amendments are effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted.

The amendments are expected to result in hedge relationships in Nordea being able to continue as before and no material modification gains or losses being recognised. For this reason the amendments are not assessed to have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application of the amendments in comparison with the current situation.

Other changes in IFRS

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

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Annual improvement 2018–2020
- Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9"

4. Critical judgements and estimation uncertainty

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

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

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the classification of financial assets
- the derecognition of financial assets
- the impairment testing of:
  - goodwill and other intangible assets and
  - loans to the public/credit institutions
- the amortisation period for capitalised software
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the actuarial calculations of insurance contracts
- the valuation of investment properties
- the assessment of expected lease terms and classification of leases
- the classification of Additional Tier 1 instruments
- assessing control for consolidation purposes
- the valuation of deferred tax assets
- claims in civil lawsuits and possible fines
- critical judgements emphasised by COVID-19.

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G41 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices, such as unlisted equities. Those judgements relate to the following areas:

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

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

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, levels 2 and 3 in the fair value hierarchy, was EUR 167,700m (EUR 185,198m) and EUR 112,755m (EUR 151,751m), respectively, at the end of the year. Valuation adjustments (CVA, DVA, FFVA, NFVA, close-out cost adjustment, model risk adjustment and IPV variance) made when determining the value of financial instruments (including those measured at fair value through other comprehensive income) amount to EUR 224m (EUR 193m).

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note G41 "Assets and liabilities at fair value".

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

Classification of financial assets

Nordea classifies financial assets based on Nordea's business model for managing the assets. When determining the business model for the bonds within the liquidity buffer Nordea makes critical judgements. The bonds within the liquidity buffer is split in two portfolios. For the first portfolio Nordea has determined that the business model is to keep the bonds and collect contractual cash flows and to sell financial assets. For

G1. Accounting policies, cont.

the second portfolio, Nordea has determined that the business model is to manage the bonds with the objective of realising cash flows through sale. The bonds within the first portfolio are measured at fair value through other comprehensive income (FVOCI) and the bonds within the second portfolio are measured at fair value through profit and loss (FVPL). Interest-bearing securities and Financial instruments pledged as collateral in the liquidity buffer measured at FVOCI (the first portfolio) amount to EUR 33,726m (EUR 29,779m) and interest-bearing securities measured at FVPL (the second portfolio) amount to EUR 25,069m (EUR 34,725m).

Derecognition of financial assets

Loans and other financial assets where cash flows are modified, or part of a restructuring, are derecognised, and a new loan recognised, if the terms and conditions of the new loan are substantially different from the old loan. Nordea applies judgements to determine if the terms and conditions of the new loan are substantially different from the old loan. Nordea considers the terms and conditions to be substantially different if the present value of the cash flows of the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows of the old loan or if the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa. The carrying amount of loans, interest-bearing securities and financial instruments pledged as collateral on the asset side of the balance sheet amounts to EUR 402,315m (EUR 412,898m).

Impairment testing of goodwill and other intangible assets

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G21 "Intangible assets" lists the cash-generating units (CGUs) to which goodwill has been allocated. Also internally developed software for which amortisation has not yet started is included in the impairment test and allocated to the CGUs. Nordea's total goodwill amounted to EUR 1,938m (EUR 1,969m) at the end of the year. Software for which amortisation has not yet started amounted to EUR 505m (EUR 768m) at the end of the year.

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

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

For information on the sensitivity to changes in relevant parameters, see Note G21 "Intangible assets".

Impairment testing of loans to the public/credit institutions

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

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. Nordea's total lending before impairment allowances was EUR 338,459m (EUR 343,000m) at the end of the year. For more information, see Note G14 "Loans and impairment".

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

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

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

The amortisation period for capitalised software

Internally developed software is capitalised and amortised over the useful life of the software. As the IT landscape develops rapidly, management exercises judgment to estimate the useful life of the software, which affects the yearly amortisation charge.

Effectiveness testing of cash flow hedges

Nordea's accounting policy for cash flow hedges is described in section 10 "Hedge accounting".

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

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

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 24 "Employee benefits".

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

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G34 "Retirement benefit obligations" together with a description of the sensitivity to changes in

G1. Accounting policies, cont.

assumptions. The defined benefit obligation was EUR 3,871m (EUR 3,790m) 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 15,792m (EUR 15,928m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G29 "Liabilities to policyholders".

Valuation of investment properties

Nordea's accounting policy for investment properties is described in section 18 "Investment properties".

Investment properties are measured at fair value. As there are normally 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 1,535m (EUR 1,585m) at the end of the year. See Note G24 "Investment properties" for more information on amounts and parameters used in these models.

Assessment of expected lease terms and classification of leases

Nordea's accounting policy for leases is described in section 15 "Leasing".

Critical judgement has to be exercised as a lessee when estimating the expected lease term by considering all facts and circumstances that create an economic incentive to exercise an extension or termination option. The expected lease term for contracts with no end date is estimated in the same way. Backstop rules on the average expected lifetime for different types of real estate contracts are used as a guidance when making the estimate for banking branches. A more detailed analysis is performed for large head office contracts. The head office contracts are estimated to be more long term in nature than those of the branches where the environment is changing at a more rapid pace. The expected lease term of head office contracts is currently generally close to 25 years. The backstop rule of banking branches is currently limiting the expected lease term of contracts with no end date, or contracts with extension options, to 5 years. It is possible to deviate from the backstop rule if the circumstances show that it is likely that Nordea will stay for a longer/shorter period.

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

The carrying amount of right of-use assets was EUR 1,459m (EUR 1,506m) at the end of the year.

More information on lease contracts can be found in Note G23 "Leasing".

Classification of Additional Tier 1 instruments

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

Assessing control for consolidation purposes

One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns. Nordea's critical judgement is that Nordea is normally exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea is also the investment manager and thus has influence over the return produced by the structured entity.

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

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

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 21 "Taxes" and Note G12 "Taxes".

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

The carrying amount of deferred tax assets was EUR 406m (EUR 487m) at the end of the year.

Claims in civil lawsuits and possible fines

Within the framework of normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak anti-money laundering processes and procedures in the past. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea cannot exclude the

G1. Accounting policies, cont.

possibility of fines, which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. See also Note G2 "Risk and Liquidity Management, Note G33 "Provisions" and Note G38 "Contingent liabilities".

Critical judgements emphasised by COVID-19

Nordea applied significant critical judgements in the preparation of the Annual Report 2020 due to significant uncertainty concerning the potential long-term impact of COVID-19 on Nordea's financial statements. Areas particularly important were the fair value measurement of certain financial instruments, impairment testing of goodwill and loans to the public/credit institutions, and assessment of expected lease terms.

Critical judgements are applied when determining the fair value of financial instruments that lack quoted prices or recently observed market prices. In all of these instances, decisions are based on professional judgement in accordance with Nordea's accounting and valuation policies. More information on financial instruments held at fair value on Nordea's balance sheet can be found in Note G41.

No impairment of goodwill was identified during the year, but significant estimation uncertainty exists in relation to the long-term impact on Nordea's financial statements and the impairment need will be continually reassessed. Nordea updated the cash flow projections to reflect the best estimate of the impact of COVID-19. Cash flows were projected up until the end of 2023 and the long-term growth assumption was used for subsequent periods. The discount rate used for the test in the fourth quarter was on average 5.8% post-tax and the long-term growth was on average 1.4%. Both an increase in the discount rate of 1 percentage point and a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such changes would not result in any impairment. More information on the impairment testing of goodwill can be found in Note G21 "Intangible assets".

Critical judgement was applied in the assessment of when loans had experienced a significant increase in credit risk (staging) and in the application of macro scenarios when estimating the increase in expected credit losses. More information on the impairment testing of loans to the public/credit institutions can be found in section 14 "Loans to the public/credit institutions" and in Note G2 "Risk and Liquidity management". Information on sensitivities to rating and scoring migrations can be found in the section "Sensitivities" in Note G2 "Risk and Liquidity management".

No changes in expected lease terms for premises lease contracts or impairments of right-of-use assets were identified during 2020, but the impact of the COVID-19 on the future premises strategies will be closely monitored going forward. More information on leasing can be found in Note G23 "Leasing".

5. Principles of consolidation

Consolidated entities

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

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

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

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

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

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

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

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

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

Note G47 "Group structure" lists the major group undertakings of the Nordea Group.

Investments in associated undertakings and joint ventures

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

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

Investments within Nordea's investment activities, which are classified as a venture capital organisations within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IFRS 9. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

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

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

Note G20 "Investments in associated undertakings and

G1. Accounting policies, cont.

joint ventures" lists the major associated undertakings of the Nordea Group.

Structured entities

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

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

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

Further information about consolidated and unconsolidated structured entities is disclosed in Note G46 "Interests in structured entities".

Currency translation of foreign entities/branches

The consolidated financial statements are presented in euro (EUR). When translating the financial statements of foreign entities and branches into EUR from their functional currency, the assets and liabilities of foreign entities and branches have been translated at the closing rates, while items in the income statement and the statement of comprehensive income are translated at the average exchange rate for the year. The average exchange rates are calculated based on daily exchange rates divided by the number of banking days in the period. Translation differences are recognised in other comprehensive income and are accumulated in the translation reserve in equity.

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

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

Information on the most important exchange rates is disclosed in the separate section 30 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

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

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

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value" in the income statement. Also, interest on the net funding of operations in Markets and on assets measured at amortised cost in Nordea Life & Pensions is recognised on this line to ensure that income and expense within these operations are presented in a consistent manner.

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

The yield on financial assets is presented on three lines in the income statement, Interest income calculated using the effective interest rate method, Other interest income and Negative yield on financial assets. On the line Interest income calculated using the effective interest method, Nordea presents interest income from financial assets measured at amortised cost or at fair value through other comprehensive income. This line item also includes the effect from hedge accounting relating to these assets. All other interest income is presented on the income statement line "Other interest income", except negative yield on financial assets which is presented on a separate line. Negative yield on financial liabilities is also disclosed separately in the income statement.

Net fee and commission income

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

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

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

G1. Accounting policies, cont.

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

Fees categorised as Deposit Products, Brokerage, securities issues and corporate finance, Custody and issuer service and Payment commissions are recognised both over time and at a point of time dependent on when the performance obligations are satisfied. Brokerage, securities issues and corporate finance are mainly transactional driven for advising clients or for executing customer transactions in securities where the services are recognised at a point of time when the services related to the transaction are completed. Payment commissions include fees for cash management and payment solutions that are recognised over time and transaction based fees for services like domestic and foreign payments that are recognised at a point of time. Card fees are categorised as interchange fees which are recognised at a point of time when the customer uses the services, or as cardholder fees which 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 of time when the performance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received for 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.

For transactional services which are performed at a point in time, payments are generally made instantly when the services are performed. For services performed over time the service period is normally short. Examples of such services are monthly payment services and monthly or quarterly asset management services. For the services performed over time the right to payment generally arises at the end of the service period when the performance obligations are completed and it is highly probable that no significant reversal of the consideration will occur. However, for some services with fixed monthly fees the right to payment arises in advance. Account receivables are recognised as Other assets while unbilled receivables for satisfied performance obligations and contract assets are recognised as Prepaid expenses and accrued income. Short-term advances received where the performance obligations have not yet been satisfied are recognised as Accrued expenses and prepaid income.

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

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

Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Nordea Life & Pensions are classified as “Net result from items at fair value” in the income statement. Also, interest on the net funding of operations in Markets and on assets measured at amortised cost in Nordea Life & Pensions is recognised on this line to ensure that income and expense within these operations are presented in a consistent manner.

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

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

“Net result from items at fair value” also includes fair value changes of hedged assets and liabilities at amortised cost in portfolio hedge of interest rate risk.

“Net result from items at fair value” also includes losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss, except for loans in “hold” portfolios mandatorily held at fair value (SPPI fails) which are presented on the row “Net result on loans in hold portfolios mandatorily held at fair value” (see below). Impairment losses from instruments within other categories are recognised in the item “Net loan losses” (see also the sub-section “Net loan losses” below).

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

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

Profit from companies accounted for under the equity method

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

Fair values are, at acquisition, allocated to the associated undertaking’s and the joint venture’s identifiable assets, liabilities and contingent liabilities. Any difference between Nordea’s share of the fair values of the acquired identifiable net assets and the purchase price is goodwill or negative

G1. Accounting policies, cont.

goodwill. Goodwill is included in the carrying amount of the associated undertaking and the joint venture. Subsequently the investment in the associated undertaking and the joint venture increases/decreases with Nordea's share of the post-acquisition change in net assets in the associated undertaking and the joint venture and decreases through received dividends and impairment. An impairment charge can be reversed in a subsequent period.

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

Also, impairment on investments in associated undertakings and joint ventures is classified as "Profit from companies accounted for under the equity method" in the income statement. The policies covering impairment of financial assets classified into the category Amortised cost are disclosed in section 13 "Financial instruments" and section 14 "Loans to the public/credit institutions".

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

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

Other operating income and other expenses

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

Resolution fees are presented as other expenses in the income statement.

Net result on loans in hold portfolios mandatorily held at fair value

The item "Net result on loans in hold portfolios mandatorily held at fair value" includes fair value adjustments of the margin component on loans in "hold" portfolios mandatorily held at fair value (SPPI fails). The loans are classified into the category Financial assets at fair value through profit or loss and presented in the item "Loans to the public" on the balance sheet. The fair value adjustments are largely driven by changes in credit risk.

Losses from counterparty risk on other instruments classified into the category Financial assets at fair value through profit or loss are presented as "Net results from items at fair value".

Impairment losses from instruments within other categories than the category Financial assets at fair value through profit or loss are recognised in the item "Net loan losses" (see also the sub-sections "Net loan losses" below).

Net loan losses

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

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but excluding loans held at fair value as described above, are reported under "Net result from items at fair value" or, if related to loans in "hold" portfolios mandatorily held at fair value (SPPI fails), on the line "Net result on loans in hold portfolios mandatorily held at fair value", see above.

7. Income recognition life insurance

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

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

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

The result from these components is, except for the cost result and the risk and performance margin relating to unit-linked and investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income" together with the risk and performance margin relating to unit-linked and investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholders' part of a positive or negative cost result (profit sharing) is included on the note line "Change in technical provisions, Life insurance" within Note G6 "Total 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 part of the net income or net deficit. Risk income and the risk expenses are presented gross on the lines "Insurance risk income, Life insurance" and "Insurance risk expense, Life insurance" in Note G6 "Total net result from items at fair value". The policyholders' part of the result is included on the line "Change in technical provisions, Life insurance" in the note.

Gains and losses derived from investments at Nordea Life & Pensions are split between the relevant lines in Note G6 "Total net result from items at fair value" as for any other investment at Nordea. The lines include investment returns on assets held to cover liabilities to policyholders and return on

G1. Accounting policies, cont.

the additional capital allocated to Nordea Life & Pensions (shareholders capital in the Nordea Life & Pensions group).

The note line "Change in technical provisions, Life insurance" in Note G6 "Total 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 policyholders.
- The risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit-linked contracts.

The note line "Change in collective bonus potential, Life insurance" in Note G6 "Total 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 also includes additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

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

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

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

Loans and other financial assets where cash flows are modified, or part of a restructuring, are derecognised, and a new loan recognised, if the terms and conditions of the new loan are substantially different from the old loan. This is normally the case if the present value of the cash flows of the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities. The terms and conditions are also considered to be significantly different for financial assets where the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa.

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

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterparty, i.e. on the settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognised as "Other liabilities" on the balance sheet on the trade date.

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

9. Translation of assets and liabilities denominated in foreign currencies

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

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

10. Hedge accounting

As part of Nordea's risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in Note G2 "Risk and Liquidity management" (the Market risk section) and Note G19 "Derivatives and hedge accounting".

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

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

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

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

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

The application of hedge accounting requires the hedge to

G1. Accounting policies, cont.

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

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

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out in Note G2 "Risk and Liquidity management" (the Market risk section) and Note G19 "Derivatives and hedge accounting". The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given that 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 changes of the hedged items held at amortised cost in a portfolio hedge of interest rate risks are reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

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

Hedged items

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

Hedging instruments

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

Hedge effectiveness

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

If the hedging relationship does not fulfil the hedge accounting requirements, hedge accounting is discontinued. For fair value hedges, the hedging instrument is measured at fair value through profit and loss and the change in 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 Note G2 "Risk and Liquidity management" (the Market risk section) and Note G19 "Derivatives and hedge accounting", cash flow hedge accounting is applied when hedging the exposure to variability in future interest payments on instruments with variable interest rates and for hedging currency exposures. The portion of the gain or loss on the hedging instrument, determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

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

Hedged items

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

Hedging instruments

The hedging instruments used at 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 derivatives as hedging instruments, which are always held at fair value.

Hedge effectiveness

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

If the hedging relationship does not fulfil the hedge accounting requirements, hedge accounting is discontinued. Changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items

G1. Accounting policies, cont.

at fair value" in the income statement if the expected transaction is no longer expected to occur.

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

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

Hedges of net investments

In accordance with Nordea's risk management policies set out in the Market risk section in Note G2 "Risk and Liquidity management" and Note G19 "Derivatives and hedge accounting", Nordea hedges its foreign currency translation risk. Translation risk is defined as the risk of loss from investments in foreign operations which have a functional currency different from that of the Group reporting currency (EUR). The hedging instruments used by Nordea are foreign exchange forwards where only the spot component is designated in the hedging relationship.

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent that 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 that the hedging instruments exceed in nominal terms the risk exposure from foreign operations. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

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

11. Determination of fair value of financial instruments

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

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

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

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

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

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

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

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

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

Note G41 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

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

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

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

For further information, see Note G41 "Assets and liabilities at fair value".

12. Cash and balances with central banks

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under

G1. Accounting policies, cont.

government authority, where the following conditions are fulfilled:

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

13. Financial instruments

Classification of financial instruments

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

Financial assets:

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

Financial liabilities:

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

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

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is both to keep the instruments to collect the contractual cash flows and to 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 for the financial assets, as well as for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the table "Classification of financial instruments in Note G40", the classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see section 6, "Net interest income". For information about impairment under IFRS 9, see section 14 below.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income" and "Interest expense" in the income statement.

This category consists of mainly all loans and deposits, except for reversed repurchase/repurchase agreements and securities borrowing/lending agreements in Markets and mortgage loans in Nordea Kredit Realkreditaktieselskab. This category also includes interest bearing securities mainly related to a portfolio of interest-bearing securities in Life & Pensions 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". However, fair value adjustments of the margin component on loans in "hold" portfolios mandatorily held at fair value (SPPI fails) are recognised in the income statement on the line "Net result on loans in hold portfolios mandatorily held 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, mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policyholders. The deposits are invested in different types of financial assets on behalf of customers and policyholders.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are issued bonds in Nordea Kredit Realkreditaktieselskab and assets and liabilities in Nordea Life & Pensions.

Liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so-called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and returning 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

G1. Accounting policies, cont.

bonds in the market. The loans are measured at fair value through profit and loss because they fail the SPPI (Solely Payments of Principle and Interest) criteria, and if the bonds were measured at amortised cost, this would give rise to an accounting mismatch. To avoid such an accounting mismatch Nordea measures the bonds at fair value with all changes in fair value including changes in credit risk recognised in profit or loss.

All assets in Nordea Life & Pensions held under investment contracts are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch with the liabilities to the policyholders that are measured at fair value. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. Changes in own credit risk are recognised in profit and loss as recognising such changes in other comprehensive income would create an accounting mismatch. Assets held under insurance contracts (defined in section 19 "Liabilities to policyholders"), except for a portfolio of interest-bearing securities in Norway, are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also, assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. Deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss. The value of these deposits is directly linked to assets in the contacts and there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value of these issued structured bonds is recognised in profit and loss except for the changes in credit risk that are recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value".

Financial asset at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in part of the liquidity buffer. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income", foreign exchange effects in "Net result from items at fair value" and impairment losses in the item "Net loan losses" in the income statement. When an instrument is disposed of, the fair value changes previously accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value". For information about impairment under IFRS 9, see section 14 below.

Hybrid (combined) financial instruments

Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds and loans with embedded collars and caps.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The host, the zero-coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values of the embedded derivatives are recognised in the income statement in the item "Net result from items at fair value".

For structured bonds issued by Markets, Nordea applies the fair value option, and the entire combined instrument, the host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item "Net result from items at fair value" and presented as "Debt securities in issue" on the balance sheet.

Securities borrowing and lending agreements

Generally, securities borrowings and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In cases where the counterparty is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item "Financial instruments pledged as collateral".

Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to counterparties is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from counterparties is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements

Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In cases where the counterparty has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities".

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public".

A sale of a security not owned by Nordea is defined as a short sale and triggers the recognition of a trading liability (Sold not held securities) presented as "Other liabilities" on the balance sheet. The short sale is generally covered through a Securities Financing Transaction (SFT), normally a reverse

G1. Accounting policies, cont.

repurchase agreement or other forms of securities borrowing agreements.

Derivatives
All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities
Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of default, bankruptcy and insolvency of Nordea and the counterparties, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

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 reverse repurchase transaction with CCP are offset on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposits related to repurchase and reverse repurchase transactions that are made in accordance with the Global Master Repurchase Agreement (GMRA) are offset on the balance sheet if the assets and liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

Issued debt and equity instruments
A financial instrument issued by Nordea is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea having a present obligation to either deliver cash or another financial asset or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

14. Loans to the public/credit institutions
Scope
Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 13 above and Note G40 on "Classification of financial instruments".

Off-balance-sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation
Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor has filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legally 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 Note G2 "Risk and Liquidity management". Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collateral and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the model described below but based on the fact that the exposures are already in default.

Model-based allowance calculation
For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12

G1. Accounting policies, cont.

months, while it for assets in stages 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition on 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded that it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion.

- Retail customers with an initial 12-month PD below 1%: Exposures with a relative increase in lifetime PD above 100% and an absolute increase in 12-month PD above 45 bp are transferred to stage 2.
- Retail customers with an initial 12-month PD above or equal to 1%: Exposures with a relative increase in lifetime PD above 100% or an absolute increase in 12-month PD above 300 bp are transferred to stage 2.
- Nonretail customers with an initial 12-month PD below 0.5%: Exposures with a relative increase in lifetime PD above 150% and an absolute increase in 12-month PD above 20 bp are transferred to stage 2.
- Nonretail customers with an initial 12-month PD above or equal to 0.5%: Exposures with a relative increase in lifetime PD above 150% or an absolute increase in 12-month PD above 400 bps are transferred to stage 2.

For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures with forbearance measures will stay in stage 2 for a probation period of 24 months from when the measures were introduced. Once transferred back to stage 1, after the probation period, the exposures are treated as any other stage 1 exposure when assessing significant increase in credit risk. Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence that the customer is not in default. Such exposures will be classified as stage 2.

Nordea does not use the "low credit risk exemption" in the banking operations but uses it for a minor portfolio of interest-bearing securities in the insurance operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward-looking information. Nordea applies three macroeconomic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions. The model is based on data collected before the reporting date, requiring Nordea to identify events that should affect the provisions after the data is sourced to the model calculation. Management evaluates these events and adjusts the provisions if deemed necessary.

Write-offs

A write-off is a derecognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable, they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (the list is not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans and modifications

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to their financial difficulties and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery, the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of

G1. Accounting policies, cont.

claims are reported on the same balance sheet line as similar assets already held by Nordea. For example, a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories "Fair value through profit or loss" and measured at fair value. Changes in fair values are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. The item " Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

15. Leasing

Nordea as lessor

Finance leases

Nordea's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee in the balance sheet item "Loans to the public" at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as properties and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as "Net interest income". The depreciation of the leased assets is calculated based on Nordea's depreciation policy for similar assets and reported as "Depreciation, amortisation and impairment charges of tangible and intangible assets" in the income statement.

Nordea as lessee

At inception Nordea assesses whether a contract is or contains a lease. A lease is a contract that conveys the user the right to control the use of an asset for a period of time in exchange for consideration.

The right to use an asset in a lease contract is recognised on the commencement date as a right-of-use (ROU) asset and the obligation to pay lease payments is recognised as a lease liability. The ROU asset is initially measured as the present value of the lease payments plus initial direct costs and the cost of obligations to refurbish the asset less any lease incentives received. Non-lease components are separated. The discount rate used to calculate the lease liability for each contract is the incremental borrowing rate at commencement of the contract. 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 Land and buildings and Equipment. Equipment mainly comprises vehicles and IT hardware. Nordea applies the practical expedient for short-term contracts (with a contract term of 12 months or less) both for Land and buildings and for Equipment. The practical expedient for low value assets is applied to Equipment. Short-term and low value contracts are not recognised on the balance sheet and the payments are recognised as expenses in the income statement as "Other expenses" on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit.

Leases are mainly related to office premises contracts but also to company cars, IT hardware and other assets normal to the business. The premises are mainly divided into banking branches and headoffices. The premises contracts are actively managed with focus on the effective use of the premises and the changes in the business environment. The lease payments generally include fixed payments and especially in premises contracts also variable payments that depend on an index. Residual value guarantees, or purchase options are generally not used.

The lease term is the expected lease term. This comprises the non-cancellable period of lease contracts and any options that Nordea is reasonably certain to exercise. The length of contracts with no end date is estimated by considering all facts and circumstances.

The expected lease term of most of the premises contracts is 1–10 years whereas the expected lease term of the main head office contracts in the Nordic countries is 15–25 years. These contracts generally have renewal options.

Embedded leases

Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

16. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea's control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea mainly consist of goodwill, IT development/computer software and customer-related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately but included in the total carrying amount of

G1. Accounting policies, cont.

the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures are disclosed in section 6 "Recognition of operating income and impairment".

IT development/Computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software also includes acquired software licences not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 5 years, and in some circumstances for strategic infrastructure up to a maximum of 10 years.

Customer-related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer-related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licensed, 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 are not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generate largely independent cash flows in relation to other assets. For goodwill and IT development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or 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. If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G21 "Intangible assets" for more information on the impairment testing.

17. Properties and equipment

Properties and equipment include own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties and equipment comprises its purchase price as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Properties and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follow the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, and any impairment loss is recognised.

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

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available, discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

G1. Accounting policies, cont.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained, consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision also includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulations 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 & Pensions has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-contracts (collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the 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.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 "Financial instrument" above.

21. Taxes

The item "Income tax expense" in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement, unless the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is

G1. Accounting policies, cont.

not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax positions are regularly reviewed to identify situations where it is not probable that the relevant tax authorities will accept the treatment used in the tax filings. Uncertain tax positions are considered independently or as a group, depending on which approach better predicts the resolution of the uncertainty. If Nordea concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty is reflected when determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. This is done by using either the most likely amount or the expected value, depending on which method better predicts the outcome of the uncertainty. Uncertain tax treatment can affect both current tax and deferred tax.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Provisions

Provisions (which are presented as a liability) are recognised when Nordea has a present obligation (legal or constructive) as a result of a past event if it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provisions relating to Employee benefits are further described in section 24 and provisions relating to Financial guarantees contract and credit commitments are described in section 26.

Contingent liabilities are not recognised as liabilities on the balance sheet but disclosed in Note G38 "Contingent liabilities" unless the possibility of an outflow is remote. A contingent liability is a possible obligation whose existence will be confirmed only by future event(s) not wholly within Nordea's control or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured within sufficient reliability.

23. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to shareholders of Nordea Bank Abp by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long-term incentive programmes and contracts on Nordea shares that can be settled in Nordea shares, i.e. derivatives such as options and warrants and their equivalents. Such contracts affect diluted earnings per share when and only when the average price of ordinary shares during the period exceeds the exercise price of the options or warrants (i.e. they are in the money).

The potential ordinary shares are only considered to be dilutive on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

24. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 27 "Share-based payment".

More information can be found in Note G8 "Staff costs".

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

G1. Accounting policies, cont.

benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G34 "Retirement benefit obligations").

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and are included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high-quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve are derived from the most liquid long-dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G8 "Staff costs".

25. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank Abp.

For each business combination, Nordea measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Additional Tier 1 capital holders

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

Nordea determines payments on financial instrument classified as equity (i.e. Additional Tier 1 instruments) as distributions of profits and for that reason such payments are accounted for as dividends.

Invested unrestricted equity

The reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue in 2009. Transaction costs in connection with the rights issue have been deducted. Also acquisitions and sales of own shares are recognised under "Invested unrestricted equity", for more information see section 25 "Treasury shares".

Other reserves

Other reserves comprise income and expenses, net of 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 recognised as a reduction in "Invested unrestricted equity" and sales of own shares as an increase in "Invested unrestricted equity". Also own shares in trading portfolios are classified as treasury shares.

Contracts on Nordea shares that can be settled net in cash, i.e. derivatives such as options and warrants and their equivalents, are either presented as financial assets or financial liabilities.

26. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured and recognised as a provision on the balance sheet at the higher of either the received fee less amortisation, or an amount calculated in accordance with IFRS 9. Changes in

G1. Accounting policies, cont.

provisions are recognised in the income statement in the item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 6 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, net of any provisions. Financial guarantees are disclosed in the item "Contingent liabilities" and irrevocable credit commitments in the item "Commitments".

27. Share-based payment

Equity-settled programmes

Nordea has annually issued programmes where employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date.

The grant date fair value of these rights is expensed on a straight-line basis over the vesting period. The fair value per right is estimated at grant date and not subsequently updated. The vesting period is the period over which the employees have to remain in service in Nordea in order for their rights to vest.

For rights with non-market performance conditions, the amount expensed is the grant date fair value per right multiplied by the best estimate of rights that will eventually vest, which is reassessed at each reporting date. For rights with market performance conditions, the total fair value is estimated based on the fair value of each right times the maximum number of rights at grant date. Market conditions are taken into account when estimating the fair value of the equity instruments granted. Therefore, if all other vesting conditions (e.g. service condition) are met, Nordea recognises the expense for grants of equity instruments with market conditions irrespective of whether that market condition is satisfied.

Social security costs are also allocated over the vesting period. The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G8 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSAs' 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 over the deferral period using the Nordea TSR. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

For more information see Note G8 "Staff costs".

28. Related party transactions

Nordea defines related parties as:

- Shareholders with significant influence
- Associated undertakings and joint ventures
- Key management personnel
- Other related parties

All transactions with related parties are made on the same criteria and terms as those of comparable transactions with external parties of similar standing, apart from loans granted to employees as well as certain other commitments to key management, see Note G8 "Staff costs" and Note G38 "Contingent liabilities".

Shareholders with significant influence

Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

Associated undertakings and joint ventures

For the definition of associated undertakings and joint ventures, see section 5 "Principles of consolidation".

Further information on the associated undertakings and the joint ventures included in the Nordea Group is found in Note G20 "Investments in associated undertakings and joint ventures".

Key management personnel

Key management personnel includes the following positions:

- Board of Directors
- Chief Executive Officer (CEO)
- Group Leadership Team (GLT)

For information about compensation, pensions and other transactions with key management personnel, see Note G8 "Staff costs".

Other related parties

Other related parties comprise shareholders with significant influence (including its subsidiaries) and close family members of key management personnel at Nordea, as well as companies controlled or jointly controlled by key management personnel or by close family members of key management personnel at Nordea.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

29. Presentation of disposal groups held for sale

If applicable, assets and liabilities related to disposal groups are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale", respectively, as from the classification date. Financial instruments continue to be measured under IFRS 9, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

30. Exchange rates

	Jan–Dec 2020	Jan–Dec 2019
EUR 1 = SEK		
Income statement (average)	10.4889	10.5848
Balance sheet (at end of year)	10.0220	10.4563
EUR 1 = DKK		
Income statement (average)	7.4543	7.4661
Balance sheet (at end of year)	7.4405	7.4717
EUR 1 = NOK		
Income statement (average)	10.7291	9.8499
Balance sheet (at end of year)	10.4703	9.8463
EUR 1 = RUB		
Income statement (average)	82.6596	72.4524
Balance sheet (at end of year)	90.8041	69.7096

G2. Risk and Liquidity management

Maintaining risk awareness in the organisation is engrained in Nordea's business strategies. Nordea has defined clear risk and liquidity management frameworks including policies and instructions for different risk types, capital adequacy and capital structure.

COVID-19 has been a major risk factor over the course of 2020 leading to increased volatility in markets and reduced liquidity in wholesale funding at the outset of the global lockdown. In addition, with anticipation of the impacts on the broader economy, banks made large increases in loan loss provisions with Nordea being no exception. Market volatility and expected credit migration arising from the impact of COVID-19 translated to an increase in Risk Exposure Amount (REA) for Nordea.

In response to the impact of COVID-19 on the economy, Central Banks and regulatory bodies reacted strongly with regulators reducing capital requirements through the so-called Capital Requirement Regulation (CRR) "Quick Fix". Central Banks cut interest rates, increased their quantitative easing (QE) activities and offered long-term financing facilities at low rates.

To protect its balance sheet, Nordea increased its loan loss provisions in the first half of the year and took advantage of term funding facilities from Central Banks. In addition, the Group Board followed the European Central Bank (ECB) direction to withhold payment of any dividends in 2020. With its strong financial position Nordea is able to continue to actively support its customers during this challenging time.

In order to continuously monitor potential adverse outcomes, Nordea has executed a number of internal stress tests during 2020 with focus on the COVID-19 situation. In these stress tests, Nordea's capital and liquidity situation has shown good resilience even in the most severe scenarios.

Internal Control Framework

The Internal Control Framework covers the whole Group and it sets out the Group Board's and senior management's responsibilities towards internal control, all Group Functions and Business Areas including outsourced activities and distribution channels. Under the Internal Control Framework, all Business Areas, Group Functions and units are responsible for managing the risks they incur in conducting their activities and to have controls in place that aim to ensure compliance with internal and external requirements. As part of the Internal Control Framework, Nordea has established Group Control Functions with appropriate and sufficient authority, stature and access to the Group Board to fulfil their mission, as well as the Risk Management Framework.

The Internal Control Framework ensures effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information (both internal and external) and compliance with applicable laws, regulations, supervisory requirements and the Group internal rules.

The internal control process is carried out by the governing bodies, risk management functions, management and other staff at Nordea. The internal control process is based on five main components: control environment, risk assessment, control activities, information and communication as well as monitoring. The internal control process is created to ensure the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Governing bodies for risk, liquidity and capital management

The Group Board, the Board Risk Committee (BRIC), the Group CEO in Group Leadership Team (GLT), the Asset and Liability Committee (ALCO) and the Risk Committee (RC) are the key decision-making bodies for risk, liquidity and capital management in Nordea. In addition, the CEO Credit Committee, the Executive Credit Committee and Business Area Credit Committees are the key bodies for Credit decision-making.

Group Board and Board Risk Committee

The Group Board has following overarching risk management responsibilities.

- It decides on the Group risk strategy and the Risk Appetite Framework, including the Risk Appetite Statements, with annual reviews and additional updates when needed.
- It oversees and monitors the implementation of the Risk Strategy, Risk Appetite Framework and Risk Management Framework, including breaches of risk appetite.

The Group Board decides on the Group Board Directive on Capital including dividend policy, which ensures adequate capital levels within the Group, on an ongoing and forward-looking basis in accordance with Nordea's business model, risk appetite and regulatory requirements and expectations.

Board Risk Committee (BRIC) assists the Group Board in fulfilling its oversight responsibilities concerning management and control of the risk, risk frameworks, controls and processes associated with the Group's operations, including credit, market, liquidity, business, life and operational risk, as well as conduct and compliance risk and related frameworks and processes.

President and Chief Executive Officer

The Group CEO is responsible to the Group Board for the overall management of the Group's operations and risks. Responsibilities include ensuring that the risk strategy and risk management decided by the Group Board is implemented, the necessary practical measures are taken and risks are monitored and limited. The Group CEO is supported in decision making by senior management within the Group GLT.

Group-wide committees have been established in order to promote coordination within the Group, thus ensuring commitment to and ownership of Group-wide prioritisations, decisions and implementation. The composition and the areas of responsibility of each committee are established in the Group Board Directives or Group CEO Instructions for the respective committees.

Asset and Liability Committee

Asset and Liability Committee (ALCO) is sub-ordinated to the Group CEO in GLT and chaired by the Chief Financial Officer (CFO). ALCO decides on changes to the financial operations and the risk profile of the balance sheet, including asset and liability management (ALM), balance sheet management and liquidity management. ALCO also decides on certain issuances and capital injections for all wholly-owned legal entities within the Group. ALCO has established sub-committees for its work and decision-making within specific risk areas.

Risk Committee

Risk Committee (RC) is sub-ordinated to the Group CEO in GLT and chaired by the Chief Risk Officer (CRO). It has been established in order to manage the overall Risk Management Framework and prepares or provides guidance regarding proposals to the Group CEO in GLT and/or the relevant Board of Directors on issues of major importance concerning

G2. Risk and Liquidity management, cont.

Nordea's Risk Management Framework. Given the Group Board decided Risk Appetite Framework, RC decides on the allocation of cascaded risks limits to risk-taking units and on actions relating to the management of all risks. The first line of defence (1st LoD) is responsible for ensuring that limits are further cascaded and operationally implemented. RC has established sub-committees for its work and decision-making within specific risk areas.

Credit decision-making bodies

The governing bodies for Credit Risk and/or the Credit Risk Management Framework are the Group Board and BRIC. The Group Board and the local Board of Directors delegate credit decision-making according to the Powers to Act as described in the Group Board Directive for Risk:

- CEO Credit Committee is chaired by the Group CEO and its members include the members of the Executive Credit Committee.
- Executive Credit Committee is chaired by the Head of Group Credit Management, and BRIC appoints the members of the Executive Credit Committee.
- The Executive Credit Committee establishes credit committees for each Business Area as required by organisational and customer segmentation.

BRIC reviews decisions of the CEO Credit Committee and the Executive Credit Committee, as well as other strategic credit policy matters and development of the credit portfolio. BRIC confirms Industry Group Strategies approved by the RC.

All credit limits within the Nordea Group are based on credit decisions or authorizations made by an ultimate Decision-Making Authority with the right to decide upon that limit. Credit decisions include, inter alia, pricing, risk mitigation and any terms and conditions related to the limit or expected utilisation. Credit decisions also serve to delegate decision making within the approved limit to lower decision makers, unless otherwise explicitly decided.

Subsidiary governance

At subsidiary level, the local Board of Director is responsible for approving risk appetite limits and capital actions. The proposals for such items are the joint responsibilities of relevant subsidiary management and Group Functions.

The subsidiary Board of Director has oversight responsibilities concerning the management and control of risk, risk management frameworks as well as the processes associated with the subsidiary's operations. In addition, there are risk management functions responsible for the risk management framework and processes within the subsidiary.

The subsidiary CEO is part of the decision-making process at the subsidiary level and is responsible for the daily operations.

Governance of Risk Management and Compliance

Group Risk and Compliance (GRC) represents Nordea's independent second line of defence (2nd LoD) function. GRC oversees the implementation of the financial and the non-financial risk policies and according to a risk-based approach, monitors and controls the Risk Management Framework including the Compliance Risk Management Framework and oversees that risks that Nordea is or could be exposed to, are identified, assessed, monitored, managed and reported on. GRC is organised in divisions with individual risk type responsibility. The Risk Management Framework ensures consistent processes for identifying, assessing and measuring, responding to and mitigating, controlling and monitoring and reporting risks to enable informed decisions on risk-taking.

The Risk Management Framework encompasses all risks to which Nordea is or could be exposed, including off-balance sheet risks and risks in a stressed situation. Detailed risk information covering all risks is regularly reported to the RC, GLT, BRIC and the Group Board. In addition to this Nordea's compliance with regulatory requirements is reported to the GLT and the Group Board. The Group Board and the CEO in each legal entity regularly receive local risk reporting.

The Risk Identification and Materiality Assessment Process starts with identifying risks to which Nordea is or could be exposed. Risks are then assessed for relevance, classified, and included in the Common Risk Taxonomy.

All risks within the Nordea Common Risk Taxonomy need to be classified as material or not material for risk management and capital purposes. Material risks are those assessed as having a material impact on Nordea's current and future financial position, its customers and stakeholders. These risks will typically, though not always, refer to a higher-level risk within the Risk Taxonomy which captures a number of underlying risks in which losses arise from a common source.

Risk appetite

The Risk Appetite Framework (RAF) supports effective risk management and a sound risk culture by enabling informed decisions on risk-taking, with the objective of ensuring that risk-taking activities are conducted within the organisation's risk appetite and that emerging risks are identified and addressed in a timely way.

Risk capacity is the maximum level of risk Nordea is deemed able to assume given its capital (own funds), its risk management and control capabilities and its regulatory constraints. Risk appetite is the aggregate level and types of risk Nordea is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives. The Risk Appetite Statements (RAS) are the articulation of the Group Board approved risk appetite and comprises the qualitative statements and quantitative Limits and Triggers by main risk type, which are deemed appropriate to be able to operate with a prudent risk profile.

Credit concentration metrics cover e.g. sectors and geographic regions of size or importance. Stress test metrics are applied to credit, market and liquidity risk metrics to ensure a forward-looking approach to risk management. Operational risk metrics cover both residual risk levels and requirements for mitigating actions as well as limits for incidents and losses.

Risk appetite processes

The RAF contains all processes and controls to establish, monitor and communicate Nordea's risk appetite:

- Risk capacity setting based on capital position: On at least an annual basis, the Group's overall risk capacity is aligned with the financial and capital planning process, based on Nordea's risk strategy. Risk capacity is set in line with Nordea's capital position, including an appropriate shock absorbing capacity.
- Risk appetite allocation by risk type: Risk appetite includes Risk Appetite Limits for the main risk types that Nordea is or could be exposed to in line with the Risk Taxonomy. Risk Appetite Triggers are also set for these main risk types, to act as early indicators for key decision-makers that the risk profile for a particular risk type is approaching its Risk Appetite Limit.
- Risk limit setting: Measurable risk limits are established and set at an appropriate level to manage risk-taking effectively. Risk Appetite Limits are set by the Group Board. These inform the risk limits which are established and

G2. Risk and Liquidity management, cont.

approved at lower decision-making levels at Nordea, including RC and sub-RC levels, and also other levels as appropriate. Subsidiary risk limits must be set by the appropriate governing body in alignment with local regulatory requirements and consistent with the Group Risk Limits.
- Controlling and monitoring risk exposures against risk limits: Regular controlling and monitoring of risk exposures compared to risk limits is carried out to ensure that risk-taking activity remains within risk appetite.
- Risk appetite limit breach management process: GRC oversees that any Risk Appetite Limit breaches are appropriately escalated to RC and BRIC. GRC reports monthly on any breaches of the risk appetite to the Group Board and other relevant governing bodies including a follow-up on the status of actions to be taken, until the relevant risk exposure is within appetite. The reporting includes a consistent status indicator to communicate the current risk exposure compared to Risk Appetite Limit for all risk types covered by the RAS.

Embedding risk appetite in business processes

The end-to-end risk appetite process cycle is aligned with other strategic processes, including the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan.

Moreover, the risk appetite is embedded in business processes and communicated across the organisation in order to meet Nordea's objectives of maintaining a sound risk culture. This includes but is not limited to ensuring a strong link between the assessed risk appetite and the business plans and budgets, the capital and liquidity position, the systemic risk profile, the recoverability and resolvability assessments as well as the incentive structures and remuneration framework.

Strengthened ESG Governance

At Nordea, the Group Board has a leading role in driving the climate strategy and is assisted by the Board Operations and Sustainability Committee (BOSC) in the fulfilment of its oversight responsibilities concerning sustainability, related frameworks and processes. The Group Board is also assisted by the BRIC in the fulfilment of its oversight responsibilities concerning the management of risks, related frameworks, controls and processes including Environmental, Social and Governance (ESG) factors as drivers of existing risks. Qualitative progress updates on the integration of ESG factors in the risk management frameworks form part of the regular Board Risk Appetite reporting. Organisationally, ESG is integrated in existing processes for decision-making, risk management and control, and escalation including committee structures.

In response to the heightened supervisory and regulatory expectations on ESG, a Group-wide Task Force led by the Head of Group Credit Risk Control as Chair was established in June reporting to Risk Committee and the Chief Risk Officer. The Task Force objectives were to assess Nordea's ability to comply with the ECB guide on Climate-Related and Environmental Risks and to address any required developments.

Disclosure requirements of the CRR – Capital and Risk Management Report 2020

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2020, in accordance with the Capital Requirements Regulation (CRR), which is based on the Basel III framework issued by the Basel Committee on Banking Supervision.

G2. Risk and Liquidity management, cont.

Credit Risk management

Credits granted within the Group shall conform to the common principles established for the Group. Nordea strives to have a well-diversified credit portfolio that is adapted to the structure of its home markets and economies. The key principles for managing Nordea's risk exposures are:

- risk-based approach, i.e. the risk management functions should be aligned to the nature, size and complexity of Nordea's business, ensuring that efforts undertaken are proportional to the risks in question;
- independence, i.e. the risk control function should be independent of the business it controls; and
- the three Lines of Defence (LoD), as further described in the Group Board Directive on Internal Governance.

Group Credit Management in 1st LoD is responsible for the credit process and Industry Credit Policies. Group Credit Risk Control in 2nd LoD is responsible for the credit risk frame- work, consisting of instructions and guidelines for the Group. Group Credit Risk Control is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

The basis of credit risk management in Nordea is allocating limits to customers and customer groups that are aggregated and assigned to units responsible for their continuous monitoring and development. In addition to the procedures for allocating customer and customer group limits, Nordea's credit risk management framework also includes the credit RAF which provides a comprehensive and risk-based portfolio perspective through relevant asset quality and concentration risk measures. Each division/unit is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting.

Within the Powers to Act granted by the Board of Directors, Internal credit risk limits are approved by credit decision making authorities on different levels in the organisation constituting the maximum risk appetite on the customer in question. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU). The risk categorisation together with the exposure of the customer decides at what level the credit decision will be made. Responsibility for a credit risk lies with the customer responsible unit. Customers are risk-categorized by a rating or score in accordance with Nordea's rating and scoring guidelines. The rating and scoring of customers aim to predict their probability of default and consequently rank them according to their respective default risk. Rating and scoring are used as integrated parts of credit risk management and the credit decision-making process. Representatives from 1st LoD credit organization approve the rating independently.

Credit risk definition and identification

Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet its obligations to clear a debt in accordance with agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. Credit risk stems mainly from various forms of lending, but also from issued guarantees and documentary credits and includes counterparty credit risk, transfer risk and settlement risk.

Nordea's loan portfolio is furthermore broken down by segment, industry and geography. Industry credit policies are established for those industries that have a significant weight in the portfolio and are either highly cyclical or volatile or require special industry competencies.

Credit decisions are reached after a credit risk assessment, based on principles that are defined consistently across the Group. These principles emphasize the need to adjust the depth and scope of the assessment according to the risk. The same credit risk assessments are used as input for determining the internal ratings. Credit decisions in Nordea reflect Nordea's view of both the customer relationship and credit risk.

The ESG evaluation of large corporate borrowers is currently integrated in the credit process through the Nordea Group credit risk framework.

There are different types of ESG evaluations performed dependent on the type and size of the transaction and customer's internal segmentation.

ESG-related risks identified in the ESG evaluation process are integrated into the credit risk assessment. A credit memorandum is produced, which contains a conclusion on the level of ESG-related risk associated with the customer. Approval follows the established credit decision making process. For customers classified as having high ESG-related risk, the decision is escalated to the Executive Credit Committee (ECC).

The total credit risk assessment shall be a combined risk conclusion on the borrower's repayment capacity and recov-

Credit Committee Structure

Level 1	**Board of Directors / Board Risk Committee**							
Level 2	Chief Executive Officer (CEO) Credit Committee / Executive Credit Committee							
Level 3	Leverage Buyout and Mergers and Acquisitions Credit Committee	Real Estate Management Industry and Construction Credit Committee	Corporate Large Corporations and Institutions Credit Committee	Corporate Business Banking Credit Committee	Int. Banks Countries, and Financial Institutions Credit Committee	Shipping and Offshore Credit Committee	Russia Credit Committee	Retail Nordic Credit Committee
Level 4	Six eyes decisions (rated customers)				Four eyes decisions (scored customers) – two senior decision makers from Group Credit Management			
Level 5	Four eyes decisions							
Level 6	Personal powers to act							

G2. Risk and Liquidity management, cont.

ery position. The risk conclusion must be sufficiently forward-looking as compared to the risk profile of the customer and maturity of the transaction.

In addition to credit risk assessment in conjunction with new or changed exposure towards a customer, an annual or continuous credit review process is in place. The review process is an important part of the continuous credit assessment process.

If credit weakness is identified in relation to a customer exposure, the customer is categorized as "High Risk" and receives special attention in terms of more frequent reviews. In addition to continuous monitoring, an action plan is established outlining how to minimise the potential credit loss. If necessary, a work-out team is set up to support the customer responsible unit.

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered as well as the adequacy of covenants and other risk mitigations. Pledge of collateral is a fundamental credit risk mitigation technique in the bank and collaterals are always sought, when reasonable and possible, to minimize the potential for credit losses.

In corporate exposures, the main collateral types are real estate, floating charges and leasing objects. Collateral coverage should generally be higher for exposures of financially weaker customers than for those who are financially strong.

Independent from the strength of collateral position, the repayment capacity is the starting point in credit assessment and assigning credit limits. Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation using credit default swaps is applied to a limited extent. Covenants included in credit agreements are complementary to collateral protection. Most exposures of substantial size and complexity include appropriate covenants. Covenants provide early warning signs that enable Nordea to detect, and react on, a deterioration in the borrower's credit quality or overall performance. Covenant breaches, allow Nordea to cancel the credit facility and demand repayment of the outstanding credits.

The collateral value shall always be based on the market value. The market value is defined as the estimated amount for which the asset or liability would exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. From this market value, a haircut is applied. The haircut is defined as a percentage by which the asset's market value is reduced ensuring a margin against loss. The margin reflects the adjustments needed to assess the cash proceeds when the collateral is liquidated in a forced sale situation. A minimum haircut is set for each collateral type. In addition to the haircut potential higher ranking claims are also deducted from the market value when calculating the maximum collateral value.

The same principles of calculation must be used for all exposures. For High Risk customers, the foreclosure value may differ from the maximum collateral values and should be based on a realistic assessment for the particular asset at that time. Risk transfer to other creditworthy parties, through guarantees and insurance, shall be based on legally enforceable documentation.

Collateral distribution

Distribution of collateral has remained stable during 2020, with the majority of the collateral stemming from residential and commercial real estate. The shares of financial collateral, receivables, and other physical collaterals have slightly decreased during 2020, while the share of real estate has increased by 1% in 2020.

	31 Dec 2020	31 Dec 2019
Financial Collateral	0.7%	0.8%
Receivables	0.7%	0.7%
Residential Real Estate	74.0%	73.2%
Commercial Real Estate	18.7%	18.7%
Other Physical Collateral	5.9%	6.6%
Total	**100.0%**	**100.0%**

Maximum exposure to credit risk

		31 Dec 2020		31 Dec 2019	
EURm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to central banks and credit institutions	G14	4,409	1,841	11,627	6,110
Loans to the public	G14	259,433	72,776	247,395	77,514
Interest-bearing securities	G15, G16	37,022	29,285	33,269	38,813
Derivatives	G19	–	44,770	–	39,111
Off-balance-sheet items	G38, G39	106,911	203	91,776	200
Total		**407,775**	**148,875**	**384,067**	**161,748**

Allowances for credit risk

EURm	Note	31 Dec 2020	31 Dec 2019
Loans to central banks and credit institutions	G14	4	14
Loans to the public	G14	2,444	2,169
Interest-bearing securities measured at fair value through other comprehensive income or amortised cost	G15	3	1
Off-balance-sheet items	G33	236	144
Total		**2,687**	**2,328**

G2. Risk and Liquidity management, cont.

Assets taken over for protection of claims

The table below presents assets taken over distributed by asset type. Lands and buildings make up 25% of the total assets taken over end of December 2020 and so do shares. 50% of the protection claimed are other types of assets. During 2020 the Assets taken over have been brought down by 11%.

Assets taken over for protection of claims[1]

EURm	31 Dec 2020	31 Dec 2019
Current assets, carrying amount:		
Land and buildings	2	8
Shares and other participations	2	0
Other assets	4	1
Total	**8**	**9**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets used as collateral for the loan are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest disposed when full recovery is reached.

Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table, IRB retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

Loan-to-value

	31 Dec 2020		31 Dec 2019	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	121.5	81	113.6	81
50–70%	21.4	14	20.3	14
70–80%	4.6	3	4.5	3
80–90%	1.2	1	1.2	1
>90%	0.8	1	0.9	1
Total	**149.5**	**100**	**140.5**	**100**

Individual and collective assessment of impairment

Requirements for impairment are set forth in IFRS 9 and are based on an expected credit loss model.

Impairment testing (individual and collective) applies to three forward looking and weighted scenarios, where assets tested for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk, and stage 3 includes defaulted assets. All assets are assessed individually for staging. Significant assets in stage 3 are assessed for impairment individually. Assets in stage 1, stage 2 and insignificant assets in stage 3 are assessed for impairment collectively.

Throughout the process of identifying and mitigating credit impairment, Nordea continuously reviews the quality of credit exposures. Weak and credit impaired exposures are closely monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity, and the possible need for provisions.

Nordea recognises only certain specific credit risk adjustments (SCRAs). SCRAs comprise individually and collectively assessed provisions. SCRAs in the profit and loss statement are referred to as loan losses, while SCRAs in the balance sheet are referred to as allowances and provisions.

Individual provisioning

A need for individual provisioning is recognised if, based on credit events and observable data, a negative impact is likely on the customer's expected future cash flow to the extent that full repayment is unlikely (pledged collaterals taken into account).

Exposures with individually assigned provisions are credit Impaired and in stage 3. The size of the provision is equal to the estimated loss, which is the difference between the book value of the outstanding exposure and the discounted value of the expected future cash flow, including the value of pledged collateral.

Collective provisioning

The collective model is executed quarterly and assessed for each legal unit/branch. One important driver for provisions is the trigger for the transferring of assets from stage 1 to stage 2. For assets recognised from 1 January 2018, changes to the lifetime Probability of Default (PD) are used as the trigger. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2. In stage 1, the provisions equal the 12 months expected loss. In stages 2 and 3, the provisions equal the lifetime expected loss. The output is complemented with an expert-based analysis process to ensure adequate provisioning. Defaulted customers without individual provisions have collective provisions.

Default

Customers with exposures that are past due more than 90 days, in bankruptcy or considered unlikely to pay are regarded as defaulted and non-performing. Such customers can be either servicing debt or non-servicing.

If a customer recovers from being in default, the customer is seen as cured. Typically, this situation occurs if the customer succeeds in creating a balance in financials. In order to be cured, the recovery should include the customer's total liabilities, an established satisfactory repayment plan and an assessment that the recovery is underway.

Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting forbearance for a limited time period is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis, approved according to Powers to Act and followed by impairment testing. Forborne exposures can be performing or non-performing. Individual loan loss provisions are recognised if necessary.

On 13 March 2020 Nordea announced that it would offer COVID-19-related instalment-free periods in all Nordic countries to those mortgage and car finance household customers and SMEs who were experiencing temporary liquidity problems due to the COVID-19 situation. Nordea did not register COVID-19- related instalment-free periods as forbearance, and consequently did not automatically transfer the exposures to stage 2, due to the temporary nature of the instalment-free periods and as interest continued to accrue. On 1 October 2020 Nordea ended all temporary amendments to the credit risk framework and returned to its standard credit processes, including normal forbearance registration procedures, while still continuing to support customers through the crisis.

The carrying amount of loans on which Nordea had granted COVID-19-related instalment-free periods at the end of 2020 amounted to EUR 18.6bn, of which 91.2% was classified as stage 1, 7.7% as stage 2 and 1.1% as stage 3.

G2. Risk and Liquidity management, cont.

Forbearance

EURm	31 Dec 2020	31 Dec 2019
Forborne loans	2,983	2,992
- of which defaulted	1,711	1,984
Allowances for individually assessed impaired and forborne loans	465	679
- of which defaulted	434	664

Key ratios	31 Dec 2020	31 Dec 2019
Forbearance ratio[1]	0.9%	0.9%
Forbearance coverage ratio[2]	16%	23%
- of which defaulted	25%	33%

1) Forborne loans/Loans before allowances.
2) Individual allowances on forborne loans/Forborne loans.

Sensitivities

One important factor in estimating expected credit losses in accordance with IFRS 9 is to assess what constitutes a significant increase in credit risk. To understand the sensitivities to these triggers, Nordea has calculated model-based provisions under two different scenarios:

	Triggers	Scenario 1	Scenario 2
Retail portfolios			
Relative threshold	100%	50%	150%
Absolute 12-month threshold	45 bp	35 bp	55 bp
Absolute lifetime threshold	300 bp	250 bp	350 bp
Notching[1]	1–6	1 less	1 more
Non-Retail portfolios			
Relative threshold	150%	100%	200%
Absolute 12-month threshold	20 bp	15 bp	25 bp
Absolute lifetime threshold	400 bp	350 bp	450 bp
Notching[1]	1–6	1 less	1 more

1) For exposures with initial recognition before the transition to IFRS 9 (1 Jan 2018), stage classification is decided based on changes in rating grades. The trigger in scenario 1 is set at one notch less than in the model actually used and in scenario 2 the trigger is set at one notch more than in the model used.

The provisions would have increased by EUR 34m (EUR 38m) in scenario 1 and decreased by EUR 36m (EUR 44m) in scenario 2. For more information on the rating scale and average PDs, see table "Rating/scoring information on loans measured at amortised cost" on page 124.

The provisions are sensitive to rating migration even if triggers are not reached. The table below shows the impact on provisions from a one notch downgrade on all exposures in the bank. It includes both the impact of the higher risk for all exposures as well as the impact of transferring exposures from stage 1 to stage 2 that reach the trigger. It also includes the impact from the exposures with one rating grade above default becoming default, which is estimated at EUR 139m (EUR 141m). 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.

Forward looking information

Forward-looking information is used both for assessing significant increases in credit risk and calculating expected credit losses. Nordea uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the fourth quarter of 2020, the scenarios were weighted into the final expected credit losses (ECL) using baseline 50%, adverse 45% and favourable 5% (baseline 60%, adverse 20% and favourable 20% at year-end 2019). The weight on the adverse scenario was increased as of the third quarter and maintained in the fourth quarter of 2020 to give more weight to the downside risks surrounding the expiry of customer support measures and the continuation of the pandemic. The baseline scenario was still maintained as the most probable one.

The macroeconomic scenarios are provided by Group Risk and Compliance (GRC) in Nordea, based on the Oxford Economics Model. The 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 historical 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 in the ECL calculations.

Sensitivities

	2020		2019	
EURm	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
Personal Banking	492	646	412	566
Business Banking	1,307	1,447	1,038	1,184
Large Corporates & Institutions	874	950	868	945
Other	14	29	10	20
Group	**2,687**	**3,072**	**2,328**	**2,715**

G2. Risk and Liquidity management, cont.

The macroeconomic scenarios reflect Nordea's view of how the COVID-19 virus and lockdowns will potentially impact the economic outlook. The scenarios also reflect the macroeconomic effects of government and central bank support measures. When developing the scenarios, Nordea took into account projections made by Nordic governments and central banks, Nordea Research and the ECB's macroeconomic forecasts for the euro area.

Following one of the largest contractions in output since the Second World War, the Nordic economies experienced a significant recovery in activity in the third quarter of 2020. Although the economic recovery during the second half of 2020 appeared to be relatively strong, growth in 2021 is predicted to be slow, as the outlook is still clouded by a very high level of uncertainty. The resurgence of the COVID-19 pandemic in the autumn of 2020, with renewed and widespread lockdowns in most of Europe, poses a serious threat to the export-dependent Nordic economies. The high level of uncertainty is also weighing on business investments. On the other hand, the eventual roll-out of vaccines, and the willingness of Nordic governments to extend special support measures for sectors hit by lockdowns, point to a continued but modest recovery in the baseline. This implies that the economic output of the Nordic countries will not return to pre-pandemic levels before 2022. The significant loss of output will continue to weigh on labour markets, leading to an additional rise in unemployment in 2021. The rise in unemployment and the impact on consumer confidence are also expected to weigh on housing markets in spite of the strong price increases seen in 2020 and the low interest rates.

Adjustments to model-based provisions amount to EUR 697m, including management judgements of EUR 650m and late corrections of EUR 47m. The management judgement is divided into two groups; cyclical and structural management judgements. The cyclical management judgement covers projected individual loan losses and expected loan losses that are not yet captured by the collective provisioning models, this amounts to EUR 450m end of the year. The cyclical reserve is supported by additional portfolio modelling and is triggered by the substantial uncertainty in the macroeconomic development, as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios.

One important source of information in the estimation of the cyclical reserve is the internal stress testing model, adjusted for the impact of government support schemes. For the retail portfolio, the most important public sector actions have been the various forms of labour market support schemes, which have significantly decreased expected defaults and losses among households. Due to the wide scope of these schemes, Nordea decreased the modelled development of new defaults originally predicted by the internal stress testing models, leading to lower predicted loan losses. These models are based on historical observations and correlations. Thus, they are not capable of replicating the impact of the current government support schemes.

The structural management judgement covers identified issues in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to EUR 200m.

With regard to the expected rating migration in the corporate portfolio, Nordea took into consideration the positive impact of the various government guarantee and support schemes, primarily addressing the liquidity shock caused by the lockdowns and quarantines. At the same time, additional negative rating migration was assumed for the industries affected by COVID-19. This was based on a widescale bottom-up review of large counterparties in particularly sensitive industries (e.g. Retail trade, Accommodation and leisure, and Air transportation), and incorporated the main findings into the scenario projections.

The stress test model-based scenario simulations supported loan loss forecasts by the business areas, and helped Nordea ensure that its loan loss projections are appropriately conservative. The cyclical reserve reflects management's expectation of future credit losses.

G2. Risk and Liquidity management, cont.

Scenarios and provisions 2020

Denmark		2021	2022	2023	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment model based provisions[1], EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	4.7	2.4	1.9	244	5%				
	Unemployment, %	4.3	3.9	3.5						
	Change in household consumption, %	6.3	2.5	2.0						
	Change in house prices, %	−0.6	0.3	2.4						
Base scenario	GDP growth, %	3.0	2.5	2.5	251	50%	262	195	395	852
	Unemployment, %	5.6	4.8	4.2						
	Change in household consumption, %	5.0	1.7	1.8						
	Change in house prices, %	−2.6	0.6	2.7						
Adverse scenario	GDP growth, %	−0.5	3.6	4.0	277	45%				
	Unemployment, %	7.5	6.8	6.0						
	Change in household consumption, %	3.1	2.0	3.0						
	Change in house prices, %	−5.6	−4.6	2.6						
Finland										
Favourable scenario	GDP growth, %	3.5	2.4	1.8	191	5%				
	Unemployment, %	7.2	6.7	6.3						
	Change in household consumption, %	4.3	2.8	2.7						
	Change in house prices, %	−0.9	1.3	2.3						
Base scenario	GDP growth, %	2.5	2.0	2.2	201	50%	217	159	262	638
	Unemployment, %	8.0	7.7	7.2						
	Change in household consumption, %	3.8	1.9	2.5						
	Change in house prices, %	−2.5	1.4	2.5						
Adverse scenario	GDP growth, %	−2.3	3.4	3.3	237	45%				
	Unemployment, %	10.0	9.2	8.5						
	Change in household consumption, %	−0.2	3.1	2.8						
	Change in house prices, %	−5.2	−5.5	2.5						

G2. Risk and Liquidity management, cont.

Scenarios and provisions 2020, cont.

Norway		2021	2022	2023	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment modelbased provisions[1], EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	2.9	3.2	2.8	65	5%				
	Unemployment, %	5.1	4.2	3.9						
	Change in household consumption, %	4.3	2.6	2.8						
	Change in house prices, %	−1.0	−0.3	2.5						
Base scenario	GDP growth, %	1.9	3.3	2.9	67	50%	72	213	347	632
	Unemployment, %	6.1	5.1	4.3						
	Change in household consumption, %	3.6	2.5	2.3						
	Change in house prices, %	−3.2	0.0	3.0						
Adverse scenario	GDP growth, %	−0.7	3.1	3.7	78	45%				
	Unemployment, %	7.1	6.7	5.8						
	Change in household consumption, %	2.2	2.4	2.8						
	Change in house prices, %	−10.5	−9.3	3.2						
Sweden										
Favourable scenario	GDP growth, %	4.1	2.1	2.3	100	5%				
	Unemployment, %	8.3	7.7	6.8						
	Change in household consumption, %	2.4	2.2	2.3						
	Change in house prices, %	−2.8	−0.3	2.7						
Base scenario	GDP growth, %	1.8	5.0	3.0	109	50%	114	129	71	314
	Unemployment, %	10.0	8.1	7.3						
	Change in household consumption, %	0.1	5.2	2.7						
	Change in house prices, %	−3.5	−0.1	1.6						
Adverse scenario	GDP growth, %	−2.3	3.8	3.7	121	45%				
	Unemployment, %	11.5	11.1	10.2						
	Change in household consumption, %	−3.2	2.9	2.3						
	Change in house prices, %	−13.5	−11.1	3.8						
Non-Nordic							9	1	241	251
Total							**674**	**697**	**1,316**	**2,687**

1) Includes management judgements of EUR 650m and late corrections to the model of EUR 47m.

G2. Risk and Liquidity management, cont.

Scenarios and provisions 2019

Denmark		2020	2021	2022	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment model based provisions, EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	2.1	2.1	2.1	237	20%				
	Unemployment, %	3.5	3.2	3.0						
	Change in household consumption, %	1.7	1.5	1.8						
	Change in house prices, %	2.3	3.8	3.4						
Base scenario	GDP growth, %	1.4	1.7	2.0	239	60%	240	123	454	817
	Unemployment, %	3.8	3.8	3.7						
	Change in household consumption, %	1.4	1.6	1.9						
	Change in house prices, %	2.0	2.6	3.0						
Adverse scenario	GDP growth, %	0.9	0.9	1.4	245	20%				
	Unemployment, %	3.9	4.1	4.2						
	Change in household consumption, %	1.1	1.3	1.4						
	Change in house prices, %	1.8	2.1	1.8						
Finland										
Favourable scenario	GDP growth, %	1.5	1.7	1.3	182	20%				
	Unemployment, %	6.4	6.3	6.4						
	Change in household consumption, %	1.9	1.2	1.0						
	Change in house prices, %	1.1	1.3	1.5						
Base scenario	GDP growth, %	1.1	1.1	0.9	185	60%	185	26	262	473
	Unemployment, %	6.6	6.7	6.8						
	Change in household consumption, %	1.4	1.0	1.0						
	Change in house prices, %	0.9	1.1	1.1						
Adverse scenario	GDP growth, %	0.8	0.5	0.4	187	20%				
	Unemployment, %	6.6	6.7	7.0						
	Change in household consumption, %	1.1	0.9	1.1						
	Change in house prices, %	1.0	0.8	0.3						

G2. Risk and Liquidity management, cont.

Scenarios and provisions 2019, cont.

Norway		2020	2021	2022	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment modelbased provisions, EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	2.2	2.3	2.0	94	20%				
	Unemployment, %	3.3	3.0	2.7						
	Change in household consumption, %	2.6	1.8	1.8						
	Change in house prices, %	3.6	4.3	4.0						
Base scenario	GDP growth, %	2.0	1.8	1.7	97	60%	98	86	322	506
	Unemployment, %	3.4	3.4	3.3						
	Change in household consumption, %	2.3	2.0	1.8						
	Change in house prices, %	3.5	3.8	3.8						
Adverse scenario	GDP growth, %	1.3	1.0	1.3	104	20%				
	Unemployment, %	3.7	4.1	4.7						
	Change in household consumption, %	1.5	1.6	2.0						
	Change in house prices, %	2.3	0.0	1.7						
Sweden										
Favourable scenario	GDP growth, %	1.7	2.7	2.6	96	20%				
	Unemployment, %	6.7	6.3	5.7						
	Change in household consumption, %	1.8	2.6	2.1						
	Change in house prices, %	1.1	2.6	3.3						
Base scenario	GDP growth, %	1.4	1.9	2.3	97	60%	97	12	171	280
	Unemployment, %	6.9	6.7	6.3						
	Change in household consumption, %	1.4	2.0	2.2						
	Change in house prices, %	1.1	2.4	2.9						
Adverse scenario	GDP growth, %	1.1	1.3	1.7	98	20%				
	Unemployment, %	6.9	7.0	7.1						
	Change in household consumption, %	1.0	1.6	2.9						
	Change in house prices, %	1.0	1.8	2.9						
Non-Nordic							15	2	235	252
Total							**635**	**249**	**1,444**	**2,328**

G2. Risk and Liquidity management, cont.

Loans to the public measured at amortised cost, geographical breakdown[1]

	Gross			Allowances			
31 Dec 2020, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Denmark	21,275	1,615	712	72	209	438	22,883
Finland	58,160	6,082	1,317	32	112	449	64,966
Norway	60,279	3,011	838	104	85	338	63,601
Sweden	88,971	2,345	366	46	71	148	91,417
Russia	245	244	1	1	1	0	488
US	1,668	109	3	4	3	1	1,772
Other	11,074	376	742	22	8	300	11,862
Total	**241,672**	**13,782**	**3,979**	**281**	**489**	**1,674**	**256,989**

	Gross[2]			Allowances			
31 Dec 2019, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Denmark	22,243	1,427	804	51	175	488	23,759
Finland	56,852	4,710	1,309	20	66	344	62,441
Norway	57,530	2,769	1,142	36	45	527	60,834
Sweden	79,460	1,426	429	16	35	187	81,077
Russia	1,005	1	44	1	0	40	1,009
US	1,835	14	4	2	1	0	1,850
Other	13,190	323	878	25	20	91	14,256
Total	**232,115**	**10,670**	**4,610**	**150**	**342**	**1,677**	**245,226**

1) Based on domicile of the customers.
2) Not restated for accrued interest.

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost and fair value to the public

31 Dec 2020, EURm	Denmark	Finland	Norway	Sweden[1]	Russia[1]	Outside Nordic[1]	Total
Financial institutions	2,608	2,063	1,912	8,434	0	724	15,741
Agriculture	5,642	312	1,583	224	0	6	7,768
Crops, plantations and hunting	3,385	191	93	134	0	6	3,809
Animal husbandry	2,214	114	107	89	0	0	2,524
Fishing and aquaculture	43	7	1,383	1	0	0	1,434
Natural resources	258	1,153	894	642	85	230	3,262
Paper and forest products	231	897	158	542	0	77	1,905
Mining and supporting activities	15	155	136	51	0	0	357
Oil, gas and offshore	12	100	600	50	85	153	1,000
Consumer staples	1,762	766	468	624	0	59	3,679
Food processing and beverages	305	319	254	310	0	19	1,206
Household and personal products	183	65	104	19	0	1	371
Healthcare	1,274	382	111	295	0	39	2,101
Consumer discretionary and services	2,241	2,198	1,132	3,077	0	123	8,771
Consumer durables	155	271	87	620	0	115	1,249
Media and entertainment	557	501	125	614	0	1	1,798
Retail trade	797	958	395	1,098	0	7	3,254
Air transportation	61	50	62	91	0	0	264
Accomodation and leisure	556	356	100	449	0	0	1,462
Telecommunication services	115	62	362	206	0	0	744
Industrials	8,219	7,336	9,519	7,750	693	364	33,881
Materials	230	416	196	329	468	9	1,648
Capital goods	612	1,633	168	794	0	104	3,311
Commercial and professional services	3,672	1,301	3,910	3,067	0	143	12,093
Construction	1,280	1,525	3,677	1,191	0	37	7,710
Wholesale trade	1,585	1,236	552	1,454	165	19	5,010
Land transportation	323	895	756	514	61	51	2,601
IT services	516	330	260	402	0	1	1,508
Maritime	298	196	4,806	56	0	1,054	6,411
Ship building	0	50	82	0	0	0	133
Shipping	160	57	4,613	45	0	1,054	5,929
Maritime services	138	89	111	11	0	0	349
Utilities and public service	1,627	2,414	1,324	2,793	0	2	8,160
Utilities distribution	1,124	1,134	657	556	0	1	3,471
Power production	125	1,176	496	104	0	1	1,903
Public services	378	103	171	2,133	0	0	2,785
Real estate	10,618	8,012	10,140	17,469	0	377	46,617
Commercial real estate	6,876	4,583	8,524	7,692	0	377	28,053
Tenant-owned associations and residential real estate companies	3,742	3,429	1,616	9,777	0	0	18,564
Other industries	1,457	247	128	407	0	0	2,240
Total Corporate	**34,731**	**24,697**	**31,906**	**41,476**	**778**	**2,941**	**136,528**
Housing loans	35,498	31,590	34,015	49,873	0	0	150,975
Collateralised lending	7,711	5,467	2,495	2,264	0	0	17,936
Non-collateralised lending	992	2,944	419	2,290	0	0	6,645
Household	**44,201**	**40,000**	**36,929**	**54,426**	**0**	**0**	**175,556**
Public sector	**1,100**	**639**	**20**	**3,766**	**0**	**0**	**5,526**
Reversed repurchase agreements	**0**	**12,154**	**0**	**0**	**0**	**0**	**12,154**
Loans to the public by country	**80,032**	**77,491**	**68,855**	**99,669**	**778**	**2,941**	**329,765**
Of which loans at fair value	**56,330**	**12,154**	**18**	**4,274**	**0**	**0**	**72,776**

1) Loans related to Russia (EUR 687m) and the Baltics (EUR 482m), accounted for in the Swedish Branch, have been moved to Russia and Outside Nordic respectively.

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost and fair value to the public

31 Dec 2019, EURm	Denmark	Finland	Norway	Sweden[1]	Russia[1]	Outside Nordic[1]	Total
Financial institutions	2,992	2,055	1,996	7,510	231	644	15,428
Agriculture	5,809	290	1,250	170	0	7	7,527
Crops, plantations and hunting	3,410	171	21	90	0	7	3,698
Animal husbandry	2,358	111	9	79	0	0	2,558
Fishing and aquaculture	41	8	1,220	1	0	0	1,271
Natural resources	731	941	995	708	378	389	4,142
Paper and forest products	267	729	91	577	0	69	1,734
Mining and supporting activities	12	138	56	60	202	0	468
Oil, gas and offshore	451	74	848	71	176	320	1,940
Consumer staples	1,714	741	521	662	0	84	3,723
Food processing and beverages	270	271	314	296	0	30	1,181
Household and personal products	186	63	102	24	0	2	377
Healthcare	1,259	408	104	342	0	53	2,165
Consumer discretionary and services	2,367	2,173	1,135	3,183	2	177	9,038
Consumer durables	203	309	95	731	0	159	1,497
Media and entertainment	471	354	97	509	0	0	1,431
Retail trade	929	971	490	1,066	0	18	3,473
Air transportation	63	57	33	91	0	0	244
Accomodation and leisure	592	348	73	306	2	0	1,322
Telecommunication services	109	134	347	481	0	0	1,072
Industrials	8,293	6,791	7,777	7,744	750	627	31,982
Materials	266	459	236	378	533	5	1,877
Capital goods	617	1,583	151	648	128	135	3,262
Commercial and professional services	3,462	1,137	3,184	3,342	0	274	11,400
Construction	1,312	1,173	3,051	976	0	60	6,572
Wholesale trade	1,753	1,130	474	1,533	7	52	4,950
Land transportation	392	846	541	427	82	93	2,381
IT services	490	462	141	439	0	7	1,539
Maritime	396	246	4,864	106	0	2,113	7,726
Ship building	0	16	65	0	0	0	81
Shipping	249	149	4,696	95	0	2,113	7,301
Maritime services	148	82	103	10	0	0	343
Utilities and public service	1,224	1,868	1,036	3,561	84	56	7,829
Utilities distribution	642	638	588	666	0	2	2,536
Power production	139	1,124	397	187	84	54	1,984
Public services	443	107	51	2,708	0	0	3,309
Real estate	10,528	8,073	9,053	15,509	3	707	43,873
Commercial real estate	6,893	4,211	7,524	7,018	3	707	26,356
Tenant-owned associations and residential real estate companies	3,634	3,862	1,529	8,491	0	0	17,517
Other industries	1,165	0	451	94	0	0	1,709
Total Corporate	**35,219**	**23,179**	**29,079**	**39,248**	**1,447**	**4,804**	**132,976**
Housing loans	33,395	29,939	33,499	44,956	0	0	141,789
Collateralised lending	7,838	5,385	2,582	2,419	0	0	18,225
Non-collateralised lending	1,087	3,168	578	2,317	0	0	7,151
Household	**42,321**	**38,492**	**36,659**	**49,692**	**0**	**0**	**167,164**
Public sector	**1,131**	**1,331**	**28**	**1,572**	**0**	**0**	**4,062**
Reversed repurchase agreements	**0**	**18,889**	**0**	**0**	**0**	**0**	**18,889**
Loans to the public by country	**78,671**	**81,891**	**65,766**	**90,512**	**1,447**	**4,804**	**323,091**
Of which loans at fair value	**54,315**	**18,889**	**6**	**4,303**	**0**	**0**	**77,514**

1) Loans related to Russia (EUR 946m) and the Baltics (EUR 960m), accounted for in the Swedish Branch, have been moved to Russia and Outside Nordic respectively.

G2. Risk and Liquidity management, cont.

Loans to the public measured at amortised cost, broken down by sector and industry

	Gross			Allowances				
31 Dec 2020, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net	Net loss
Financial institutions	12,622	509	158	18	16	150	13,105	−25
Agriculture	3,054	265	185	11	17	95	3,381	−13
Crops, plantations and hunting	1,027	112	49	4	7	23	1,154	−3
Animal husbandry	631	123	131	3	9	70	803	−4
Fishing and aquaculture	1,396	30	5	4	0	2	1,424	−5
Natural resources	2,673	188	564	5	4	282	3,134	−126
Paper and forest products	1,612	132	36	3	4	21	1,752	−15
Mining and supporting activities	330	22	4	0	0	2	353	−1
Oil, gas and offshore	730	34	524	1	0	258	1,028	−111
Consumer staples	2,821	219	27	5	20	15	3,027	−25
Food processing and beverages	1,083	85	7	2	5	4	1,164	−5
Household and personal products	165	59	11	1	2	5	227	−5
Healthcare	1,572	75	10	2	13	5	1,636	−15
Consumer discretionary and services	6,336	902	236	15	42	144	7,273	−77
Consumer durables	973	197	61	1	9	41	1,180	−26
Media and entertainment	1,409	79	34	2	4	25	1,492	−13
Retail trade	2,386	367	93	5	23	46	2,771	−21
Air transportation	167	33	14	0	1	9	204	−2
Accomodation and leisure	751	216	32	2	5	22	969	−20
Telecommunication services	651	9	1	4	0	0	657	6
Industrials	27,619	3,020	666	65	127	254	30,858	−160
Materials	1,190	384	63	3	7	29	1,599	9
Capital goods	2,795	403	97	5	13	51	3,226	−17
Commercial and professional services	10,031	605	189	26	30	0	10,768	−28
Construction	6,138	628	139	16	26	92	6,772	−56
Wholesale trade	4,234	556	85	9	35	43	4,788	−41
Land transportation	2,125	338	81	4	11	31	2,498	−19
IT services	1,106	106	12	3	6	9	1,207	−7
Maritime	5,620	362	555	16	9	226	6,286	−87
Ship building	129	4	7	0	0	7	133	2
Shipping	5,254	357	546	15	9	218	5,915	−88
Maritime services	237	1	1	0	0	1	238	0
Utilities and public service	5,444	127	32	4	6	16	5,577	−9
Utilities distribution	2,833	60	28	2	1	13	2,906	−2
Power production	1,833	33	1	1	3	0	1,863	−3
Public services	778	34	3	1	2	3	808	−4
Real estate	36,515	1,570	253	32	33	111	38,161	−81
Other industries	549	90	7	10	1	1	634	55
Corporate	**103,253**	**7,249**	**2,684**	**180**	**274**	**1,295**	**111,436**	**−547**
Housing loans	111,086	3,927	561	16	24	57	115,477	−77
Collateralised lending	16,425	1,401	396	55	70	192	17,905	−107
Non-collateralised lending	5,545	1,077	301	30	120	128	6,645	−178
Household	**133,056**	**6,404**	**1,258**	**101**	**214**	**377**	**140,027**	**−362**
Public sector	**5,363**	**129**	**37**	**0**	**0**	**2**	**5,526**	**0**
Loans to the public	**241,672**	**13,782**	**3,979**	**281**	**489**	**1,674**	**256,989**	**−908**
Loans to credit institutions and central banks	**4,351**	**58**	**0**	**3**	**1**	**0**	**4,405**	**0**
Total	**246,023**	**13,840**	**3,979**	**284**	**490**	**1,674**	**261,394**	**−908**

G2. Risk and Liquidity management, cont.

Loans to the public measured at amortised cost, broken down by sector and industry

	Gross			Allowances				
31 Dec 2019, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net	Net loss
Financial institutions	12,668	302	127	9	20	58	13,010	–31
Agriculture	2,562	178	285	4	20	138	2,863	–40
Crops, plantations and hunting	862	85	54	2	10	30	960	–16
Animal husbandry	499	69	193	2	10	108	642	–23
Fishing and aquaculture	1,201	24	37	0	1	0	1,261	0
Natural resources	3,349	124	791	2	3	317	3,942	–126
Paper and forest products	1,428	96	35	1	3	16	1,539	–3
Mining and supporting activities	447	11	10	0	0	3	464	6
Oil, gas and offshore	1,474	17	747	1	0	298	1,939	–129
Consumer staples	2,916	144	33	2	5	13	3,073	3
Food processing and beverages	1,068	60	25	1	2	9	1,142	7
Household and personal products	206	29	4	0	1	2	235	–1
Healthcare	1,642	55	4	1	2	2	1,696	–3
Consumer discretionary and services	6,878	526	189	7	29	104	7,453	–37
Consumer durables	1,276	135	47	1	6	22	1,429	–13
Media and entertainment	1,074	46	37	1	2	19	1,136	–8
Retail trade	2,677	221	88	4	17	49	2,917	–6
Air transportation	179	2	3	0	0	2	181	0
Accomodation and leisure	742	66	13	1	2	5	813	–3
Telecommunication services	930	56	1	1	1	7	978	–6
Industrials	26,967	1,815	787	24	70	370	29,105	–67
Materials	1,704	78	117	4	5	71	1,819	7
Capital goods	2,896	251	110	1	9	73	3,173	-6
Commercial and professional services	9,646	355	273	8	15	86	10,164	–35
Construction	5,294	399	119	5	12	74	5,721	–13
Wholesale trade	4,261	429	94	4	20	36	4,725	–4
Land transportation	2,028	210	57	1	4	22	2,268	–8
IT services	1,139	93	17	1	5	7	1,236	–8
Maritime	7,000	175	706	24	22	230	7,605	–62
Ship building	75	5	19	0	0	19	81	3
Shipping	6,702	167	686	24	22	211	7,299	–65
Maritime services	222	2	0	0	0	0	225	0
Utilities and public service	4,701	60	34	2	1	16	4,775	–7
Utilities distribution	1,909	26	30	0	0	13	1,950	–4
Power production	1,923	15	1	1	0	1	1,936	1
Public services	869	20	4	1	1	2	889	–4
Real estate	34,457	932	224	15	14	81	35,504	–7
Other industries	642	23	7	7	7	0	659	–8
Corporate	**102,140**	**4,280**	**3,183**	**95**	**191**	**1,327**	**107,991**	**–377**
Housing loans	103,768	4,047	630	10	13	29	108,393	29
Collateralised lending	16,569	1,221	444	26	48	186	17,973	–48
Non-collateralised lending	5,952	1,095	354	19	89	134	7,159	–138
Household	**126,289**	**6,363**	**1,427**	**55**	**149**	**350**	**133,525**	**–157**
Public sector	**4,038**	**27**	**0**	**0**	**2**	**0**	**4,062**	**-1**
Loans to the public	**232,467**	**10,670**	**4,610**	**150**	**342**	**1,677**	**245,577**	**–536**
Loans to credit institutions and central banks	**11,551**	**79**	**0**	**3**	**1**	**10**	**11,616**	**0**
Total	**244,108**	**10,749**	**4,610**	**153**	**343**	**1,687**	**257,193**	**–536**

G2. Risk and Liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2020, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total
Financial institutions	116	32	1	12	0	0	161
Agriculture	421	21	5	2	0	0	448
Crops, plantations and hunting	114	4	1	0	0	0	119
Animal husbandry	307	14	3	2	0	0	325
Fishing and aquaculture	0	3	1	0	0	0	5
Natural resources	20	21	256	0	0	271	569
Paper and forest products	20	18	2	0	0	0	41
Mining and supporting activities	0	3	1	0	0	0	4
Oil, gas and offshore	0	0	253	0	0	271	524
Consumer staples	11	10	12	2	0	0	35
Food processing and beverages	1	4	2	1	0	0	7
Household and personal products	5	2	7	0	0	0	14
Healthcare	6	4	3	1	0	0	14
Consumer discretionary and services	66	103	23	57	0	0	250
Consumer durables	33	5	0	23	0	0	62
Media and entertainment	3	22	2	9	0	0	36
Retail trade	23	47	11	21	0	0	101
Air transportation	0	11	1	2	0	0	14
Accomodation and leisure	6	18	9	2	0	0	35
Telecommunication services	0	0	0	1	0	0	1
Industrials	231	252	125	118	0	0	726
Materials	10	59	1	1	0	0	70
Capital goods	35	51	1	13	0	0	100
Commercial and professional services	68	28	34	81	0	0	211
Construction	55	62	28	12	0	0	156
Wholesale trade	42	25	14	8	0	0	89
Land transportation	12	22	47	2	0	0	83
IT services	10	5	0	1	0	0	16
Maritime	36	9	371	0	0	153	569
Ship building	0	7	0	0	0	0	7
Shipping	36	1	357	0	0	152	546
Maritime services	0	1	14	0	0	0	15
Utilities and public service	3	2	27	2	0	0	35
Utilities distribution	0	1	27	0	0	0	28
Power production	0	0	0	1	0	0	1
Public services	3	1	0	2	0	0	6
Real estate	217	149	58	3	0	0	426
Other industries	1	0	5	0	0	0	7
Corporate by industry	**1,121**	**600**	**883**	**196**	**0**	**424**	**3,225**
Housing loans	479	393	116	52	0	0	1,041
Collateralised lending	174	155	61	6	0	0	396
Non-collateralised lending	48	182	15	55	0	0	301
Household	**701**	**731**	**192**	**114**	**0**	**0**	**1,737**
Public sector	**37**	**0**	**0**	**0**	**0**	**0**	**37**
Total impaired loans	**1,859**	**1,331**	**1,075**	**310**	**0**	**424**	**4,999**
of which fair value	**1,007**	**0**	**14**	**0**	**0**	**0**	**1,020**

G2. Risk and Liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2019, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total
Financial institutions	92	16	14	14	0	0	136
Agriculture	524	15	38	1	0	0	578
Crops, plantations and hunting	131	2	0	0	0	0	133
Animal husbandry	393	13	1	1	0	0	407
Fishing and aquaculture	0	0	37	0	0	0	37
Natural resources	23	21	313	80	0	360	797
Paper and forest products	23	17	1	0	0	0	41
Mining and supporting activities	0	4	5	0	0	0	10
Oil, gas and offshore	0	0	307	79	0	360	747
Consumer staples	5	20	5	4	0	0	35
Food processing and beverages	0	16	4	4	0	0	25
Household and personal products	3	2	0	0	0	0	5
Healthcare	3	2	0	0	0	0	5
Consumer discretionary and services	85	67	9	33	0	0	194
Consumer durables	37	6	0	4	0	0	47
Media and entertainment	1	27	1	8	0	0	37
Retail trade	44	25	6	19	0	0	94
Air transportation	0	0	0	2	0	0	3
Accomodation and leisure	3	8	2	0	0	0	13
Telecommunication services	0	0	0	1	0	0	1
Industrials	141	282	143	155	0	82	803
Materials	9	67	6	42	0	0	123
Capital goods	22	74	1	15	0	0	112
Commercial and professional services	31	23	62	79	0	80	275
Construction	24	66	23	10	0	0	123
Wholesale trade	45	28	18	5	0	0	95
Land transportation	3	19	33	1	0	0	57
IT services	6	6	0	3	0	3	17
Maritime	49	6	406	0	0	245	706
Ship building	0	6	13	0	0	0	19
Shipping	49	0	392	0	0	244	686
Maritime services	0	0	0	0	0	0	0
Utilities and public service	2	2	28	2	0	0	35
Utilities distribution	0	1	28	0	0	0	30
Power production	0	0	0	0	0	0	1
Public services	1	1	0	2	0	0	4
Real estate	146	103	58	2	0	0	310
Other industries	3	0	4	0	0	0	7
Corporate by industry	**1,071**	**532**	**1,019**	**291**	**0**	**688**	**3,601**
Housing loans	304	440	134	56	0	0	934
Collateralised lending	188	182	67	7	0	0	444
Non-collateralised lending	49	178	71	56	0	0	354
Household	**541**	**799**	**272**	**119**	**0**	**0**	**1,731**
Public sector	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total impaired loans	**1,612**	**1,331**	**1,291**	**410**	**0**	**688**	**5,332**
of which fair value	**713**	**0**	**9**	**0**	**0**	**0**	**722**

G2. Risk and Liquidity management, cont.

Loans to the public measured at amortised cost

31 Dec 2020, EURm	Net loan losses[1]	Loan loss ratio, bps	Impaired loans (stage 3)	Impairment ratio, bps	Allowances total	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio, %	Loans mesured at amortised cost
Financial institutions	24	19	158	119	185	18	16	150	95	13,105
Agriculture	13	38	185	528	122	11	17	95	51	3,381
Crops, plantations and hunting	3	26	49	413	34	4	7	23	46	1,154
Animal husbandry	4	53	131	1,485	82	3	9	70	54	803
Fishing and aquaculture	5	38	5	32	7	4	0	2	41	1,424
Natural resources	126	404	564	1,647	291	5	4	282	50	3,134
Paper and forest products	15	86	36	201	28	3	4	21	60	1,752
Mining and supporting activities	1	20	4	110	3	0	0	2	62	353
Oil, gas and offshore	111	1,076	524	4,071	260	1	0	258	49	1,028
Consumer staples	25	82	27	89	40	5	20	15	55	3,027
Food processing and beverages	5	43	7	59	11	2	5	4	64	1,164
Household and personal products	5	203	11	464	8	1	2	5	49	227
Healthcare	15	93	10	58	21	2	13	5	56	1,636
Consumer discretionary and services	77	105	236	315	201	15	42	144	61	7,273
Consumer durables	26	217	61	497	51	1	9	41	67	1,180
Media and entertainment	13	90	34	226	31	2	4	25	73	1,492
Retail trade	21	77	93	326	75	5	23	46	50	2,771
Air transportation	2	81	14	668	10	0	1	9	60	204
Accomodation and leisure	20	208	32	317	29	2	5	22	70	969
Telecommunication services	−6	−85	1	20	5	4	0	0	34	657
Industrials	160	52	666	213	446	65	127	254	38	30,858
Materials	−9	−57	63	385	38	3	7	29	45	1,599
Capital goods	17	52	97	293	69	5	13	51	53	3,226
Commercial and professional services	28	26	189	175	56	26	30	0	0	10,768
Construction	56	83	139	201	133	16	26	92	66	6,772
Wholesale trade	41	86	85	174	86	9	35	43	50	4,788
Land transportation	19	77	81	319	46	4	11	31	38	2,498
IT services	7	59	12	102	18	3	6	9	73	1,207
Maritime	87	138	555	849	251	16	9	226	41	6,286
Ship building	−2	−121	7	532	7	0	0	7	93	133
Shipping	88	149	546	887	242	15	9	218	40	5,915
Maritime services	0	8	1	56	1	0	0	1	46	238
Utilities and public service	9	16	32	58	26	4	6	16	50	5,577
Utilities distribution	2	8	28	97	15	2	1	13	45	2,906
Power production	3	15	1	4	4	1	3	0	40	1,863
Public services	4	46	3	39	7	1	2	3	101	808
Real estate	81	21	253	66	177	32	33	111	44	38,161
Other industries	−55	−872	7	103	12	10	1	1	21	634
Total Corporate	**546**	**49**	**2,684**	**237**	**1,750**	**180**	**274**	**1,295**	**48**	**111,436**
Housing loans	77	7	561	49	97	16	24	57	10	115,477
Collateralised lending	107	60	396	218	317	55	70	192	48	17,905
Non-collateralised lending	178	268	301	434	278	30	120	128	43	6,645
Household	**362**	**26**	**1,258**	**89**	**692**	**101**	**214**	**377**	**30**	**140,027**
Public sector	**0**	**0**	**37**	**67**	**2**	**0**	**0**	**2**	**6**	**5,526**
Loans to the public	**908**	**35**	**3,979**	**153**	**2,444**	**281**	**489**	**1,674**	**42**	**256,989**

1) Including provisions for off-balance sheet exposures.

G2. Risk and Liquidity management, cont.

Loans to the public measured at amortised cost

31 Dec 2019, EURm	Net loan losses[1]	Loan loss ratio, bps	Impaired loans (stage 3)	Impairment ratio, bps	Allowances total	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio, %	Loans mesured at amortised cost
Financial institutions	31	24	127	97	87	9	20	58	46	13,010
Agriculture	40	138	285	941	161	4	20	138	48	2,863
Crops, plantations and hunting	16	171	54	544	41	2	10	30	54	960
Animal husbandry	23	359	193	2,536	119	2	10	108	56	642
Fishing and aquaculture	0	1	37	295	1	0	1	0	1	1,261
Natural resources	126	319	791	1,856	323	2	3	317	40	3,942
Paper and forest products	3	21	35	223	20	1	3	16	47	1,539
Mining and supporting activities	−6	−131	10	203	4	0	0	3	34	464
Oil, gas and offshore	129	664	747	3,338	299	1	0	298	40	1,939
Consumer staples	−3	−10	33	107	20	2	5	13	40	3,073
Food processing and beverages	−7	−63	25	215	11	1	2	9	36	1,142
Household and personal products	1	47	4	175	4	0	1	2	59	235
Healthcare	3	17	4	24	5	1	2	2	48	1,696
Consumer discretionary and services	37	49	189	249	140	7	29	104	55	7,453
Consumer durables	13	92	47	320	29	1	6	22	48	1,429
Media and entertainment	8	72	37	322	22	1	2	19	51	1,136
Retail trade	6	21	88	295	69	4	17	49	55	2,917
Air transportation	0	17	3	161	2	0	0	2	67	181
Accomodation and leisure	3	33	13	156	8	1	2	5	41	813
Telecommunication services	6	66	1	11	9	1	1	7	687	978
Industrials	67	23	787	266	463	24	70	370	47	29,105
Materials	−7	−38	117	615	80	4	5	71	61	1,819
Capital goods	6	18	110	337	84	1	9	73	67	3,173
Commercial and professional services	35	34	273	266	109	8	15	86	32	10,164
Construction	13	23	119	205	91	5	12	74	62	5,721
Wholesale trade	4	9	94	197	59	4	20	36	38	4,725
Land transportation	8	35	57	249	27	1	4	22	38	2,268
IT services	8	65	17	133	13	1	5	7	43	1,236
Maritime	62	81	706	896	276	24	22	230	33	7,605
Ship building	−3	−328	19	1,934	19	0	0	19	97	81
Shipping	65	89	686	908	257	24	22	211	31	7,299
Maritime services	0	−15	0	17	0	0	0	0	15	225
Utilities and public service	7	14	34	71	19	2	1	16	47	4,775
Utilities distribution	4	20	30	151	14	0	0	13	45	1,950
Power production	−1	−5	1	4	2	1	0	1	69	1,936
Public services	4	42	4	43	4	1	1	2	60	889
Real estate	7	2	224	63	110	15	14	81	36	35,504
Other industries	8	131	7	115	14	7	7	0	0	659
Total Corporate	**381**	**35**	**3,183**	**290**	**1,612**	**95**	**191**	**1,327**	**42**	**107,991**
Housing loans	−29	−3	630	58	52	10	13	29	5	108,393
Collateralised lending	48	27	444	243	260	26	48	186	42	17,973
Non-collateralised lending	138	192	354	478	242	19	89	134	38	7,159
Household	**157**	**12**	**1,427**	**106**	**554**	**55**	**149**	**350**	**25**	**133,525**
Public sector	**1**	**3**	**0**	**0**	**2**	**0**	**2**	**0**	**38**	**4,062**
Loans to the public	**540**	**22**	**4,610**	**186**	**2,169**	**150**	**342**	**1,677**	**36**	**245,577**

1) Including provisions for off-balance sheet exposures.

G2. Risk and Liquidity management, cont.

Credit portfolio

Including on- and off-balance-sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 557bn (EUR 546bn in 2019). Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 481bn (EUR 467bn). Credit risk is measured, monitored and segmented in different ways. On-balance lending consists of amortised cost lending and fair value lending and constitutes the major part of the credit portfolio. Amortised cost lending is the basis for impaired loans, allowances and loan losses. Credit risk in lending is measured and presented as the principal amount of on-balance-sheet claims, i.e. loans to credit institutions and to the public, and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing. Nordea's loans to the public increased by 2.2% to EUR 330bn during 2020 (EUR 323bn). The corporate portfolio increased approximately 2.9%, the household portfolio inreased by 5.0%. The overall credit quality is solid with strongly rated customers. Close monitoring are done due to the COVID-19 crisis, but supported by the strong nordic economies and governmental support, the credit quality remained stable during 2020. Of the lending to the public portfolio, corporate customers accounted for 45.1% (46.9%), household customers for 53.2% (51.8%) and the public sector for 1.7% (1.3%). Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 6bn at the end of 2020 (EUR 18bn).

Impaired loans and ratios

	2020	2019
Gross impaired loans, amort., EURm	3,979	4,610
- of which servicing	1,788	2,312
- of which non-servicing	2,191	2,298
Impairment rate, (stage 3) gross, basis points	**151**	**178**
Impairment rate, (stage 3) net, basis points	**87**	**113**
Allowances in relation to loans, stages 1 and 2, basis points	**30**	**20**
Total allowance ratio (stages 1, 2 and 3), basis points	**93**	**84**
Allowances in relation to impaired loans (stage 3), %	**42**	**37**

Net loan losses and loan loss ratios

	2020	2019
Net loan losses, EURm	908	536
Net loan loss ratio, amortised cost, Group, basis points	35	22
- of which stage 3	21	18
- of which stages 1 & 2	14	4
Net loan loss ratio, including fair value mortgage loans, Group, basis points[1]	26	16
Net loan loss ratio, including fair value mortgage loans, Personal Banking, basis points	17	6
Net loan loss ratio, including fair value mortgage loans, Business Banking, basis points	34	23
Net loan loss ratio, including fair value mortgage loans, Large Corporates & Institutions, basis points	43	32

1) Net loan losses and net result on loans in hold portfolios mandatorily held at fair value divided by total lending at amortised cost and at fair value, basis points.

Loans to corporate customers

Loans to corporate customers at the end of 2020 amounted to EUR 149bn (EUR 152bn). The sector that increased the most in 2020 was Real estate while Maritime decreased the most. The contribution of the three largest industries (Real Estate, Financial Institutions and Industrials) is approximately 70% of total corporate lending. Real Estate remains the largest industry in Nordea's lending portfolio, at EUR 46.6bn (EUR 43.9bn). The Real Estate (commercial & residential) portfolio predominantly consists of relatively large and financially strong companies, with 93% (92%) of the exposure in rating grades 4– and higher. Loans to Maritime decreased to EUR 6.4bn (EUR 7.7bn) during the year. The distribution of loans to corporate customers by size of loans, seen in the table below, shows a high degree of diversification where approximately 64% (65%) of the corporate volume represents loans up to EUR 50m per customer.

Loans to corporate customers, by size of loans

	31 Dec 2020		31 Dec 2019	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	57.2	38	62.6	41
11–50	38.9	26	36.1	24
51–100	22.0	15	20.7	14
101–250	22.7	15	19.8	13
251–500	3.8	3	4.1	3
501–	4.1	3	8.2	5
Total	**148.7**	**100**	**151.5**	**100**

Loans to household customers

In 2020 lending to household customers increased by 5.0% to EUR 176bn (EUR 167bn). The increase was primarily driven by Sweden, but with increases in all countries. Mortgage lending increased to EUR 151bn (EUR 142bn) and consumer lending unchanged at EUR 25m (EUR 25bn). The proportion of mortgage lending of total household lending increased to 86% (85%).

Geographical distribution

The portfolio is geographically well diversified with no market accounting for more than 30% of total lending measured by the geography of the customer handling unit. Other EU countries represent the largest part of lending outside the Nordic countries. Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries account for 93% (93%).

Rating and scoring distribution

One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. retail exposures. The average credit quality was stable in both the corporate and retail portfolios in 2020. 20% of the number of corporate customers migrated upwards (19%) while 23% was down-rated (33%). Exposure-wise, 17% (16%) of the corporate customer exposure migrated upwards while 18% (20%) was down-rated. 88% (87%) of the corporate exposure was rated 4– or higher, with an average rating for the portfolio of 4+.

G2. Risk and Liquidity management, cont.

Rating/scoring information for loans measured at amortised cost

EURm Rating/scoring grade[1]	Average PD[2] (%)	Gross carrying amount, 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Allowances
7	0.00	8,141	7	–	8,148	0
6 / A	0.04	92,525	256	5	92,786	14
5 / B	0.22	55,942	643	2	56,587	43
4 / C	0.79	57,057	2,447	6	59,510	140
3 / D	4.43	13,061	4,467	28	17,556	170
2 / E	15.57	1,767	2,517	14	4,298	141
1 / F	30.27	690	1,590	52	2,332	118
Standardised / Unrated	0.00	16,544[3]	1,657	463	18,664	327
0 (default)	100.00	296	256	3,409	3,961	1,495
Total		**246,023**	**13,840**	**3,979**	**263,842**	**2,448**

EURm Rating/scoring grade[1]	Average PD (%)	Gross carrying amount, 31 Dec 2019 Stage 1	Stage 2	Stage 3	Total	Allowances
7	0.00	8,922	23	–	8,945	2
6 / A	0.04	92,278	227	7	92,512	8
5 / B	0.20	56,651	883	46	57,580	29
4 / C	0.63	57,349	2,191	20	59,560	82
3 / D	5.23	13,593	3,198	58	16,849	124
2 / E	14.22	3,159	2,086	27	5,272	121
1 / F	30.56	1,152	1,439	73	2,664	97
Standardised / Unrated	0.01	9,333	1,484	184	11,001	51
0 (default)	100.00	278	167	4,195	4,640	1,669
Total		**242,715**	**11,698**	**4,610**	**259,023**	**2,183**

1) The stage classification and calculated provision for each exposure are based on the situation as per end of October 2020 (October 2019), while the exposure amount and rating grades are based on the situation as per end of December 2020 (December 2019). Some of the exposures in default according to the rating grade as per end of December were not in default as per end of October, and hence this is reflected in the stage classification.

2) Average PD excluding Nordea Finance Equipment AS.

3) The main driver for the increase from 2019 is the acquisition of Nordea Finance Equipment AS.

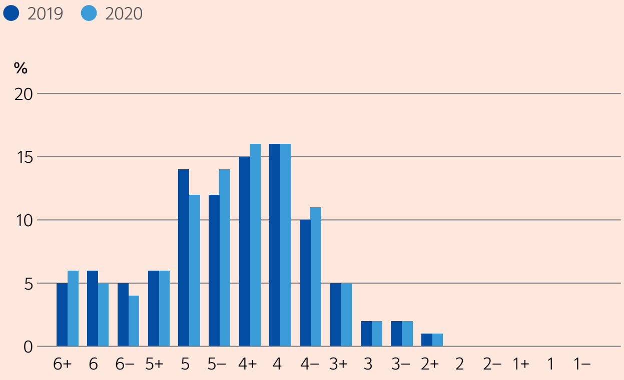
Rating/scoring information for off-balance-sheet items

EURm Rating/scoring grade	Nominal amount 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Provisions
7	5,796	–	–	5,796	0
6 / A	28,048	60	–	28,108	8
5 / B	32,567	119	1	32,687	19
4 / C	27,617	1,502	1	29,120	53
3 / D	4,744	2,332	2	7,078	41
2 / E	70	857	8	935	43
1 / F	25	336	0	361	28
Standardised / Unrated	1,948	437	2	2,387	24
0 (default)	–	–	642	642	20
Total	**100,815**	**5,643**	**656**	**107,114**	**236**

EURm Rating/scoring grade	Nominal amount 31 Dec 2019 Stage 1	Stage 2	Stage 3	Total	Provisions
7	4,542	–	–	4,542	2
6 / A	21,905	11	–	21,916	4
5 / B	28,970	23	1	28,994	10
4 / C	24,357	1,625	3	25,985	20
3 / D	4,479	1,723	6	6,208	33
2 / E	384	496	5	885	16
1 / F	45	250	2	297	10
Standardised / Unrated	2,001	464	4	2,469	5
0 (default)	–	–	679	679	44
Total	**86,683**	**4,592**	**700**	**91,975**	**144**

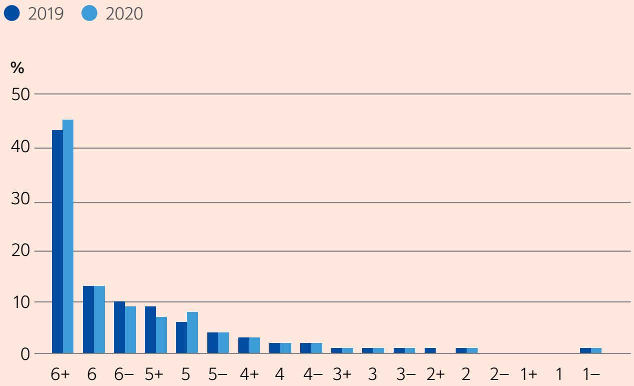
G2. Risk and Liquidity management, cont.

Rating distribution IRB Corporate customers[1]



1) Defaulted loans are not included in the rating distribution.

Risk grade distribution IRB Retail customers[1]



1) Defaulted loans are not included in the risk grade distribution.

Institutions and Retail customers on the other hand show a distribution that is biased towards the higher rating grades. 93% (92%) of the retail exposures is scored C– or higher, which indicates a probability of default of 1% or lower. The total effect on credit risk exposure amount (REA) from migration was an increase of approx. 0.98% during the full year 2020.

Impaired loans (stage 3)

Impaired loans gross at amortised cost in the Group decreased to EUR 3,979m (EUR 4,610m), corresponding to 151 basis points of total loans. 45% of impaired loans gross are servicing and 55% are non-servicing. Impaired loans net, after allowances for Stage 3 loans amount to EUR 2,305m, corresponding to 87 basis points of total loans. Allowances for stage 3 loans amount to EUR 1,674m. Allowances for stages 1 & 2 loans amount to EUR 775m. The ratio of allowances in relation to impaired loans is 42% and the allowance ratio for loans in stages 1 & 2 is 30 basis points. The decrease in impaired loans was mainly related to Oil, gas and offshore and Shipping. This is mainly due to restructurings and write-offs. The portfolios with the largest impaired loan amounts were household 32%, industrials of 17%, Natural resources and Maritime of 14% each.

Past due loans

Past due loans, 6 days or more, for corporate customers make up EUR 909m, down from EUR 978m one year ago, and past due loans to household sum up to EUR 1,543m in 2020, down from EUR 2,229m one year ago. The table below shows loans past due 6 days or more, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, were at end of 2020 EUR 909m, down from EUR 978m one year ago, and past due loans for household customers decreased to EUR 1,543m from EUR 2,229m one year ago.

	31 Dec 2020		31 Dec 2019	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	344	576	405	1,054
31–60 days	115	204	127	273
61–90 days	34	78	84	144
>90 days	416	685	362	758
Total	**909**	**1,543**	**978**	**2,229**
Past due (incl. impaired) loans divided by loans to the public after allowances, %	0.67	0.88	0.63	1.33

Net loan losses

Net loan losses for 2020 was EUR 908m (EUR 536m), corresponding to an annual net loan loss ratio at 35 bps for amortised cost loans and when including loans held at fair value 26bps (16bp). EUR 443m is due to increased management judgements mainly to cover for the uncertainty on future losses related to COVID-19. The individual provisions are driven by Oil, Gas and Offshore as well as Maritime mainly due to changed collateral values. There are also large net loan losses for consumer lending, but this is mainly related to the management judgements decided during the year. Net loan losses increased in Personal Banking to EUR 296m (EUR 130m) and Business Banking to EUR 328m (EUR 141m) and in Large Corporates & Institutions to EUR 277m (EUR 251m). Of the net loan losses, EUR 547m relates to corporate customers (EUR 157m), and EUR 362m (EUR 377m) to household customers.

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in an FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. Current exposure net (after close-out netting and collateral reduction) represents EUR 7.3bn of which 28% was towards financial institutions. For information about financial instruments subject to master netting agreement, see Note G42 "Financial instruments set off on balance or subject to netting agreements".

G2. Risk and Liquidity management, cont.

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2020[1]	**11,552**	**79**	**0**	**11,631**	**232,466**	**10,670**	**4,610**	**247,745**	**244,018**	**10,749**	**4,610**	**259,376**
Origination and acquisition	1,042	1	–	1,043	63,435	1,742	924	66,101	64,477	1,743	924	67,144
Transfers between stage 1 and stage 2, (net)	4	−4	–	–	−3,220	3,220	–	–	−3,216	3,216	–	–
Transfers between stage 2 and stage 3, (net)	–	–	–	–	–	−84	84	–	–	−84	84	–
Transfers between stage 1 and stage 3, (net)	5	–	−5	–	−229	–	229	–	−224	–	224	–
Repayments and disposals	−5,805	−20	–	−5,825	−52,778	−1,901	−1,056	−55,735	−58,583	−1,921	−1,056	−61,560
Write-offs	–	–	–	–	–	–	−566	−566	–	–	−566	−566
Other changes	−2,592	1	5	−2,586	2,058	183	−224	2,017	−534	184	−219	−569
Translation differences	145	1	–	146	−60	−47	−22	−129	85	−46	−22	17
Closing balance at 31 Dec 2020	**4,351**	**58**	**0**	**4,409**	**241,672**	**13,782**	**3,979**	**259,433**	**246,023**	**13,840**	**3,979**	**263,842**

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**15,258**	**30**	**0**	**15,288**	**217,160**	**14,691**	**4,646**	**236,497**	**232,418**	**14,721**	**4,646**	**251,785**
Origination and acquisition	2,088	0	–	2,088	59,495	1,000	422	60,917	61,583	1,000	422	63,005
Transfers between stage 1 and stage 2, (net)	−7	7	–	0	982	−982	–	0	975	−975	0	0
Transfers between stage 2 and stage 3, (net)	–	–	–	0	–	−213	213	0	0	−213	213	0
Transfers between stage 1 and stage 3, (net)	–	–	–	0	−357	–	357	0	−357	0	357	0
Repayments and disposals	−3,272	−16	–	−3,288	−52,422	−2,774	−613	−55,809	−55,694	−2,790	−613	−59,097
Write-offs	–	–	–	0	–	–	−437	−437	0	0	−437	−437
Other changes	−2,489	58	–	−2,431	8,150	−1,042	−4	7,104	5,661	−984	−4	4,673
Translation differences	−29	0	–	−29	−893	−9	25	−877	−922	−9	25	−906
Closing balance at 31 Dec 2019[1]	**11,549**	**79**	**0**	**11,628**	**232,115**	**10,671**	**4,609**	**247,395**	**243,664**	**10,750**	**4,609**	**259,023**

1) Opening balance for 2020 restated for accrued interest as explained in Note G1. Comparative figures for 2019 above are not restated.

G2. Risk and Liquidity management, cont.

Movements in allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2020	**–4**	**–2**	**–10**	**–16**	**–149**	**–342**	**–1,676**	**–2,167**	**–153**	**–344**	**–1,686**	**–2,183**
Origination and acquisition	–	–	–	–	–86	–32	–48	–166	–86	–32	–48	–166
Transfers from stage 1 to stage 2	–	–	–	–	6	–136	–	–130	6	–136	–	–130
Transfers from stage 1 to stage 3	–	–	–	–	1	–	–78	–77	1	–	–78	–77
Transfers from stage 2 to stage 1	–	–	–	–	–4	54	–	50	–4	54	0	50
Transfers from stage 2 to stage 3	–	–	–	–	–	17	–64	–47	–	17	–64	–47
Transfers from stage 3 to stage 1	–	–	–	–	–1	–	9	8	–1	–	9	8
Transfers from stage 3 to stage 2	–	–	–	–	–	–12	67	55	–	–12	67	55
Changes in credit risk without stage transfer	–	–	8	8	–63	–65	–324	–452	–63	–65	–316	–444
Repayments and disposals	1	1	2	4	14	27	57	98	15	28	59	102
Write-off through decrease in allowance account	–	–	–	–	–	–	369	369	–	–	369	369
Translation differences	–	–	–	–	1	–	14	15	1	–	14	15
Closing balance at 31 Dec 2020	**–3**	**–1**	**0**	**–4**	**–281**	**–489**	**–1,674**	**–2,444**	**–284**	**–490**	**–1,674**	**–2,448**

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**–5**	**–8**	**–3**	**–16**	**–141**	**–287**	**–1,596**	**–2,024**	**–146**	**–295**	**–1,599**	**–2,040**
Origination and acquisition	–1	0	–	–1	–31	–9	–1	–41	–32	–9	–1	–42
Transfers from stage 1 to stage 2	0	0	–	0	6	–73	–	–67	6	–73	0	–67
Transfers from stage 1 to stage 3	–	–	–	0	1	–	–57	–56	1	0	–57	–56
Transfers from stage 2 to stage 1	0	0	–	0	–15	57	–	42	–15	57	0	42
Transfers from stage 2 to stage 3	–	–	–	0	–	13	–159	–146	0	13	–159	–146
Transfers from stage 3 to stage 1	–	–	–	0	–10	–	14	4	–10	0	14	4
Transfers from stage 3 to stage 2	–	–	–	0	–	–19	24	5	0	–19	24	5
Changes in credit risk without stage transfer	1	0	–5	–4	23	–12	–214	–203	24	–10	–221	–207
Repayments and disposals	1	6	–	7	23	32	52	107	24	37	53	114
Write-off through decrease in allowance account	–	–	–	0	–	–	312	312	0	0	312	312
Changes due to update in the institution's methodology for estimation (net)	–	–	–	0	0	–40	–13	–53	0	–40	–13	–53
Other changes	–	–	–	0	–5	–5	–28	–38	–5	–5	–28	–38
Translation differences	0	0	–2	–2	0	1	–10	–9	0	0	–11	–11
Closing balance at 31 Dec 2019	**–4**	**–2**	**–10**	**–16**	**–149**	**–342**	**–1,676**	**–2,167**	**–153**	**–344**	**–1,686**	**–2,183**

The tables shows the changes in exposure/allowances for each stage during the year. If an exposure moves into stage 2 from stage 1, there will be a reversal for stage 1 and an increase for stage 2.

G2. Risk and Liquidity management, cont.

Movements in provisions for off-balance-sheet items

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2020	**33**	**70**	**41**	**144**
Origination and acquisition	17	8	1	26
Transfers from stage 1 to stage 2	–1	44	–	43
Transfers from stage 1 to stage 3	0	–	1	1
Transfers from stage 2 to stage 1	1	–20	–	–19
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	–	1	–7	–6
Changes in credit risk without stage transfer	27	39	–7	59
Repayments and disposals	–5	–4	0	–9
Write-off through decrease in allowance account	–	–	–9	–9
Translation differences	0	1	0	1
Closing balance at 31 Dec 2020	**72**	**138**	**26**	**236**

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**18**	**41**	**62**	**121**
Origination and acquisition	5	2	0	7
Transfers from stage 1 to stage 2	0	21	–	21
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	2	–9	–	–7
Transfers from stage 2 to stage 3	–	0	3	3
Transfers from stage 3 to stage 1	0	–	–1	–1
Transfers from stage 3 to stage 2	–	0	–4	–4
Changes in credit risk without stage transfer	12	18	–21	9
Repayments and disposals	–4	–3	0	–7
Write-off through decrease in allowance account	–	–	–	0
Translation differences	0	0	0	0
Closing balance at 31 Dec 2019	**33**	**70**	**41**	**144**

G2. Risk and Liquidity management, cont.

Market risk
Market risk is the risk of loss in Nordea's positions in either the trading book or non-trading book as a result of changes in market rates and parameters that affect the market values or net interest income flows. Market risk exists irrespective of the accounting treatment of the positions.

The market risk appetite for the Group is expressed through risk appetite statements issued by the Board of Directors. The statements are defined for trading and banking books.

The 2nd LoD ensures that the risk appetite is appropriately translated through the Risk Committee into specific risk appetite limits for the Business Areas and Group Treasury and ALM (TALM).

As part of the overall risk appetite framework (RAF), holistic and bespoke stress tests are used to measure the market risk appetite and calibrate limits to monitor and control the full set of material market risk factors to which the bank is exposed.

Traded market risk
Traded market risk arises mainly from client-driven trading activities and related hedges in Nordea Markets which is part of Nordea Large Corporates & Institutions.

Nordea Markets takes market risks as part of its business model to support corporate and institutional clients through a range of fixed income, equity, foreign exchange, commodity and structured products. The market risks Nordea Markets is exposed to include interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodity risk and inflation risk.

Furthermore, Nordea is one of the major mortgage lenders in the Nordics and market makers in Nordic corporate and government bonds. Holding inventory is a consequence of providing secondary market liquidity. As a result, Nordea's business model naturally gives rise to a concentration in Nordic mortgage and corporate bonds as well as in local market currencies.

Non-traded market risk
Non-traded market risk arises from the core banking business of Nordea, related hedges and regulatory or other external requirements (e.g. liquid asset buffer).

TALM is responsible for the risk management of all non-traded market risk exposures in the Group's balance sheet. To ensure a clear division of responsibilities within TALM the banking book risk management is divided across several frameworks – each with a clear risk mandate and specific limits and controls.

The non-traded market risks that Nordea is exposed to are interest rate risk, credit spread risk, foreign exchange risk (both structural and non-structural) and equity risk.

Interest rate risk in the banking book (IRRBB) is the current or prospective risk to Nordea's capital and earnings arising from adverse movements in interest rates. Business Areas transfer their banking book risk exposures to TALM through an internal funds transfer pricing framework. The market risks are managed centrally and include gap risk, spread risks, basis risks, credit spread risk, behavioural risk and non-linear risks. These risks are delineated by currency.

Liquid assets are managed in accordance with the Liquidity Buffer and Pledge/Collateral frameworks. Most of the directional interest rate risk arising from bond holdings is hedged primarily with maturity matched IRS payer swaps and to a smaller degree with OIS payer swaps. Forward Rate Agreements and listed futures contracts are also used to hedge credit spread and interest rate fixing risks.

The tail hedging framework operates a running portfolio of tail hedges across listed equity futures and options, main credit indices and interest rate swaps and options.

Measurement of market risk
Nordea uses several quantitative risk measurement methods for traded market risk: Value-at-Risk (VaR), stress testing, sensitivity analysis, parametric methods and Monte Carlo simulation.

VaR is based on historical scenarios and is the primary market risk measurement metric, complemented by stress testing. Nordea calculates VaR using historical simulation. The current portfolio is revalued based on historical daily changes in market prices, rates and other market risk factors observed during the last 500 business days and translated to changes in the current market risk factors. Nordea uses absolute, relative and mixed translation methods for different risk categories. The revaluation of the current portfolio is performed for each position using either a linear approximation method or a full revaluation method, depending on the nature of the position.

Parametric methods are used to capture equity event risk including the impact of defaults on equity related positions (these risks are part of specific equity risk).

Monte Carlo simulation is used in the Incremental Risk Measure model and the Comprehensive Risk Measure model to capture the default and migration risks.

The Value-at-Risk, Stressed Value-at-Risk, Equity Event Risk, Incremental Risk Measure and the Comprehensive Risk Measure models were all approved by the bank's previous regulator, the Swedish FSA, for use in calculating market risk own funds requirements under the Internal Model Approach (IMA). The same models, with same calibration and settings, as used for regulatory capital requirements are used for internal risk management purposes.

The Standardised Approach is applied to risk exposure which is not covered by the IMA. It is used for calculating market risk exposures for commodity related products, specific risk for mortgage and government bonds, commercial papers, credit/rate hybrids and credit spread options, as well as for equity risk related to structured equity and Tier 1 and Tier 2 bonds.

Nordea Bank Abp is the only legal entity for which this model is in use. After the relocation to Finland in October 2018, Nordea is operating under a temporary tolerance decision from the ECB, allowing the bank to continue to use its IMA approved by the Swedish FSA. The ECB's temporary tolerance is conditioned on Nordea applying to the ECB for a new permanent IMA approval, which was submitted in December 2020.

IRRBB is measured, monitored and managed using three key risk metrics:
- Economic Value (EV),
- Fair Value (FV), and
- Structural Interest Income Risk (SIIR).

The three different risk metrics are used to assess differing aspects of the manifestation of interest rate risk. These are described in more detail below.

Economic value (EV) of Equity stress tests consider the change in the economic value of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independently of accounting classification and ignoring credit spreads and commercial margins. The model assumes a run-off balance sheet and includes behavioural modelling for non-maturing deposits and prepayments. Changes in the Economic Value of Equity of the banking book are measured using the six standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS) plus a range of internal parallel shocks. The exposure limit under EV is measured against the worst outcome out of the six Basel scenarios measured. The EV Basel scenarios are estimated daily for management information

G2. Risk and Liquidity management, cont.

purposes, but fully calculated and monitored monthly against the risk appetite limits. The fair value risk stress measure considers the potential revaluation risk relating to positions held under fair value accounting classifications. Fair value sensitivities in the banking book are monitored against five severe but plausible market stress scenarios. The scenarios are calibrated to reflect severe events designed to test specific exposures that are or may be held under the approved mandate. The risk is measured daily, and a risk appetite limit is set against the worst outcome of the five scenarios. The FV scenarios are applied to both the banking book and trading book portfolios, and the Board risk appetite limit considers the combined impact across both. The FV stress metric is monitored daily.

The earnings risk metric measures the change in net interest income relative to a base scenario, creating a Structural Interest Income Risk (SIIR) value over a one-year horizon. The model uses a constant balance sheet assumption, implied forward rates and behavioural modelling for the non-maturing deposits and prepayments. Similarly to EV, SIIR is measured using the six standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS) for management information, plus a range of internal parallel shocks. The SIIR risk appetite limit is set against a +/– 50bps parallel shock. The SIIR earnings metric is monitored monthly.

The measurement of IRRBB is dependent on key assumptions applied in the models. The most material assumptions relate to the modelling of embedded behavioural options in both assets and liabilities. The behavioural option held by Nordea's lending customers to execute early loan prepayments is estimated using prepayment models. On the liability side, Nordea has an option to change deposit rates, and customers have an option to withdraw non-maturing deposits (NMD) at any given day. Both embedded options are modelled using NMD models. Both assumptions are calculated based on historical average by core asset and liability class features. Assets and liabilities are grouped according to key metrics including product type, geography and customer segment. Assumptions are based on historically observed values. Regular back-testing and model monitoring are performed for both prepayment models and NMD models to ensure that the models remain accurate.

The Pillar 2 IRRBB capital allocations consist of a Fair Value Risk component and an Earnings Risk component. The Fair Value Risk component covers the impact on the bank's equity due to adverse movements in the MtM values of positions accounted for at Fair Value through Profit and Loss (FVTPL) or Fair Value through other comprehensive income (FVOCI). The Earnings Risk component covers the impact of rate changes on future earnings capacity, and the resulting implications for internal capital buffer levels.

Nordea is exposed to structural FX risk defined as the mismatch between the currency composition of its common equity tier 1 (CET1) and risk exposure amounts. CET1 is largely denominated in euro with the only significant non-euro equity amounts stemming from mortgage subsidiaries and Nordea Bank Russia. Changes in FX rates can therefore negatively impact Nordea's CET1 ratio.

Market risk analysis

The market risk for the Nordea trading book is presented in the table below.

The Market risk measured by VaR showed an average utilisation of EUR 31.6m in 2020 (average in 2019 was EUR 14.8m) and was primarily driven by interest rate VaR. Stressed VaR showed an average utilisation of EUR 46.7m which is similar to 2019 (average in 2019 was EUR 46.6m) and primarily driven by interest rate stressed VaR with additional contributions from credit spread stressed VaR. The highs in VaR and stressed VaR were reached in Q1 2020. VaR and stressed VaR are primarily driven by market risk in Northern European and Nordic countries.

The Incremental Risk Charge (IRC) at the end of 2020 was lower than at the end of 2019 which was driven by reduced default exposure. The lowest exposure occurred during Q2 2020, while IRC was the highest in Q1 2020. Average IRC increased by EUR 4.4m compared to the previous year, primarily driven by higher contribution from the migration component.

Comprehensive Risk Charge (CRC) at the end of 2020 was slightly higher than at the end of 2019. The lowest exposure occurred during Q1 2020, while CRC peaked during Q2 2020 at the start of the COVID-19 crisis. Average CRC for 2020

Market risk figures for the trading book[1]

EURm	31 Dec 2020	2020 high	2020 low	2020 avg
Total VaR	17	70	12	32
Interest rate risk	18	60	12	29
Equity risk	4	31	1	5
Credit spread risk	12	54	4	13
Foreign exchange risk	3	11	1	3
Inflation risk	3	4	2	3
Diversification effect	58	67	25	41
Total Stressed VaR	40	95	26	47
Incremental Risk Charge (IRC)	18	40	12	21
Comprehensive Risk Charge (CRC)	18	150	15	39

1) Equity Event Risk, which equalled EUR 0.8m at end of 2020.

Market risk for the banking book figures

EURm	31 Dec 2020	2020 high	2020 low	2020 avg
Total VaR	88	113	32	73

G2. Risk and Liquidity management, cont.

Market risk figures for the trading book[1]

EURm	31 Dec 2019	2019 high	2019 low	2019 avg
Total VaR	21	23	10	15
Interest rate risk	18	21	8	14
Equity risk	6	10	1	3
Credit spread risk	4	11	3	5
Foreign exchange risk	2	6	1	3
Inflation risk	2	3	1	2
Diversification effect	34	58	34	46
Total Stressed VaR	67	86	28	47
Incremental Risk Charge (IRC)	21	41	7	16
Comprehensive Risk Charge (CRC)	17	29	9	20

1) Equity Event Risk, which equalled EUR 0.2m at end of 2019.

Market risk for the banking book figures

EURm	31 Dec 2019	2019 high	2019 low	2019 avg
Total VaR	34	58	27	42

increased by EUR 19.9m compared to 2019 as it was dragged up by the peak at the start of the COVID-19 crisis.

The VaR for Banking Book has increased materially during the year, driven by volatility relating to COVID-19. Volatility of underlying market movements is directly carried into the metrics used to model VaR. Overall Banking Book market risk, however, remains within appetite and no fundamental changes in the portfolio have taken place during the year to increase risk materially.

The exposure to long term illiquid investment holdings was EUR 1,268m at the end of 2020 (EUR 1,171m at the end of 2019), of which:

- private equity funds EUR 435m (EUR 347m),
- hedge funds EUR 1m (EUR 1m),
- credit funds EUR 300m (EUR 256m),
- seed-money investments EUR 192m (EUR 260m),
- unlisted equity investments of EUR 236m (EUR 262m),
- structured loans of EUR 42m (EUR 0m), and
- ventures EUR 62m (EUR 44m).

All types of investments, excluding structured loans, are spread over a number of funds.

Structural Interest Income Risk (SIIR)/EV

At the end of the year, the worst loss out of the six Basel scenarios for SIIR was driven by the Steepening Basel scenario, where the potential reduction of one year interest income due to interest rate movements was EUR 655m (against the worst case income reduction at the end of 2019 of EUR 1,030m, also taken from the Steepening Basel scenario). Nordea's balance sheet is structured such that net interest income would decrease if short term interest rates fall while long rates rise.

EV risk across all scenarios is currently zero, due to the beneficial impact of rate floors on assets and liabilities that apply due to the low/negative rate environment.

Other market risks/Pension risk

Pension risk (including market and longevity risks) arises from Nordea-sponsored defined benefit pension schemes for past and current employees. The ability of the pension schemes to meet the projected pension payments is maintained through investments and ongoing scheme contributions.

Pension risks can manifest through increases in the value of liabilities or through falls in the values of assets. These risks are regularly reported and monitored and include consideration of sub components of market risk such as interest rate, inflation, credit spread, real estate and equity risk. To minimise the risks to Nordea, limits are imposed on potential losses under severe but plausible stress events and by limits on capital drawdown. In addition, regular reviews of the schemes strategic asset allocation are undertaken to ensure the investment approach reflects Nordea's risk appetite. See Note G34 for more information.

Operational risk

Nordea defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

Operational risks are inherent in all of Nordea's businesses and operations. Managers throughout Nordea are accountable for the operational risks related to their mandate and for managing these risks within risk limits and risk appetite in accordance with the operational risk management framework.

Group Operational Risk (GOR) within Group Risk and Compliance (GRC) constitutes the second line of defence (2nd LoD) risk control function for operational risk and is responsible for developing and maintaining the overall operational risk management framework as well as for monitoring and controlling the operational risk management of the first line of defence (1st LoD). GOR monitors and controls that operational risks are appropriately identified, assessed and mitigated, follows-up risk exposures towards risk appetite and assesses the adequacy and effectiveness of the operational risk management framework and the implementation of the frameworks.

The focus areas of the monitoring and control work performed by GOR are decided during an annual planning process that includes business areas, key risk areas and operational risk processes. GOR is responsible for preparing and submitting regular risk reports on all material risk exposures including risk appetite limit utilisation and incidents to the Chief Risk Officer (CRO), who thereafter reports to the Chief Executive Officer (CEO) in Group Leadership Team (GLT), the Group Board and relevant committees.

G2. Risk and Liquidity management, cont.

While the COVID-19 crisis has presented Nordea with a heightened level of operational risk, this has not materialised in the form of increased losses due to operational risks for 2020. Events such as fraud, large scale processing errors and data breaches are all more likely given the current situation. However, the root cause of these may derive from a variety of different factors, including but not limited to employees working from home. As a preventive measure, the risk appetite limit for losses due to operational risk was temporarily increased in December 2020 to ensure the needed flexibility in Nordea's operations in light of the uncertain COVID-19 environment.

The risk appetite for losses is within appetite as of December 2020 based on the 4-quarter rolling loss number.

The Risk Appetite Statement (RAS) for operational risk is expressed in terms of:
- residual risk level in breach of risk appetite and requirements for mitigating actions for risks; and
- total loss amount from incidents and management of incidents.

Management of operational risk
Management of operational risk includes all activities aimed at identifying; assessing and measuring; responding and mitigating; controlling and monitoring; and reporting on risks. The risk management is supported by various processes including e.g. the Risk and Control Self-Assessment, Change Risk Management and Approval, Incident Management, Scenario Analysis, Business Continuity and Crisis Management, Information Security Management, Technology and Data Risk Management, Third Party Risk Management, Insurance related risk diversification and Significant Operating processes.

Some of these processes are described below and additional details on processes for managing and controlling operational risks are included in the Operational and Compliance Risk section of the Capital and Risk Management Report 2020 published in accordance with the Capital Requirements Regulation (CRR).

Risk and Control Self-Assessment
The Risk and Control Self-Assessment (RCSA) process provides a risk-based view of operational and compliance risks across Nordea. The process improves risk awareness and enables effective assessment, control, and mitigation of identified risks. For risks identified in the RCSA process, the level of inherent risk and the controls in place to mitigate the inherent risks are assessed. If mitigating actions are required to reduce the risk exposure, these are identified and implemented.

Change Risk Management and Approval framework
The objective of the Change Risk Management and Approval (CRMA) framework is to ensure that there is a full understanding of both financial and non-financial risks arising from the change, and that risks have been adequately managed consistent with Nordea's risk strategy, risk appetite and corresponding risk limits before a change is approved, executed or implemented.

Changes in scope of the CRMA framework include e.g. new or significant changes to products, services, markets, processes and IT systems as well as exceptional transactions and decommissioning.

Incident Management
The objective of Incident Management is to ensure appropriate handling and reporting of detected incidents to minimise the impact on Nordea and its customers. Incident Management is designed to prevent reoccurrence and to reduce the probability and impact of future incidents. In addition, the Incident Management shall secure timely notification to defined external bodies and parties, including relevant supervisory authorities.

Business Continuity and Crisis Management
The objective of the Business Continuity and Crisis Management is the overall risk management under which Nordea ensures building and maintaining the appropriate levels of resiliency, readiness, response and management of extraordinary events and crises. Business Continuity Plan sets out the procedures to respond, recover, resume and restore operations following an extraordinary event. Crisis Management provides the governance to execute plans and enhance decision making during a crisis.

Third Party Risk Management
The objective of the Third Party Risk Management (TPRM) is to ensure that risks related to third parties and third party activities, including but not limited to outsourcing and intragroup outsourcing, are appropriately identified, assessed and managed before entering into, during, as well as when exiting a third party arrangement. TPRM shall ensure risks associated with third parties and third party activities are kept within risk appetite and risk limits.

Financial Reporting Risk
Financial reporting risk is defined as the risk of misstatements or deficiencies in financial reporting and regulatory reporting and disclosures. The risk arises from erroneous interpretation and implementation of accounting standards and regulation, the use of judgement in reporting, as well as from inadequate governance and control frameworks around financial reporting. The framework for managing financial reporting risk is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, which provides the structure and guidance for designing, operating and evaluating the system of internal control over financial reporting across the group. The framework is the mechanism through which management expresses its various assertions over its financial statements. Group Risk and Compliance is the risk control function for financial reporting risk and is responsible for the independent monitoring, assessment and oversight of the risks and the group's implementation of the framework, and reports to Board Audit Committee on a quarterly basis.

Compliance Risk
Nordea defines compliance risk as the risk of failure to comply with applicable regulations and related internal rules.

Managers throughout Nordea are accountable for the compliance risks related to their mandate and for managing these risks within risk limits and risk appetite in accordance with the compliance risk management framework.

Group Compliance within Group Risk and Compliance (GRC) constitutes the independent second line of defence (2nd LoD) compliance function and is responsible for developing and maintaining the risk management framework for compliance risks and for guiding the business in their implementation of and adherence to the framework.

Compliance activities are presented in the form of an annual compliance oversight plan to the President of Nordea Bank Abp and Chief Executive Officer of the Nordea Group (Group CEO) and the Board of Directors (Group Board). The annual compliance oversight plan represents the compliance activities of Nordea, combining Group Compliance's overall approach to key risk areas. The plan is comprised of detailed plans for Business Areas, Group Functions, consolidated Group subsidiaries, branches and for each risk area. Group

G2. Risk and Liquidity management, cont.

Compliance is responsible for regular reporting on their plans to the Group Board, the CEO in Group Leadership Team (GLT), branch management and relevant committees, at least quarterly.

In 2020, COVID-19 has had a massive impact on society at large including our customers and Nordea. In order to maintain service levels towards our customers and comply with government instructions regarding COVID-19, Nordea employees have increasingly operated remotely, which has had a bearing on current operating models and thus introduced potential new risks. Nordea has actively monitored these risks and implemented mitigating procedures to ensure that customers and markets remain as unaffected as possible. COVID-19 has also brought with it an increased volatility in financial markets, and Nordea has monitored activities closely to ensure fair treatment of our customers and integrity in the market. This has been largely supported by an increased focus on employee trainings and the enhancement of Nordea's market abuse surveillance capabilities.

Nordea's management of the COVID-19 situation meant that Nordea was also able to keep the financial crime prevention operational processes running as well. Development of COVID-19 was monitored from an early stage enabling a proactive approach as the situation developed. Accordingly Nordea was able to maintain the four main capability areas in financial crime prevention: Sanctions screening, Transaction monitoring, Know Your Customers (KYC) and Fraud management.

Nordea also continued to strengthen the compliance function and formally mobilised an enhancement programme to look to further reinforce the compliance risk management framework during 2020.

During 2020, Nordea continued to work on ensuring that Nordea's culture and behaviours are consistent with Nordea's values and that Nordea delivers fair outcomes for its customers throughout the entire stage of the customer lifecycle. Nordea has also progressed in its development of the Conduct Risk Framework through improved reporting, risk identification and raised awareness. Nordea has established a committee to oversee the prudent management of compliance and conduct risks. Management of Conflicts of interest in relation to products and services has remained a key area of focus.

Nordea's Code of Conduct and corporate values underpin Nordea's culture and set the parameters for how Nordea's employees should conduct themselves. All Nordea's employees are required to complete annual training in the Code of Conduct to ensure proper awareness and knowledge of the ethical principles.

Nordea is committed to conducting business with the highest ethical standards and according to applicable laws, rules and regulations. Nordea's internal controls and operating procedures are designed to detect and prevent misconduct and fraudulent actions.

Nordea's whistleblowing function, Raising Your Concern (RYC), ensures that all of Nordea's stakeholders, including customers, partners, affected communities as well as our own employees, have the right to speak up and always feel safe in doing so if they have concerns about suspected misconduct such as breaches of human rights, or irregularities such as fraudulent, inappropriate, dishonest, illegal or negligent activity or behaviour in our operations, products or services.

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. The supervisory and governmental authorities administering and enforcing these regimes make regular enquiries and conduct investigations with regard to Nordea's compliance. Areas subject to investigation include investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law, and governance and control. The outcome and timing of these enquiries and investigations are unclear and pending. Accordingly, it cannot be ruled out that these enquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigation.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding AML. The outcome resulted in criticism and, in accordance with Danish administrative practice, the matter was handed over to the police for further handling and possible sanctions. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters.

There is a risk that, in the event the authorities issue fines, these could be higher (or potentially lower) than the current provision, and that this could also impact the Nordea's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, Nordea will maintain the level of provision for ongoing AML-related matters while also continuing the dialogue with the Danish Authorities regarding their allegations concerning historical AML weaknesses. Nordea has made significant investments to address the deficiencies highlighted by the investigations. Among other actions, Nordea established in 2015 the Financial Crime Change Programme, and has strengthened its organisation significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Sustainability and Ethics Committee and a culture transformation programme to embed stronger ethical standards into its corporate culture. The Group is also investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

The Danish tax authorities have raised a claim for damages against Nordea of approximately DKK 900m relating to Nordea's provision of assistance to a foreign bank in connection with the said bank's reclaim of dividend tax on behalf of one of its customers. It is Nordea's assessment that it is not liable, and Nordea disputes the claim.

Financial Crime Prevention

Nordea continued to strengthen its financial crime defences in 2020. Significant compliance enhancements have been achieved within the areas of: i) governance, ii) IT support of customer due diligence processes, iii) acceleration of KYC files remediation, iv) transaction monitoring capabilities, v) updating Nordea's policies in light of changes in regulation, and vi) strengthening of Nordea's Sanctions programme.

During the year Nordea closely followed issued warnings from international advisory bodies and national Nordic regulators regarding potential impact of the pandemic on financial crime (fraud, cybercrime, exploitation of government funds etc.). Nordea has also initiated proactive and reactive case reviews through risk assessment process, looking into patters and reg flags in addition to existing controls (e.g. false/fraudulent claims of government aid, unusual transaction patterns during lockdown period). Furthermore, Nordea has increased its cooperation with local Financial Intelligent Units due to higher numbers of urgent inquiries from these.

Management of compliance risk

The Risk Appetite Statement (RAS) for compliance risk gives direction on the compliance risk management and defines at

G2. Risk and Liquidity management, cont.

which residual risk levels, risks would breach risk appetite and formulate requirements on mitigation of compliance risk.

Details on key processes for managing and controlling compliance risks are included in the Operational and Compliance Risk section of the Capital and Risk Management Report 2020 published in accordance with the Capital Requirements Regulation (CRR).

Life insurance risk and market risks in the Life & Pensions operations

The life insurance business of Nordea Life & Pensions (NLP) consists of a range of different life & health products, from endowments with duration of a few years to very long-term pension savings contracts, with durations of more than 40 years. Market return products (unit-linked products) clearly dominate NLP's business. Traditional products (participating savings and life insurance products) and health insurance take minor roles in NLP's business profile.

The main risks that NLP is exposed to are market risks and life & health insurance risks.

Market risks at NLP arise from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices or interest rates. Within market risk, the interest rate risk, equity risk, credit spread risk and currency risk are the most relevant risks.

Market risks are measured and monitored through exposure calculations and adequate limit setting. In addition, NLP regularly performs stress tests and macroeconomic scenario analyses to assess the need for future capitalisation. The results of stress tests and scenario analysis are monitored against limits specified in the internal policies.

Market risk is mitigated by applying hedging and asset allocation strategies.

Life & health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality, longevity, disability and surrender/ lapse rates. The risks are measured and monitored through calculations of the Solvency II capital requirements. To assess the resilience of the business to sudden changes in the lapse rate, regular sensitivity tests are performed at NLP group and local entity level. Life & health insurance risk is mitigated using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and setting up adequate provisions for risks.

Liquidity risk management

During 2020, Nordea continued to benefit from its prudent liquidity risk management, in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea maintained a strong liquidity position throughout the period of COVID-19-related market stress.

Nordea issued approximately EUR 23.4bn in long-term funding in 2020 (excluding Danish covered bonds), of which approximately EUR 8.4bn was issued in the form of covered bonds and EUR 15.0bn was issued as senior debt.

Throughout 2020, Nordea remained compliant with the requirement in Liquidity Coverage Ratio (LCR) in all currencies on a combined basis.

In the course of 2020, Nordea participated in ECB and local central bank facilities, for example the targeted longer-term refinancing operation (TLTRO III) provided by the ECB in the second quarter, to further support customer needs.

Nordea has borrowed EUR 7bn under the TLTRO III programme. The negative interest expense amounted to EUR 19m in 2020. Nordea recognises negative interest expense based on the current applicable interest rate fixed by the ECB. The interest rate on the funding is currently –0.5%, and may in the future decrease to –1% with retroactive impact. The interest rate on the liability depends on the rate fixed by the ECB and also on the development of the credit volume in a benchmark portfolio. If certain thresholds are reached, Nordea will receive a discount on the interest rate paid, at which time Nordea will alter the effective interest rate under IFRS 9. In 2020 Nordea did not include any such alteration of the effective interest rate, as it could not be assumed with adequate certainty that the thresholds would be reached. Any impact from an alteration of the effective interest rate will be recognised as "Net interest income".

Liquidity risk definition and identification

Liquidity risk is the risk that Nordea is unable to service its cash flow obligations when they fall due; or unable to meet its cash flow obligations without incurring significant additional funding costs. Nordea is exposed to liquidity risk in its lending, investment, funding, off-balance-sheet exposures and other activities which result in a negative cash flow mismatch. Cash flow mismatches can occur at the end of a day or intraday.

Management principles and control

Liquidity risk at Nordea is managed across three Lines of Defence:

The First Line of Defence comprises Group Treasury & Asset Liability Management (TALM) and the Business Areas. TALM is responsible for the day to day management of the Group's liquidity positions, liquidity buffers, external and internal funding including the mobilisation of cash around the Group, and Funds Transfer Pricing (FTP).

The Second Line of Defence, Group Risk and Compliance, is responsible for providing independent oversight of and challenge to the first line of defence.

The Third Line of Defence includes Group Internal Audit (GIA), which is responsible for providing independent oversight of the first – and second lines of defence.

The Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk metrics. The most central metric is the Liquidity Stress Horizon, which defines the risk appetite by setting a minimum survival of 90 days under institution-specific and market-wide stress scenarios with limited mitigation actions.

A framework of limits and monitoring metrics is in place to ensure Nordea stays within various risk parameters including the risk appetite.

A Funds Transfer Pricing (FTP) framework is in place that recognises that liquidity is a scarce and costly resource. By quantifying and allocating the liquidity and funding costs and benefits to the respective business areas, behaviours and strategic decisions are appropriately incentivised.

Liquidity risk management strategy

Nordea's liquidity management strategy is based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify its sources of funding and seeks to establish and maintain relationships with investors in order to ensure market access. A broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail

G2. Risk and Liquidity management, cont.

customer base and the variety of funding programmes. The funding programmes are both short-term (US – and European commercial paper, and Certificates of Deposits) and long-term (covered bonds, European medium-term notes, medium-term notes) and cover a range of currencies.

Trust is fundamental in the funding market; therefore, Nordea periodically publishes information on the liquidity situation of the Group. Furthermore, Nordea regularly performs stress testing of the liquidity risk position, e.g. Nordea developed specific COVID-19 liquidity stress scenarios to capture relevant risk drivers, and has put in place business contingency plans for liquidity crisis management.

Liquidity risk measurement

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The liquidity buffer consists of central bank eligible, high credit quality and liquid securities and central bank cash that can be readily sold or used as collateral in funding operations.

Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. Liquidity risk is limited by the Board of Directors via Liquidity Stress Coverage and Liquidity Stress Horizon metrics stipulating that the liquidity buffer needs to be sufficient to cover peak cumulative stressed outflows experienced over the first 90 days of a combined stress event, whereby Nordea is subject to a market-wide stress similar to what many banks experienced in 2007–08; and an idiosyncratic stress corresponding to a three-notch credit rating downgrade. These metrics form the basis for Nordea's liquidity risk appetite, which is reviewed and approved by the Board at least annually.

Furthermore, short-term funding risk is measured via the Liquidity Coverage Ratio (LCR) and a funding gap risk metric. The funding gap risk metric expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined.

Structural liquidity risk of Nordea is measured via many metrics of which the Net Stable Funding Ratio (NSFR) and the internally defined Net Balance of Stable Funding (NBSF) are very important. Furthermore, the loan to deposit ratio is closely monitored together with the wholesale funding refinancing profile and rating agency metrics.

Liquidity risk analysis

Nordea continues to have a strong and prudent liquidity risk profile with a strong funding base. As of year-end 2020, the total volume utilised under CD and CP programmes was EUR 33.7bn (EUR 44.3bn) with an average maturity of 0.4 (0.3) years. The total volume under long-term programmes was EUR 147.6bn (EUR 159.3bn) with an average maturity being 6.8 (6.3) years. Nordea's funding sources are presented in a table below.

The liquidity risk position remained at a low level throughout 2020. The Liquidity Stress Horizon was 530 days as of year-end 2020 (504 days as of year-end 2019) with a yearly average of 671 days (642 days) – the Group limit is not below 90 days.

The yearly average of the funding gap risk was EUR +35.8bn (EUR +29.7bn in 2019) against a limit of EUR –15bn. Nordea's liquidity buffer ranged between EUR 88.3bn and 129.8bn throughout 2020 (EUR 88.1bn and 108.2bn) with an average liquidity buffer of EUR 103.7bn (EUR 97.2bn).

The combined LCR according to EBA Delegated Act rules for the Nordea Group was at the end of 2020 158% (166%) with a yearly average of 166% (188%). At the end of 2020 the LCR in EUR was 278% (236%) and in USD 119% (146%), with yearly averages of 209% (201%) and 199% (187%), respectively. At the end of 2020 Nordea's NSFR was 110.3% (108.6%).

Funding sources, 31 December 2020

Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
Shorter than 3 months	Euribor, etc.	0.1	12,519
Longer than 3 months	Euribor, etc.	1.8	11,420
Deposits and borrowings from the public			
Deposits on demand	Administrative	0.0	174,843
Other deposits	Euribor, etc.	0.4	8,589
Debt securities in issue			
Certificates of deposits	Euribor, etc.	0.4	23,426
Commercial papers	Euribor, etc.	0.3	10,228
Mortgage covered bond loans	Fixed rate, market-based	8.0	113,032
Other bond loans	Fixed rate, market-based	2.7	27,623
Derivatives			47,033
Other non-interest-bearing items			64,587
Subordinated debt			
Tier 2 subordinated bond loans	Fixed rate, market-based	4.5	5,048
Additional Tier 1 subordinated bond loans (undated)	Fixed rate, market-based		1,893
Equity			33,740
Total			**533,981**
Liabilities to policyholders			18,178
Total, including life insurance operations			**552,159**

Net Stable Funding Ratio (NSFR), 31 December 2020

EURbn	31 Dec 2020	31 Dec 2019
Available stable funding	305,8	290,5
Required stable funding	277,2	267,6
Net stable funding	28,6	22,9
Net Stable Funding Ratio (NSFR)[1]	**110.3%**	**108.6%**

1) According to CRR2 regulation.

G3. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as the Chief Executive Officer (CEO), who is supported by the other members of the Group Leadership Team.

The main difference between the segment reporting in Note G3 and "Business areas" presented elsewhere in this report is that the information in Note G3 follows the reporting to the CODM prepared using plan exchange rates, while the reporting under "Business areas" is prepared using actual FX rates. The comparatives are annually restated to reflect the plan exchange rates for the current period as reflected in the internal reporting used by the CODM.

Basis of segmentation

Nordea's main business areas Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management are identified as operating segments and reported separately as they are operating segments exceeding the quantitative thresholds in IFRS 8. Other operating segments below the thresholds are included in Other operating segments. Group functions (and eliminations) as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Changes in basis of segmentation in 2020

Up until 2019 the Group Leadership Team was defined as the CODM. In 2020 the CODM has been changed to the CEO, to better reflect the current decision making process in Nordea. The CEO is supported by the Group Leadership Team.

The operating segments, as well as the reportable operating segments, have also been changed as from 2020, in order to reflect the current reporting to the CODM and the decision making process in Nordea. The change is driven by the level of information reviewed by the CODM, which resulted in fewer operating segments than in 2019. The main business areas are, as from 2020, defined as reportable operating segments and the breakdowns of the different main areas disclosed in previous years have consequently been removed. Group Finance is in addition included in Other operating segments as it is below the threshold to be disclosed separately. Comparative figures have been restated accordingly, in line with the reporting to the CODM, including minor organisational changes, updates to current plan exchange rates and updates to current allocation principles.

Reportable Operating segments

Personal Banking serves Nordea's household customers. Personal Banking offers customers a full range of financial services that fulfil the customers' day-to-day financial needs. Personal Banking serves our customers through the internet bank, the mobile bank, over the phone, via online meetings and at Nordea's branch offices. The business area includes advisory and service staff, channels and product units under a common strategy, operating model and governance across markets.

Business Banking serves, advises and partners with corporate customers, covering all their business needs through a full range of services, including payments, cash management, cards, working capital management and finance solution. Business Banking also provides services such as payments, cards and finance solutions to personal customers.

Large Corporates & Institutions provides financial solutions to large Nordic and international corporates and institutional customers. The offering includes a diverse range of financing, cash management and payment services, investment banking, capital markets products and securities services.

Asset & Wealth Management provides high quality investment, savings and risk management solutions to high net worth individuals and institutional investors and delivers savings solutions to all Nordea customer segments.

Income statement 2020

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other Operating segments[3]	Total operating segments	Reconciliation	Total Group
Net interest income	2,111	1,434	895	68	118	4,626	–111	4,515
Net fee and commission income	1,137	590	455	812	–6	2,988	–29	2,959
Net result from items at fair value	91	258	467	97	–17	896	4	900
Profit from associated undertakings accounted for under the equity method	0	4	0	–5	7	6	–7	–1
Other income	7	24	0	15	12	58	35	93
Total operating income	**3,346**	**2,310**	**1,817**	**987**	**114**	**8,574**	**–108**	**8,466**
- of which internal transactions[1]	–430	–182	–288	–26	926	0	–	–
Staff costs	–579	–408	–325	–420	–162	–1,894	–858	–2,752
Other expenses	–1,184	–656	–507	–74	128	–2,293	1,007	–1,286
Depreciation, amortisation and impairment charges of tangible and intangible assets	–65	–23	–19	–16	–2	–125	–480	–605
Total operating expenses	**–1,828**	**–1,087**	**–851**	**–510**	**–36**	**–4,312**	**–331**	**–4,643**
Profit before loan losses	**1,518**	**1,223**	**966**	**477**	**78**	**4,262**	**–439**	**3,823**
Net result on loans in hold portfolios mandatorily held at fair value	25	12	10	1	0	48	0	48
Net loan losses	–299	–332	–288	–4	–2	–925	17	–908
Operating profit	**1,244**	**903**	**688**	**474**	**76**	**3,385**	**–422**	**2,963**
Income tax expense	–298	–217	–165	–114	–18	–812	114	–698
Net profit for the year	**946**	**686**	**523**	**360**	**58**	**2,573**	**–308**	**2,265**

Balance sheet 31 Dec 2020[2], EURbn								
Loans to the public	160	90	46	**9**	1	306	24	330
Deposits and borrowings from the public	81	50	40	**10**	1	182	1	183

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 Finance.

2) The CODM reviews "Loans to the public" and "Deposits and borrowings from the public" as measures of reportable segments' total assets and liabilities and these line items are consequently separately reported.

G3. Segment reporting, cont.

Income statement 2019[3]

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other Operating segments[3]	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,093	1,355	847	53	–2	4,346	–28	4,318
Net fee and commission income	1,206	591	430	781	–1	3,007	4	3,011
Net result from items at fair value	129	260	298	98	194	979	33	1,012
Profit from associated undertakings accounted for under the equity method	0	2	0	33	19	54	–4	50
Other income	2	20	2	13	144	181	51	232
Total operating income	**3,430**	**2,228**	**1,577**	**978**	**354**	**8,567**	**56**	**8,623**
- of which internal transactions[1]	–545	–200	–426	–20	1,191	0	–	–
Staff costs	–620	–401	–344	–409	–315	–2,089	–928	–3,017
Other expenses	–1,299	–690	–571	–138	–28	–2,726	1,087	–1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets	–63	–19	–15	–11	–743	–851	–479	–1,330
Total operating expenses	**–1,982**	**–1,110**	**–930**	**–558**	**–1,086**	**–5,666**	**–320**	**–5,986**
Profit before loan losses	**1,448**	**1,118**	**647**	**420**	**–732**	**2,901**	**–264**	**2,637**
Net result on loans in hold portfolios mandatorily held at fair value	42	–54	14	10	0	12	0	12
Net loan losses	–129	–141	–246	–1	2	–515	–21	–536
Operating profit	**1,361**	**923**	**415**	**429**	**–730**	**2,398**	**–285**	**2,113**
Income tax expense	–327	–221	–100	–103	179	–572	1	–571
Net profit for the year	**1,034**	**702**	**315**	**326**	**–551**	**1,826**	**–284**	**1,542**
Balance sheet 31 Dec 2019[2], EURbn								
Loans to the public	153	84	50	8	1	296	27	323
Deposits and borrowings from the public	75	42	35	10	1	163	6	169

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 Finance.

2) The CODM reviews "Loans to the public" and "Deposits and borrowings from the public" as measures of reportable segments' total assets and liabilities and these line items are consequently separately reported.

3) Comparable figures have been restated following the changes in reportable segments and the use of current year plan exchange rates.

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	
	2020	2019	2020	2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Total Operating segments	8,574	8,567	3,385	2,398	306	296	182	163
Group functions[1]	1	2	–290	–217	–	–	–	–
Unallocated items	–23	25	–100	–85	21	24	–1	5
Eliminations	–3	–8	0	0	–	–	–	–
Differences in accounting policies[2]	–83	37	–32	17	3	3	2	1
Total	**8,466**	**8,623**	**2,963**	**2,113**	**330**	**323**	**183**	**169**

1) Consists of Group Business Support, Group Internal Audit, Chief of Staff office, Group People, Group Legal, Group Risk & Compliance and Group Brand, Communication & Marketing.

2) Impact from using plan exchange rates in the segment reporting.

G3. Segment reporting, cont.

Total operating income split on product groups

EURm	2020	2019
Banking products	5,505	5,630
Capital Markets products	1,041	927
Savings products & Asset management	1,469	1,455
Life & Pensions	407	418
Other	44	193
Total	**8,466**	**8,623**

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	
	2020	2019	31 Dec 2020	31 Dec 2019
Sweden	2,348	2,232	150	139
Finland	1,644	1,726	116	127
Norway	1,564	1,684	101	97
Denmark	2,323	2,435	180	177
Other	587	546	5	15
Total	**8,466**	**8,623**	**552**	**555**

Nordea's main geographical markets comprise the Nordic countries. Revenues and assets (current and non current 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.

G4. Net interest income

Net interest income

EURm	2020	2019
Interest income calculated using the effective interest rate method[1]	5,536	6,399
Other interest income	1,071	1,350
Negative yield on financial assets	–280	–309
Interest expense	–2,013	–3,334
Negative yield on financial liabilities	201	212
Net interest income	**4,515**	**4,318**

1) Of which contingent leasing income amounts to EUR 101m (EUR 78m). Contingent leasing income at Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases, there will be an offsetting impact from lower funding expenses. Interest income on the net investment in finance leases amounted to EUR 181m (155m).

Interest income calculated using the effective interest rate method

EURm	2020	2019
Loans to credit institutions	359	589
Loans to the public	4,837	5,345
Interest-bearing securities	205	254
Yield fees and interest on hedges of assets	135	211
Interest income calculated using the effective interest rate method	**5,536**	**6,399**

Other interest income

EURm	2020	2019
Loans at fair value to the public	969	1,177
Interest-bearing securities measured at fair value	101	181
Yield fees and other interest income on fair value assets	1	–8
Other interest income	**1,071**	**1,350**

Interest expense

EURm	2020	2019
Deposits by credit institutions	–153	–328
Deposits and borrowings from the public	–200	–523
Debt securities in issue	–1,842	–2,729
Subordinated liabilities	–336	–417
Other interest expenses[1]	518	663
Interest expense	**–2,013**	**–3,334**

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".

G4. Net interest income, cont.

Net interest income from categories of financial instruments

EURm	2020	2019
Financial assets at fair value through other comprehensive income	167	214
Financial assets at amortised cost	5,172	5,929
Financial assets at fair value through profit or loss (related to hedging instruments)	–56	–7
Financial assets at fair value through profit or loss	1,044	1,304
Financial liabilities at amortised cost	–1,824	–3,129
Financial liabilities at fair value through profit or loss	12	7
Net Interest Income	**4,515**	**4,318**

Interest on impaired loans amounted to an insignificant portion of interest income.

G5. Net fee and commission income

EURm	2020	2019
Asset management commissions	1,469	1,455
- of which income	1,772	1,748
- of which expense	–303	–293
Life and pension commissions	263	251
- of which income	273	259
- of which expense	–10	–8
Deposit products	27	23
- of which income	27	23
Brokerage, securities issues and corporate finance	204	157
- of which income	375	368
- of which expense	–171	–211
Custody and issuer services	34	41
- of which income	84	74
- of which expense	–50	–33
Payments	280	307
- of which income	393	413
- of which expense	–113	–106
Cards	168	220
- of which income	279	350
- of which expense	–111	–130
Lending products	424	429
- of which income	449	458
- of which expense	–25	–29
Guarantees	89	111
- of which income	122	131
- of which expense	–33	–20
Other	1	17
- of which income	82	107
- of which expense	–81	–90
Total	**2,959**	**3,011**

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 412m (EUR 390m).

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 2,420m (EUR 2,375m). The corresponding amounts for fee expenses is EUR –10m (EUR –8m).

The fees on the different lines in Note G5 "Net fee and commission income" are accounted for as explained in Note G1 "Accounting Policies" section 6.

For information on contract assets and liabilities see Note G1 "Accounting Policies" section 6, item accrued income in Note G26 "Prepaid expenses and accrued income" and item prepaid income in Note G32 "Accrued expenses and prepaid income".

G5. Net fee and commission income, cont.

Break down by Business Areas

2020, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & Elimination	Nordea Group
Asset management commissions	566	95	7	801	0	0	1,469
Life and pension commissions	189	81	4	–11	0	0	263
Deposit products	9	17	1	0	0	0	27
Brokerage, securities issues and corporate finance	21	44	115	39	–2	–13	204
Custody and issuer services	4	4	24	4	–5	3	34
Payments	62	153	67	0	0	–2	280
Cards	141	21	6	0	0	0	168
Lending products	117	136	162	3	6	0	424
Guarantees	8	27	54	0	0	0	89
Other	16	9	6	–26	–4	0	1
Total	**1,133**	**587**	**446**	**810**	**–5**	**–12**	**2,959**

2019, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & Elimination	Nordea Group
Asset management commissions	553	97	4	801	0	0	1,455
Life and pension commissions	200	78	5	–32	0	0	251
Deposit products	9	13	1	0	0	0	23
Brokerage, securities issues and corporate finance	23	29	72	33	0	0	157
Custody and issuer services	6	5	34	0	–6	2	41
Payments	83	161	67	1	2	–7	307
Cards	173	28	12	0	0	7	220
Lending products	132	137	154	3	3	0	429
Guarantees	9	35	66	1	0	0	111
Other	20	11	18	–24	1	–9	17
Total	**1,208**	**594**	**433**	**783**	**0**	**–7**	**3,011**

G6. Total net result from items at fair value

EURm	2020	2019
Net result from items at fair value	900	1,012
Net result on loans in hold portfolios mandatorily held at fair value	48	12
Total	**948**	**1,024**

EURm	2020	2019
Equity-related instruments	177	734
Interest-related instruments and foreign exchange gains/losses	715	110
Other financial instruments (including credit and commodities)	–24	103
Life & Pensions[1,2]	80	77
Total	**948**	**1,024**

1) Internal transactions not eliminated against other lines in the Note. The line Life & Pensions consequently provides the true impact from the life insurance operations.

2) Premium income amounts to EUR 227m (EUR 394m).

Breakdown of Life & Pensions

EURm	2020	2019
Equity-related instruments	397	1,571
Interest-related instruments and foreign exchange gains/losses	271	283
Investment properties	94	123
Change in technical provisions	–792	–1,794
Change in collective bonus potential	60	–139
Insurance risk income	64	66
Insurance risk expense	–14	–33
Total	**80**	**77**

G6. Total net result from items at fair value, cont.

Net result from categories of financial instruments

EURm	2020	2019
Financial assets at fair value through other comprehensive income	226	90
Financial assets designated at fair value through profit or loss	102	199
Financial liabilities designated at fair value through profit or loss	–1,698	–5,167
Financial assets and liabilities mandatorily at fair value through profit or loss[1]	2,930	7,651
Financial assets at amortised cost[2]	456	206
Financial liabilities at amortised cost[3]	–854	–732
Foreign exchange gains/losses excluding currency hedges	302	94
Non-financial assets and liabilities[4]	–516	–1,317
Total	**948**	**1,024**

1) Of which amortised deferred day one profit amounts to EUR 177m (EUR 41m).
2) This row includes gain or loss arising from derecognition of financial assets measured at amortised cost EUR 11m (EUR 65m) where EUR 11m (EUR 65m) is gains and EUR 0m (EUR 0m) is losses. The reason for derecognition is that the assets have been prepaid by the customer or sold. This row also includes fair value changes of hedged amortised cost assets in portfolio hedge of interest rate risk of EUR 343m (EUR 26m) and interest from amortised cost items in Life of EUR 103m (EUR 114m).
3) This row mainly includes fair value changes of hedged amortised cost liabilities in portfolio hedge of interest rate risk of EUR 839m (EUR 708m).
4) This row mainly consists changes in technical reserve in Life of EUR 724m (EUR 1,345m).

G7. Other operating income

EURm	2020	2019
Divestments of shares[1]	10	138
Income from real estate	2	3
Sale of tangible and intangible assets	12	9
Other	69	82
Total	**93**	**232**

1) 2020: Gain related to sale of Automatia EUR 10m. 2019: Gain related to sale of LR Realkredit EUR 138m.

G8. Staff costs

EURm	2020	2019
Salaries and remuneration (specification below)[1]	–2,148	–2,370
Pension costs (specification below)	–275	–269
Social security contributions	–400	–452
Other staff costs[2]	71	74
Total	**–2,752**	**–3,017**
Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	–21	–19
- Performance-related compensation	–8	–7
Total	**–29**	**–26**
To other employees	–2,119	–2,344
Total	**–2,148**	**–2,370**

1) Of which allocation to profit sharing 2020 EUR 27m (EUR 10m), consisting of a new allocation of EUR 37m (EUR 22m) and an adjustment related to prior years of EUR 10m (EUR 12m).
2) Including capitalisation of IT projects with EUR 140m (EUR 166m).
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Leadership Team in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are also included. Executives amount to 154 (152) individuals.

Pension costs[1]

EURm	2020	2019
Defined benefits plans (Note G34)[2]	–51	–37
Defined contribution plans	–224	–232
Total	**–275**	**–269**

1) Pension cost for executives, as defined in footnote 3 above, amounts to EUR 2m (EUR 4m) and pension obligations to EUR 11m (EUR 8m).
2) Excluding social security contributions. Including social security contributions EUR 61m (EUR 46m).

Remuneration for the Board of Directors, the CEO and Group Leadership Team

Board remuneration

The Annual General Meeting (AGM) 2020 decided on annual remuneration for the Board of Directors (the Board), for the Chair amounting to EUR 300,000, for the Vice-Chair EUR 145,000 and for other members EUR 95,000.

In addition, annual remuneration paid for board committee work on the Board Operations and Sustainability Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 60,000 for the committee chairs and EUR 30,000 for the other members. Annual remuneration for board committee work on the Board Remuneration Committee amounts to EUR 42,000 for the committee chair and EUR 26,000 for the other members.

Separate remuneration is not paid to members who are employees of the Nordea Group.

Nordea covers or reimburses the members of the Board of Directors all costs and expenses related to or arising from the Board membership. This e.g. includes travel, logistics and accommodation, related to board work. Any benefits are included at taxable values.

There are no commitments for severance pay, pension or other remuneration for the members of the Board at 31 December 2020.

No Board member earns variable remuneration and employee representatives are not included in the table below.

G8. Staff costs, cont.

Remuneration to the Board of Directors

EUR	2020	2019
Chairman of the Board:		
Torbjörn Magnusson[5]	345,500	267,000
Björn Wahlroos[1]	–	80,088
Vice Chairman of the Board:		
Kari Jordan[3]	171,000	128,250
Lars G Nordström[1]	–	42,725
Other Board members:		
Pernille Erenbjerg	155,000	146,638
Nigel Hinshelwood	185,000	181,300
Petra von Hoeken[3]	155,000	116,250
Robin Lawther	125,000	134,750
Torbjörn Magnusson[5]	–	30,388
John Maltby[3]	155,000	116,250
Sarah Russell	155,000	151,400
Silvija Seres[1]	–	30,388
Birger Steen	185,000	173,900
Jonas Synnergren[4]	116,250	–
Maria Varsellona[2]	31,250	124,138
Total	**1,779,000**	**1,723,465**

1) Resigned as member of the Board as from the AGM 2019.
2) Resigned as member of the Board as from the AGM 2020.
3) New member of the Board as from the AGM 2019.
4) New member of the Board as from the AGM 2020.
5) Elected as Chairman of the Board as from the AGM 2019.

Remuneration to the Chief Executive Officer (CEO) and Group Leadership Team (GLT)

The Board Remuneration Committee prepares alterations in salary levels and outcome of the Executive Incentive Programme (EIP) for GLT, grants of conditional shares from Long-Term Incentive Plan (LTIP) as well as other changes in the remuneration package for the Chief Executive Officer (CEO), the Interim Deputy Managing Director and the other members of Group Leadership Team (GLT), for resolution by the Board.

The presentation of remuneration used in the Remuneration Report for Governing Bodies is different from the presentation and accounting policy under IFRS applied in the Annual Report, specially related to LTIP.

Fixed remuneration

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 includes primarily car benefits, tax consultation and housing. Benefits are included at taxable values after salary deductions (if any).

The pension expense is related to pension premiums paid under defined contribution agreements (DC) and pension rights earned during the year under defined benefit agreements (DBP)(Current service cost and Past service cost and settlements as defined in IAS 19).

Out of the total pension expense EUR 1,647,421 (EUR 1,436,414) relates to defined contribution agreements. Payments to statutory pension schemes (TyEL in Finland particularly) are reported as social costs and not included in the table below.

Remuneration to the Chief Executive Officer (CEO) and Group Leadership Team (GLT)

	Fixed salary		Pension expense DBP & DC schemes		Benefits		Total fixed remuneration	
EUR	2020	2019	2020	2019	2020	2019	2020	2019
Chief Executive Officer:								
Frank Vang-Jensen	1,252,912	408,314	375,788	122,494	211,989	7,844	1,840,689	538,652
Casper von Koskull	–	958,339	–	74,620	–	50,509	–	1,083,468
Interim Deputy Managing Director:								
Jussi Koskinen	462,771	131,729	–	–	23,172	4,414	485,943	136,143
Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	877,633	–	238,857	–	43,921	–	1,160,411
Group Leadership Team:								
9 (9) individuals excluding CEO and Interim Deputy Managing Director	6,236,460	5,232,982	1,027,375	905,302	89,443	86,786	7,353,278	6,225,070
Total	**7,952,143**	**7,608,997**	**1,403,163**	**1,341,273**	**324,604**	**193,474**	**9,679,910**	**9,143,744**
Former Chief Executive Officer:								
Casper von Koskull[1]	1,398,528	417,852	108,646	35,026	29,974	18,649	1,537,148	471,527
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen[1]	497,697	302,702	182,914	96,893	1,425	833	682,036	400,428
Total	**9,848,368**	**8,329,551**	**1,694,723**	**1,473,192**	**356,003**	**212,956**	**11,899,094**	**10,015,699**

1) The disclosure includes the amounts paid in 2020, but the expense has been covered by provisions recognised in 2019.

G8. Staff costs, cont.

Variable remuneration
EIP 2020 for GLT is based on specific goals and targets and is capped at maximum 75% of fixed base salary. 40% of the EIP 2020 outcome will be paid out in 2021. The remaining 60% will be paid-out annually pro-rata over 5-years with 12% delivered each year. 50% of the EIP 2020 outcome is delivered in Nordea shares (excluding dividends) at each delivery event, which are subject to retention for 12 months when the deferral period ends.

The outcome from EIP 2020 has been expensed in full in 2020.

In 2020, the Board of Directors decided to launch a Long-Term Incentive Plan (LTIP) 2020–2022 to Nordea's Group Leadership Team in accordance with the remuneration policy for governing bodies adopted by an advisory vote at Nordea's 2020 Annual General Meeting.

The LTIP 2020–2022 has a three-year performance period from 1 January 2020 to 31 December 2022 and deferral and retention periods. The first portion of shares of the potential award is delivered in 2023, subject to the performance conditions. The rest of the shares are deferred and delivered annually in five equal portions during 2024–2028. Each share delivery is subject to a 12-month retention period.

Please refer to section below for further details on the LTIP 2020–2022.

The LTIP 2012 programme was fully expensed in May 2015. All shares in LTIP 2012 are fully vested and consequently not conditional. There are no outstanding shares for current GLT members as of 31 December 2020.

Variable remuneration

	Executive Incentive Programme		LTIP Conditional grants[1]		Total variable remuneration		Total remuneration Fixed and variable	
EUR	2020	2019	2020	2019	2020	2019	2020	2019
Chief Executive Officer:								
Frank Vang-Jensen	610,313	158,416	45,882	–	656,195	158,416	2,496,884	697,068
Casper von Koskull	–	229,145	–	–	–	229,145	–	1,312,613
Interim Deputy Managing Director:								
Jussi Koskinen	236,249	59,905	15,294	–	251,543	59,905	737,486	196,048
Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	214,972	–	–	–	214,972	–	1,375,383
Group Leadership Team:								
9 (9) individuals excluding CEO and Interim Deputy Managing Director	2,318,494	1,454,983	137,646	–	2,456,140	1,454,983	9,809,418	7,680,053
Total	**3,165,056**	**2,117,421**	**198,822**	**–**	**3,363,878**	**2,117,421**	**13,043,788**	**11,261,165**
Former Chief Executive Officer:								
Casper von Koskull	–	109,470	–	–	–	109,470	1,537,148	580,997
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	–	–	–	–	–	682,036	400,428
Total	**3,165,056**	**2,226,891**	**198,822**	**–**	**3,363,878**	**2,226,891**	**15,262,972**	**12,242,590**

1) Defined as the expense calculated under IFRS 2.

Remuneration of CEO and Interim Deputy Managing Director

Chief Executive Officer (CEO)
Frank Vang-Jensen was appointed CEO on 5 September 2019. Remuneration for the CEO in 2020 consisted of the five components: Fixed salary, the Executive Incentive Programme (EIP), LTIP 2020–2022, pension costs and benefits.

The annual fixed base salary for the CEO remained at EUR 1,250,000 as of January 2020. The fixed salary includes holiday allowance.

The CEO is covered by a defined contribution pension plan. The pension contribution was 30% of the fixed base salary.

Benefits included primarily car benefits, housing and security and travelling related benefits as well as taxable costs for establishment in Finland and tax advice, amounting to EUR 211,989.

EIP 2020 was based on specific targets and could amount to a maximum of 75% of fixed base salary. For 2020, the outcome of the EIP amounted to EUR 610,313.

The LTIP 2020–2022 conditional grants for 2020 amounted to EUR 45,882.

Total earned remuneration for 2020, based on the five components amounted to EUR 2,496,884.

The CEO must hold a significant number of shares granted until the total value corresponds to 100% of the CEO's annual gross salary. Such shares must be held until the CEO steps down.

Interim Deputy Managing Director
Jussi Koskinen was appointed Interim Deputy Managing Director on 10 September 2019.

Remuneration for the Interim Deputy Managing Director consists of the five components: Fixed salary, the Executive Incentive Programme (EIP), LTIP 2020–2022, Finnish statutory pension scheme (reported as social costs) and benefits.

The annual fixed base salary for the Interim Deputy Managing Director remained EUR 450,000 including holiday allowance as of 1 January 2020.

The benefits for 2020 amounted to EUR 23,172 and included primarily car benefits.

EIP 2020 for GLT was based on specific targets and could amount to a maximum of 75% of fixed base salary. For 2020 the outcome of the EIP amounted to EUR 236,249.

The LTIP 2020–2022 conditional grants for 2020 amounted to EUR 15,294.

The Interim Deputy Managing Director is covered by the

G8. Staff costs, cont.

Finnish statutory pension scheme. According to the statutory pension rules the part of the EIP 2020 for GLT outcome paid or retained in 2021 is included in pensionable income.

The total earned remuneration for 2020, as Interim Deputy Managing Director, based on the four components (excluding pension) amounted to EUR 737,486.

The Interim Deputy Managing Director must hold a significant number of shares granted until the total value corresponds to 100% of the Interim Deputy Managing Director's annual gross salary. Such shares must be held until the Interim Deputy Managing Director steps down.

Remuneration of Group Leadership Team (GLT)

Remuneration to other GLT members is included for the period they have been appointed and eligible for EIP 2020. One GLT member left Nordea on 30 April 2020. Three new GLT members were appointed on 1 August 2020, 15 October 2020 and on 1 November 2020. Guaranteed variable remuneration (sign-off/buy-out) has been committed, amounting to EUR 1,500,000.

Remuneration of GLT members consists of five components: Fixed salary, EIP 2020 for GLT, LTIP 2020–2022, pension costs and benefits.

EIP 2020 for GLT was based on specific targets and can amount to a maximum of 75% of fixed base salary for GLT members offered LTIP 2020–2022 and 100% for others. For 2020 the outcome of the EIP amounted to EUR 2,318,494.

The LTIP 2020–2022 conditional grants for 2020 amounted to EUR 137,646. The Chief Risk Officer is not participating in the LTIP programme.

GLT members must hold a significant number of shares granted until the total value corresponds to 100% of the GLT member's annual gross salary. Such shares must be held until a GLT member steps down from the GLT position.

The pension agreements for the other nine GLT members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

As of 31 December 2020, three members had pensions schemes in accordance with the Swedish collective agreement, BTP1 (defined contribution plan) and BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution was in total 30% of fixed salary.

One member had a defined contribution plan in accordance with local practices in Denmark. The pension contribution is in total 30% of fixed base salary.

Three members were covered by the Finnish statutory pension scheme (reported as social costs) and in addition had a defined contribution plan corresponding to 8,5% of fixed base salary.

Two members do not have a pension agreement with Nordea.

Remuneration of former CEO and former Deputy CEO

Former Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO on 1 November 2015 and stepped down on 5 September 2019. Remuneration in 2020 for the former CEO consisted of three components: Fixed salary, pension costs and benefits (primarily car benefits, housing and tax advice).

The former CEO was covered by the Finnish statutory pension scheme and in addition had a defined contribution plan corresponding to 8.5% of fixed salary.

The total earned remuneration for 2020, as former CEO, based on the three components amounted to EUR 1,537,148 (covered by 2019 provision).

Former Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO on 1 November 2015 and stepped down on 10 September 2019. Remuneration for the former Group COO and Deputy CEO consisted of fixed salary, pension contributions and benefits. During the notice period the former Group COO and Deputy CEO had a defined contribution pension plan and a car allowance. The total earned remuneration for 2020, as former Group COO and Deputy CEO, based on the three components amounted to EUR 682,036 (covered by 2019 provision).

Deferred variable remuneration in Nordea Shares

Part of the outcome of EIP 2019 for GLT has been deferred to be paid in the future by delivering Nordea Shares. The number of granted and deferred shares as of 31 December 2020 can be found in the below table:

Nordea shares

	2020
Chief Executive Officer:	
Frank Vang-Jensen	19,425
Interim Deputy Managing Director:	
Jussi Koskinen	11,704
Group Leadership Team:	
9 individuals excl. CEO & Interim Deputy Managing Director:	56,607
Total	**87,736**
Former Chief Executive Officer:	
Casper von Koskull	20,483
Former Deputy Chief Executive Officer:	
Torsten Hagen Jørgensen	12,997
Total	**121,216**

Pension obligations

The pension plans are funded, meaning that the pension plan obligations are backed with plan assets with fair value generally on a similar level as the obligations.

The pension obligation (value of defined benefit pension plan liabilities) is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter-annual variations can therefore be significant.

IAS 19 includes an assumption about future increases in salary, so that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement.

The pension obligation is the IAS 19 valuation on 31 December 2020.

EUR	2020	2019
Group Leadership Team (GLT):		
Value of pension liabilities toward three Swedish GLT members	1,137,129	1,004,303
Former Chairman of the Board, former CEOs and Deputy CEOs:		
Vesa Vainio[1]	4,932,945	5,118,594
Lars G Nordström	311,588	313,010
Casper von Koskull	427,026	399,536
Total	**6,808,688**	**6,835,443**

1) The pension obligation is mainly due to defined benefit pension rights earned at, and funded by, banks forming Nordea. The decrease compared to 2019 is mainly due to pay-out during the year.

G8. Staff costs, cont.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has severance pay equal to 12 months' salary, to be reduced by any salary he receives from other employment during these 12 months.

The Interim Deputy Managing Director and nine GLT members have a notice period of six months and Nordea a notice period of 12 months. Severance pay of up to 12 months' salary is provided to be reduced by any salary the executive receives from other employment during the severance pay period.

No severance pay commitment has been agreed with members of GLT in 2020. Severance pay commitments to GLT members agreed and recognised in 2019 amounted to EUR 2,427,212.

Total remuneration paid in 2020 during the notice period amounted to EUR 3,599,889, of which EUR 1,537,148 related to the former CEO. The payments during the notice period have been included where relevant in the 2020 disclosure, but covered by provisions recognised in 2019 and consequently not recognised as an expense in 2020.

Indemnification

Nordea Bank Abp has undertaken to indemnify the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations from third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board of Directors decides otherwise on a case-by-case basis. The indemnity is secondary to any other insurance coverage.

Loans and deposits to key management personnel

Loans to key management personnel (defined in Note G1 section 28) amount to EUR 3m (EUR 2m) and interest income on these loans amount to EUR 0m (EUR 0m). Deposits from key management personnel amount to EUR 14m (EUR 18m) and interest on these deposit amount to EUR 0m (EUR 0m). Loan commitments to key management personnel amount to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 30 basis points. In Denmark the employee interest rate for loans is variable and was 2.25 % at 31 December 2020. In Norway the employee interest rate for loans is variable and was 1.15% at 31 December 2020. 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. 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.

Share-based transactions

Nordea has several variable remuneration programmes for selected Nordea employees (participants). The terms of the programmes vary depending on the target group. Disclosures related to the share-based programmes can be found below. All remuneration programmes are also described in the separate Remuneration section on page 63 in the Board of Directors report and in more details below.

In 2020, Nordea introduced a new Long Term Incentive Plan (LTIP) for GLT members, which is an equity settled plan. For more info on this plan, see "Long Term Incentive Plan 2020–2022" below.

Up until 2018 Nordea in addition deferred variable pay using a Total Shareholder Return (TSR) indexation (excluding dividends). The programme was consequently all settled in cash and the portion indexed with Nordea's TSR was accounted for as a cash-settled share-based payment programme. As from the 2019 program it was changed so that 50% of the program is paid in cash and 50% settled in Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based programme.

Share-based transactions

Earning year	Equity- or cash settled	Delivery period	Expense 2020	Expense 2019	Liability 31 Dec 2020	Liability 31 Dec 2019	Outstanding rights
2020							
- LTIP	Equity-settled	2023–2028	0	–	–	–	Yes[1]
- EIP	Equity-settled	2021–2026	14	–	–	–	Yes[2]
- VSP & Bonus	Equity-settled	2021–2026	–	–	–	–	Yes[2]
- Buy-outs etc.	Equity-settled	2021–2022	–	–	–	–	Yes
2019							
- EIP	Equity-settled	2021–2025	–13	20	–	–	Yes
- VSP & Bonus	Equity-settled	2021–2025	5	–	–	–	Yes
- Buy-outs etc.	Equity-settled	2021–2025	0	–	–	–	Yes
Previous years	Cash-settled	2021–2025	–4	–11	32	74	No
Total			**2**	**9**	**32**	**74**	

1) Rights will be granted following the end of the 3-year performance period (2020–2022) over the delivery period (2023–2028).
2) Rights will be granted in 2021 based on performance during 2020.

G8. Staff costs, cont.

The 2019 variable remuneration plans were in 2019 expensed by EUR 20m for compensation to be paid in cash and EUR 20m for the share-based programme part. These have during 2020 been adjusted down to EUR 14m for the portion paid in cash and EUR 7m for the share-based programme part. In 2020 1,331,083 shares in Nordea were allotted to the participants in these programmes, equalling EUR 7m based on the share price at the award date. Another 1,219,284 shares were granted to the participants but deferred. These deferred shares had a fair value of EUR 6m based on the share price at the award date.

The following table covers all programs with share-based programme expenses recognised in 2020, or in the comparative figures for 2019. Figures for 2020 are based on expected 2020 outcome and all figures are excluding social security expenses. The expense for 2020 is based on an assumption on the number of shares that will be granted and deferred for delivery in later years.

Long Term Incentive Plan 2020–2022

The Nordea Board decided on 11 June 2020 to issue a new LTIP for senior management (GLT). The plan delivers conditional share awards, i.e. a promise to deliver shares if certain conditions are met. The plan includes a three year performance period, from 1 January 2020 to 31 December 2022.

The maximum number of shares allocated to the participants was decided when the program was launched and the final number of shares to be awarded to each participant will be calculated in Q2 2023 based on the outcome of three performance criteria as per December 31 2022, where each criteria has a weight of 1/3:

- Absolute total shareholders return (aTSR),
- Relative total shareholders return (rTSR),
- Cumulative earnings per share (EPS).

	LTIP 2020–2022
Service condition	Employed within the Nordea Group during the 3–8 year vesting period.
Performance condition aTSR	Absolute growth in the Nordea share price (with dividends reinvested). Maximum allotment for aTSR above EUR 12.00. No allotment for aTSR below EUR 6.85.
Performance condition rTSR	Growth in the Nordea share price (with dividends reinvested) compared to a group of 9 peers. Maximum allotment for rTSR if Nordea is first among peers. No allotment for rTSR if Nordea is 6th or lower among peers.
Performance condition EPS	Total earnings per share for the period 2021–2022. Maximum allotment for EPS above EUR 1.80. No allotment for EPS below EUR 1.20.
Cap	Total allocation cannot exceed 200% of participants salary.

40% of the shares awarded are delivered to the participants in Q2 2023. The remaining 60% will be delivered to the participants in equal numbers in the period of Q2 2024 to Q2 2028 if the participants are still employed in Nordea. All shares that have been delivered is subject to a 12 month retention period, where the participant cannot access or sell the shares. Unvested shares will not be delivered if the employment is terminated before the award payment, however, subject to local regulations and leaver provisions, unless the criteria for a "good leaver" is fulfilled.

If the financial circumstances of Nordea deteriorates or if the participant breaches internal policies, the awards to be given can be reduced or cancelled. There are also possibilities for clawbacks of deferred shares in similar situations. These conditions do not affect the assessment of the grant date being 11 June 2020 as the likelihood is low and all participants are aware of these conditions from the start.

General conditions

	LTIP 2020–2022
Ordinary share per right	1.0
Grant date	11 June 2020
Vesting period	3–8 years
Contractual life	8 years
First day of access for the first part	Q2 2024

Fair value at grant date

	Vesting date					
	Q2 2023	Q2 2024	Q2 2025	Q2 2026	Q2 2027	Q2 2028
Maximum number of shares	260,000	78,000	78,000	78,000	78,000	78,000
Award life, years	3	4	5	6	7	8
aTSR	1.40	1.31	1.23	1.16	1.09	1.02
rTSR	1.83	1.71	1.61	1.51	1.41	1.33
EPS	4.74	4.46	4.19	3.94	3.70	3.48

The fair values of the rights are calculated using a Monte Carlo simulation (rTSR and aTSR) and Black & Scholes formula (EPS) using the following parameters:

Weighted average share price at grant date, EUR	6.41
Exercise price, EUR	–
Expected volatility	29.1%
Award life	See above
Expected dividends	6.2%
Risk-free interest rate	0%

The expected volatility is based on Nordea's historic daily share price volatility over a historical period of 3.0 years of 33.9% and has been adjusted for one-off events (COVID-19) which are not expected to be repeated in the future, i.e. the Company's historical volatility from pre March 2020 is used. Taking this into account Nordea has excluded the period of highest share price volatility from the calculation of the expected volatility at the grant date (being the period from 9 March 2020 to 25 March 2020). Removing this period results in a historical share price volatility of 29.1%.

Conditional rights LTIP 2020–2022	aTSR	rTSR	EPS
Granted	216,667	216,667	216,667
Forfeited	–	–	–
Outstanding at the end of the year	**216,667**	**216,667**	**216,667**
Of which currently exercisable	–	–	–

G8. Staff costs, cont.

Expired Long Term Incentive Programmes – 2011/2012

LTIP 2012 was fully expensed in May 2015. All shares in LTIP 2012 are fully vested and consequently not conditional. 60% of the vested shares were deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2012 starting May 2015.

	2020			2019		
	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	38,115	114,345	38,115	69,305	207,915	69,305
Granted[1]	–	–	–	6,925	20,775	6,925
Allotted	–35,742	–107,225	–35,742	–38,115	–114,345	–38,115
Outstanding at end of year[2]	**2,373**	**7,120**	**2,373**	**38,115**	**114,345**	**38,115**
Rights LTIP 2011						
Outstanding at the beginning of year	–	–	–	40,794	68,160	18,357
Granted[1]	–	–	–	4,072	6,803	1,832
Allotted	–	–	–	–44,866	–74,963	–20,189
Outstanding at end of year[2]	**–**	**–**	**–**	**–**	**–**	**–**

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

Share-based variable remuneration programmes – Other than LTIP programmes

This section covers the variable share-based programmes that were deferred with TSR indexation (cash-settled programme up until 2018) and in shares (equity-settled programme as from 2019). The programmes are classified as: The Executive Incentive Programme (EIP), Variable Salary Part (VSP) and Bonus schemes.

The programmes are annual plans with a service condition for the respective years and are fully expensed in the year when they are earned (one-year vesting period). The individual allocations are awarded in the beginning of the subsequent year.

In 2020, participation in the EIP programme was offered to up to approx. 300 selected people leaders and key employees within the Nordea Group, including members of GLT. Nordea introduced the EIP in 2013. The aim of EIP is to strengthen Nordea's capability to recruit, motivate and retain selected people leaders and key employees outside of GLT, and aims to reward strong performance. The aim is also to further stimulate these people whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP 2020 rewards performance meeting agreed predetermined targets on group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. EIP awards shall not exceed the fixed salary and is subject to deferral for all participants, and for Material Risk Takers forfeiture clauses and retention apply in line with relevant remuneration regulations.

In 2020, Variable Salary Part (VSP) was offered to selected people leaders and specialists to reward strong performance. The assessment of individual performance is based on a predetermined set of well-defined financial as well as non-financial goals. In 2020, the VSP maximum outcome should normally not exceed a maximum outcome of 25% of the annual fixed salary, except for a few selected managers and specialists within specific areas of Nordea. Awards from VSP will not exceed the annual fixed salary and are paid in cash. For Material Risk Takers, VSP awards are partly delivered in shares with subsequent retention. Parts of the awards for Material Risk Takers in VSP are subject to at least a three-year pro-rata deferral period with forfeiture conditions applying during the deferral period.

In 2020, Bonus schemes were offered only to select groups of employees in specific business areas or units as approved by the Board of Directors, e.g. in Large Corporates & Institutions, Nordea Asset Management, in Nordea Funds and within Group Treasury. The aim is to ensure strong performance and maintain cost flexibility for Nordea. Individual awards are determined based on detailed performance assessments covering a range of financial and non-financial goals. 2020 bonus awards from bonus schemes are paid in cash. For Material Risk Takers, awards are partly delivered in shares with subsequent retention. Parts of the awards for Material Risk Takers in a bonus scheme are subject to a three-to-five-year pro-rata deferral period with forfeiture conditions applying during the deferral period.

Deferrals from EIP (including the EIP for GLT), VSP and Bonus programmes not yet delivered to the participants as of 31 December 2020 are summarized in the following tables, including deferrals from the LTV programme (offered in 2018 and 2019) and deferrals stemming from compensation for contracts in previous employments (buy-outs). Such agreements can be offered only in exceptional cases, in the context of hiring new staff, limited to the first year of employment.

G8. Staff costs, cont.

The table below shows the remaining liabilities for the cash-settled share-based programmes used 2014–2018.

2014–2018 Share linked deferrals (cash-settled)

EURm	2020	2019
Opening balance	74	89
Deferred/earned during the year	1	40
TSR indexation during the year	–4	–11
Payments during the year	–37	–44
Translation differences	–2	–
Closing balance	**32**	**74**

The closing balances are expected to be settled the following years:

	2020	2019
2020	–	38
2021	17	19
2022	9	10
2023	3	3
2024	3	3
2025	0	1
Total	**32**	**74**

As from the 2019 programmes the deferrals were changed so that 50% of the programs was paid in cash and 50% settled in Nordea shares, making them equity-settled share-based programmes. The granting of shares in the programmes for 2020 is decided during spring 2021, and thus not included in the below tables, but in full recognised as an expense in the income statement in 2020. A provision of EUR 15m excl. social costs is made in 2020 for the portion to be paid in cash. EUR 14m was in addition recognised as an expense for the equity-settled share-based programme in the income statement and as an increase of equity.

2019 share linked deferrals (equity-settled)

Number of shares	2020
Outstanding at the beginning of the year	–
Granted[1]	2,550,367
Forfeited	–
Allotted[2]	–1,331,083
Outstanding at end of year	**1,219,284**
- of which currently exercisable	–

1) Granted rights are the number of shares from 2019 variable remuneration programmes granted in 2020. Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

2) Allotted rights are subject to a one year retention period after allotment to participants. Includes shares that have been allotted to participants but withheld to cover income taxes or social charges.

The outstanding rights are expected to be allotted the following years:

	2020
2021	336,228
2022	330,921
2023	401,399
2024	39,931
2025	110,805
Total	**1,219,284**

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 63. Additional aggregated disclosures for executives, Material Risk Takers and all Nordea employees will be published in a separate report on www.nordea.com no later than one week before the Annual General Meeting on 24 March 2021.

Gender distribution

In the parent company's Board of Directors, of the AGM elected Board members, 60% (50%) were men and 40% (50%) were women. In the Board of Directors of the Nordea Group companies, 68% (68%) were men and 32% (32%) were women. The corresponding numbers for other executives were 71% (74%) men and 29% (26%) women. Internal Boards consist mainly of management in Nordea, the employee representatives excluded.

G8. Staff costs, cont.

Average number of employees, full-time equivalents

	Total		Men		Women	
	2020	2019	2020	2019	2020	2019
Denmark	7,337	7,904	4,263	4,560	3,074	3,344
Sweden	6,265	6,712	3,060	3,294	3,205	3,418
Finland	5,968	6,368	2,342	2,448	3,626	3,920
Norway	2,830	2,952	1,528	1,599	1,302	1,353
Poland	4,412	4,006	2,495	2,274	1,917	1,732
Russia	228	335	87	123	141	212
Estonia	576	432	195	142	381	290
Luxembourg	191	254	108	141	83	113
United States	114	116	51	56	63	60
Singapore	54	64	22	28	32	36
United Kingdom	48	54	29	31	19	23
Germany	42	45	24	27	18	18
China	28	29	12	12	16	17
Switzerland	4	5	4	4	–	1
Italy	9	10	7	7	2	3
Spain	6	6	3	3	3	3
Brazil	0	0	0	0	–	–
France	3	3	3	3	–	–
Chile	3	3	2	2	1	1
Belgium	2	2	2	2	0	–
Portugal	2	0	1	–	1	–
Austria	1	0	1	–	–	–
Total average	**28,123**	**29,300**	**14,239**	**14,756**	**13,884**	**14,544**
Total number of employees (FTEs), end of period	**28,051**	**29,000**				

G9. Other expenses

EURm	2020	2019
Information technology	–490	–530
Marketing and representation	–46	–59
Postage, transportation, telephone and office expenses	–57	–66
Rents, premises and real estate	–128	–150
Resolution fee	–202	–211
Other	–363	–623
Total	**–1,286**	**–1,639**

Auditors' fees

EURm	2020	2019
PricewaterhouseCoopers		
Auditing assignments	–8	–9
Audit-related services[1]	–1	–1
Other assignments[1]	–1	–1
Total	**–10**	**–11**

1) Of which Audit-related services EUR 0.1m (EUR 0.1m) and Other assignments EUR 0.6m (EUR 0.4m) to PricewaterhouseCoopers Oy.

G10. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2020	2019
Depreciation/amortisation		
Properties and equipment	–255	–275
Intangible assets	–298	–283
Total	**–553**	**–558**
Impairment charges		
Properties and equipment	–7	–27
Intangible assets	–45	–745
Total	**–52**	**–772**
Total	**–605**	**–1,330**

G11. Net loan losses

2020, EURm	Loans to central banks and credit institutions[2]	Loans to the public[2]	Interest-bearing securities	Off-balance-sheet items[3]	Total
Net loan losses, stage 1	1	−119	−2	−35	−155
Net loan losses, stage 2	–1	−136	0	−63	−200
Net loan losses, non-defaulted	**0**	**−255**	**−2**	**−98**	**−355**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	2	−123	–	−6	−127
Realised loan losses	–	−564	–	−9	−573
Decrease in provisions to cover realised loan losses	–	368	–	9	377
Recoveries on previous realised loan losses	–	50	–	–	50
New/increase in provisions	–	−590	–	−11	−601
Reversals of provisions	–	304	–	17	321
Net loan losses, defaulted	**2**	**−555**	**0**	**0**	**−553**
Net loan losses	**2**	**−810**	**−2**	**−98**	**−908**

2019, EURm	Loans to central banks and credit institutions[2]	Loans to the public[2]	Interest-bearing securities	Off-balance-sheet items[3]	Total
Net loan losses, stage 1	2	−6	1	−15	−18
Net loan losses, stage 2	6	−46	0	−29	−69
Net loan losses, non-defaulted	**8**	**−52**	**1**	**−44**	**−87**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	1	−48	–	−1	−48
Realised loan losses	–	−443	–	−9	−452
Decrease in provisions to cover realised loan losses	–	312	–	9	321
Recoveries on previous realised loan losses	1	46	–	–	47
Reimbursement right	–	–	–	3	3
New/increase in provisions	–	−555	–	−16	−571
Reversals of provisions	–	223	–	28	251
Net loan losses, defaulted	**2**	**−465**	**0**	**14**	**−449**
Net loan losses	**10**	**−517**	**1**	**−30**	**−536**

1) Includes individually identified assets for which the provision has been calculated based on statistical models.
2) Provisions included in Note G14 "Loans and impairment".
3) Provisions included in Note G2 "Risk and Liquidity management".

G12. Taxes

Income tax expense

EURm	2020	2019
Current tax	–652	–1,051
Deferred tax	–46	480
Total	**–698**	**–571**

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Finland as follows:

EURm	2020	2019
Profit before tax	2,963	2,113
Tax calculated at a tax rate of 20.0%	–593	–423
Effect of different tax rates in other countries	–73	–61
Income from associated undertakings	–2	–18
Tax-exempt income	38	53
Non-deductible expenses	–37	–70
Adjustments relating to prior years	47	–26
Utilization and origination of unrecognised tax assets	–76	–8
Change of tax rate	3	–2
Not creditable foreign taxes	–5	–16
Tax charge	**–698**	**–571**
Average effective tax rate	24%	27%

Movements in deferred tax assets and liabilities

EURm	1 Jan 2020	Charged to income statement	Charged to other comprehensive income	Charged directly to equity	Acquisitions and disposals	Foreign exchange	Other changes	31 Dec 2020
Deferred tax assets								
Tax losses carry-forward	118	25	–	–	–	0	–20	123
Loans to the public	74	2	–	–	–	0	–	76
Derivatives	126	14	–	–	–	–7	–4	129
Retirement benefits	126	–24	–4	–	–	–1	–3	94
Liabilities/provisions	160	–31	–	22	–	–1	4	154
Foreign tax credits	225	24	–	–	–	0	–	249
Other	11	24	–	–	–	–1	–11	23
Netting between deferred tax assets and liabilities	–353	–55	–3	–22	–	1	–10	–442
Total	**487**	**–21**	**–7**	**0**	**–**	**–9**	**–44**	**406**

G12. Taxes, cont.

EURm	1 Jan 2020	Charged to income statement	Charged to other comprehensive income	Charged directly to equity	Acquisitions and disposals	Foreign exchange	Other changes	31 Dec 2020
Deferred tax liabilities								
Loans to the public	387	20	–	–	2	0	–10	399
Shares	–	–10	–	–	–	–	64	54
Derivatives	28	–18	5	–	–	–1	–3	11
Intangible assets	94	9	–	–	3	1	–30	77
Investment properties	4	6	–	–	–	–	1	11
Retirement benefits	46	–5	–	–	–	0	0	41
Liabilities/provisions	56	–1	–	–	–	0	–55	0
Foreign tax credits	193	88	–	–	–	–	–14	267
Other	26	–9	–	–	–	0	1	18
Netting between deferred tax assets and liabilities	–353	–55	–3	–22	–	0	–9	–442
Total	**481**	**25**	**2**	**–22**	**5**	**0**	**–55**	**436**

EURm	1 Jan 2019	Charged to income statement	Charged to other comprehensive income	Charged directly to equity	Acquisitions and disposals	Foreign exchange	Other changes	31 Dec 2019
Deferred tax assets								
Tax losses carry-forward	105	15	–	–	–	1	–3	118
Loans to the public	36	38	–	–	–	0	–	74
Derivatives	2	119	4	–	–	0	1	126
Retirement benefits	39	50	34	–	–	0	3	126
Liabilities/provisions	66	85	–	–	–	0	9	160
Foreign tax credits	101	124	–	–	–	–	–	225
Other	10	1	–	–	1	1	–2	11
Netting between deferred tax assets and liabilities	–195	–153	–3	–	–	–1	–1	–353
Total	**164**	**279**	**35**	**–**	**1**	**1**	**7**	**487**

EURm	1 Jan 2019	Charged to income statement	Charged to other comprehensive income	Charged directly to equity	Acquisitions and disposals	Foreign exchange	Other changes	31 Dec 2019
Deferred tax liabilities								
Loans to the public	363	18	–	–	6	–3	3	387
Derivatives	355	–305	–	–	–	2	–24	28
Intangible assets	63	32	–	–	–	–1	–	94
Investment properties	34	–	–	–	–	–	–30	4
Retirement benefits	30	16	–	–	–	–	–	46
Liabilities/provisions	32	–3	–	–	–	–2	29	56
Foreign tax credits	0	193	–	–	–	–	–	193
Other	24	1	–	–	–	1	–	26
Netting between deferred tax assets and liabilities	–195	–153	–3	–	–	–1	–1	–353
Total	**706**	**–201**	**–3**	**–**	**6**	**–4**	**–23**	**481**

G12. Taxes, cont.

Unrecognised deferred tax assets

EURm	31 Dec 2020	31 Dec 2019
Deductible temporary differences		
Unused tax losses carry-forward with no expiry date	3	54
Unused tax losses carry-forward	**3**	**54**
Unused tax credits expiring within 12 months	6	–
Unused tax credits expiring after 12 months	369	–
Unused tax credits	**375**	**334**
Total	**378**	**388**

The Nordea Group has EUR 406m (EUR 487m) deferred tax assets on the balance sheet at the end of 2020. The recognition of deferred tax assets is based on an assessment of the probability and amount of future taxable profits and on future reversals of existing taxable temporary differences, which include estimation uncertainty. The estimation uncertainties that are assessed to pose significant risks of resulting in material adjustments to the carrying amount of deferred tax assets are described below.

The balance includes a gross asset of EUR 104m (EUR 104m) recognised in relation to Danish tax losses of Nordea Bank Abp. These losses can be carried forward with no expiry. Management expects the tax losses to be utilised within the next three to four years based on estimated taxable profits available under currently applied capitalisation policies for tax purposes, and sooner if the company opts out from recognising expenses for tax purposes in excess of expenses under accounting rules. Furthermore, Nordea Bank Abp's head office in Finland has recognised a EUR 249m (EUR 225m) deferred tax asset in relation to unused foreign tax credits that management expects to be utilised within the expiry period of five years. This expectation is based on estimated future taxable profits from foreign operations, reversal of temporary differences and upfront taxation in Finland of certain types of income compared to relevant branch jurisdictions.

Additionally, the Group has unrecognised deferred tax assets of EUR 3m (EUR 54m) in relation to tax loss carry forwards in various entities as well as EUR 375m (EUR 334m) in relation to unused foreign tax credits in Nordea Bank Abp, Nordea Investment Management AB and Nordea Funds Ltd. Unrecognised deferred tax assets relating to tax losses may be recovered in the event of extraordinary taxable income arising in the relevant entities. Unrecognised deferred tax assets relating to foreign tax credits may be recovered in the event of unexpected timing of taxation or tax base between head office and branches.

G13. Earnings per share

	2020	2019
Earnings:		
Profit attributable to shareholders of Nordea Bank Abp, EURm	2,238	1,519
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	0
Weighted average number of diluted shares outstanding	**4,039**	**4,035**
Basic earnings per share, EUR	0.55	0.38
Diluted earnings per share, EUR	0.55	0.38

1) For 2020 related to Executive Incentive Program (EIP) and for 2019 related to the Long Term Incentive Programmes (LTIP). For further information on these programms, see Note G8 "Staff costs".

G14. Loans and impairment

EURm	31 Dec 2020	31 Dec 2019
Loans measured at fair value	74,616	83,674
Loans measured at amortised cost, not impaired (stages 1 and 2)	259,864	254,716
Impaired loans (stage 3)	3,979	4,610
- of which servicing	1,788	2,312
- of which non-servicing	2,191	2,298
Loans before allowances	**338,459**	**343,000**
- of which central banks and credit institutions	6,250	17,740
Allowances for individually assessed impaired loans (stage 3)	–1,674	–1,686
- of which servicing	–760	–783
- of which non-servicing	–914	–903
Allowances for collectively assessed impaired loans (stages 1 and 2)	–774	–497
Allowances	**–2,448**	**–2,183**
- of which central banks and credit institutions	–4	–14
Loans, carrying amount	**336,011**	**340,817**

Nordea has granted EUR 158 bn (EUR 148 bn) in mortgage credits. No intermediary credits or public sector credits has been granted.

G15. Interest-bearing securities

EURm	31 Dec 2020	31 Dec 2019
State, municipalities and other public bodies	16,810	15,528
Mortgage institutions	19,108	25,447
Other credit institutions	22,207	13,372
Corporates	2,261	8,282
Other	2,123	2,301
Total	**62,509**	**64,930**

Provisions for credit risks amount to EUR 3m (1m).

G16. Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2020	31 Dec 2019
Interest-bearing securities	3,795	7,151
Total	**3,795**	**7,151**

For information on transferred assets and reverse repos, see Note G43 "Transferred assets and obtained collaterals".

G17. Shares

EURm	31 Dec 2020	31 Dec 2019
Shares	2,533	3,285
Fund units, equity related	7,179	7,557
Fund units, interest related	2,937	3,342
Total	**12,649**	**14,184**

G18. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2020	31 Dec 2019
Assets		
Interest-bearing securities	1,487	1,363
Shares	34,516	29,049
Properties	361	307
Other assets	120	80
Total	**36,484**	**30,799**
Liabilities		
Pooled schemes	4,421	4,377
Unit-linked investment contracts	33,113	27,482
Total	**37,534**	**31,859**

The Life Group and Nordea Denmark, branch of Nordea Bank Abp, have assets and liabilities included on their balance sheet for which customers bear the risk. Since the assets and liabilities legally belong to the entities, which also carries risks and rewards, these assets and liabilities are included on the Group's balance sheet.

G19. Derivatives and hedge accounting

Nordea enters into derivatives for trading and risk management purposes. Nordea may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	Carrying amount		Total nom.
31 Dec 2020, EURm	Positive	Negative	amount
Derivatives not used for hedge accounting	41,323	45,012	6,526,630
Fair value hedges[1]	2,416	667	188,799
Cash flow hedges[1]	903	1,005	25,591
Net investment hedges	128	349	6,463
Total derivatives	**44,770**	**47,033**	**6,747,483**

	Carrying amount		Total nom.
31 Dec 2019, EURm	Positive	Negative	amount
Derivatives not used for hedge accounting	36,784	40,298	6,534,534
Fair value hedges[1]	1,269	1,422	180,547
Cash flow hedges[1]	1,019	120	22,253
Net investment hedges	39	207	7,358
Total derivatives	**39,111**	**42,047**	**6,744,692**

1) Some cross currency interest rate swaps are used both as fair value hedges and cash flow hedges. The nominal amount of these instruments have been split on the rows fair value hedges and cash flow hedges in the table above based on the relative fair value of these hedging instruments. The total nominal amount of cross currency interest rate swaps amounts per 31 December 2020 to EUR 29,057m (EUR 24,296m).

Derivatives not used for hedge accounting

	Carrying amount		Total nom.
31 Dec 2020, EURm	Positive	Negative	amount
Interest rate derivatives			
Interest rate swaps	21,844	22,450	3,509,766
FRAs	18	26	1,506,776
Futures and forwards	13	16	132,448
Options	6,319	6,624	439,317
Total	**28,194**	**29,116**	**5,588,307**
Equity derivatives			
Equity swaps	227	201	9,989
Futures and forwards	11	46	1,000
Options	142	519	6,890
Total	**380**	**766**	**17,879**
Foreign exchange derivatives			
Currency and interest rate swaps	7,275	8,258	366,130
Currency forwards	4,581	5,708	380,818
Options	197	115	16,668
Total	**12,053**	**14,081**	**763,616**
Other derivatives			
Credit default swaps (CDS)	693	1,036	153,917
Commodity derivatives	0	0	2,833
Other derivatives	3	13	78
Total	**696**	**1,049**	**156,828**
Total derivatives not used for hedge accounting	**41,323**	**45,012**	**6,526,630**

	Carrying amount		Total nom.
31 Dec 2019, EURm	Positive	Negative	amount
Interest rate derivatives			
Interest rate swaps	20,077	19,354	3,521,834
FRAs	7	28	1,353,157
Futures and forwards	13	13	126,999
Options	5,308	5,984	378,691
Total	**25,405**	**25,379**	**5,380,681**
Equity derivatives			
Equity swaps	68	93	6,399
Futures and forwards	1	35	1,018
Options	221	459	10,325
Total	**290**	**587**	**17,742**
Foreign exchange derivatives			
Currency and interest rate swaps	5,735	7,890	417,689
Currency forwards	4,242	5,290	555,046
Options	96	106	16,938
Total	**10,073**	**13,286**	**989,673**
Other derivatives			
Credit default swaps (CDS)	1,011	1,026	140,992
Commodity derivatives	0	0	5,284
Other derivatives	5	20	162
Total	**1,016**	**1,046**	**146,438**
Total derivatives not used for hedge accounting	**36,784**	**40,298**	**6,534,534**

G19. Derivatives and hedge accounting, cont.

Risk management

Nordea manages its identified market risks according to the risk management framework and strategy described in the Market risk section in Note G2 "Risk and Liquidity management".

Nordea classifies its exposures to market risk into either trading (the Trading Book) or non-trading (the Banking Book) portfolios that are managed separately.

The Trading Book consists of all positions in financial instruments held by Nordea either with trading intent, or in order to hedge positions held with trading intent. Positions held with trading intent are those held intentionally for short-term resale or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices, or from other price or interest rate variations.

The Banking Book comprises all positions not held in the Trading Book. All hedges qualifying for hedge accounting are performed in the Banking Book. The hedging instruments and risks hedged are further described below per risk and hedge accounting type.

Interest rate risk

Nordea's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on Nordea's margins, profit or loss and equity. Interest risk arises from mismatch of interest from interest-bearing liabilities and assets such as deposits, issued debt securities and loan portfolio.

As part of Nordea's risk management strategy, the Board has established limits on the non-trading interest rate gaps for the interest rate sensitivities. These limits are consistent with Nordea's risk appetite and Nordea aligns its hedge accounting objectives to keep exposures within those limits. Nordea's policy is to monitor positions on a daily basis. For further information on measurement of risks, see the Market risk section in Note G2 "Risk and Liquidity management".

For hedge accounting relationships related to interest rate risk, the hedged item is the benchmark rate. The hedging ratio is established by matching the notional of the derivatives against the principal of the hedged item.

Interest risk arises from mismatch of interest from interest-bearing liabilities and assets such as deposits, issued debt securities, interest-bearing securities and loan portfolio. In order to hedge the risk, the Group uses the hedging instruments, which are interest rate derivatives to swap interest rate exposures into either fixed or variable rates, in order to manage the risk, and limit the impact on Nordea's margins, profit or loss, and equity.

The Group designates risk component of hedged items as follows:

- benchmark interest rate risk as a component of interest rate risk, such as the LIBOR and STIBOR. Using the benchmark interest rate risk can result in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship; and
- components of cashflows of hedged items.

The benchmark rate is determined as a change in present value of the future cash flows using benchmark rate discount curves. The benchmark rate is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

In order to reduce or eliminate changes in the fair value of financial assets and financial liabilities due to movements in interest rates, Nordea enters into fair value hedge relationships by transforming the fixed interest rate risk in recognised financial assets and financial liabilities to floating with interest rate swaps.

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 assets or liabilities (i.e. notional amount, maturity, payment and reset dates). The hedged item notional amount is the core stable volume and its maturity is based on expected repricing dates, rather than contractual terms.

The below table presents the accumulated fair value adjustments arising from continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

Hedged items

	Interest rate risk	
EURm	2020	2019
Fair value hedges		
Carrying amount of hedged assets[1]	74,364	63,864
- of which accumulated amount of fair value hedge adjustment[3]	359	217
Carrying amount of hedged liabilities[2]	90,055	107,001
- of which accumulated amount of fair value hedge adjustment[3]	2,608	2,018

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 institution, Deposit and borrowing from the public, Debt securities in issue and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
3) Of which all relate to continuing portfolio hedges of interest rate risk.

The following table provides information about the hedging instruments included in the line item Derivatives on the balance sheet:

Hedging instruments

	Carrying amount		
31 Dec 2020, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	2,416	667	188,799

	Carrying amount		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	1,269	1,422	180,547

G19. Derivatives and hedge accounting, cont.

The below table presents the changes in the fair value of the hedged items and the changes in the 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	2020	2019
Fair value hedges		
Changes in fair value of hedging instruments	296	707
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–323	–688
Hedge ineffectiveness recognised in the income statement[1,2]	–27	19

1) Recognised on the row Net result from items at fair value.
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) has not been considered.

Source of ineffectiveness include the following:
i) Mismatch between the reset frequency of the swap and the benchmark frequency
ii) The fair value of the floating leg of the swap on a date other than the reset date

Cash flow hedges

For Nordea's cash flow hedge of interest rate risk relate to exposures to the variability in future interest payments and receipts due to the movement of benchmark interest rates on forecast transactions and on recognised financial assets and financial liabilities. This variability in cash flows is hedged by interest rate swaps, fixing the hedged cashflows according to Nordea's policies and risk management strategy described in Note G1, section 10, and in the Market risk section in Note G2 "Risk and Liquidity management".

There is an economic relationship between the hedged 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). Changes in the valuation of swaps that are part of effective cash flow hedge relationships are recognised in cash flow hedge reserves.

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing interest rate risk including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedging instruments

	Carrying amount		
31 Dec 2020, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	38	14	2,134

	Carrying amount		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	304	0	10,767

The below table specifies the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year.

Hedge ineffectiveness

	Interest rate risk	
EURm	2020	2019
Cash flow hedges		
Changes in fair value of hedging instruments	8	14
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–8	–14
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	8	14

1) Recognised on the row "Net result from items at fair value".
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedge reserve

	Interest rate risk	
EURm	2020	2019
Balance at 1 Jan	11	5
Cash flow hedges:		
Valuation gains/losses	8	14
Tax on valuation gains/losses	–2	–3
Transferred to the income statement	–6	–6
Tax on transfers to the income statement	1	1
Other comprehensive income, net of tax	1	6
Total comprehensive income	1	6
Balance at 31 Dec	**12**	**11**
of which relates to continuing hedges for which hedge accounting is applied	12	11
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

G19. Derivatives and hedge accounting, cont.

The maturity profile of Nordea's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) follows below:

Maturity profile of the nominal amount of hedging instruments

31 Dec 2020, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	10,698	19,668	113,978	46,589	190,933
Total	**–**	**10,698**	**19,668**	**113,978**	**46,589**	**190,933**

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	7,408	60,400	73,983	38,425	180,216
Total	**–**	**7,408**	**60,400**	**73,983**	**38,425**	**180,216**

Average rate of instruments hedging interest rate risk
The average interest rate on the fixed leg of instruments hedging interest rate risk per 31 December 2020 is 0.84% (0.78%).

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk (FX risk) from trading activities is limited through a VaR limit while FX risk from structural exposures as described below is limited through a stress loss limit for the CET1-ratio impact from FX fluctuations in a severed but plausible stress scenario (see the Market risk section in Note G2 "Risk and Liquidity management").

Nordea's issuance of credits and borrowing can be denominated in the currency of the borrower or investor. Borrowing, investing and lending are not always executed in the same currency, thus exposing Nordea to a foreign exchange risk. Differences in exposures to individual currencies that exist between different transactions are predominantly matched by entering into cross currency interest rate swaps. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

In addition to the above, Nordea also has exposure to structural foreign currency risk through its foreign operations that have a functional currency other than Nordea's presentation currency, EUR (i.e. a translation risk). Fluctuation of the spot exchange rates will cause Nordea's reported net investment in foreign operations to vary and the CET1-ratio to fluctuate from the currency mismatch between equity and Risk Exposure Amounts (REA). Nordea applies hedge accounting when it hedges its investments in fully consolidated foreign operations whose functional currency is not EUR.

For hedge accounting relationships related to currency risk, the hedged item is a foreign currency component. The hedging ratio is one-to-one and is established by matching the notional of the derivatives against the principal of the hedged item.

The currency component is determined as the change in present value of the future cash flows using foreign exchange curves. The foreign currency component is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Cash flow and net investment hedges
The below tables provide information about the hedging instruments as well as the outcome of the cash flow and net investment hedges addressing currency risks including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedging instruments

	Carrying amount		
31 Dec 2020, EURm	**Positive**	**Negative**	**Total nom. amount**
Cash flow hedges			
Foreign exchange risk	865	991	23,457
Net investment hedges			
Foreign exchange risk	128	349	6,463
Total derivatives used for hedge accounting	**993**	**1,340**	**29,920**

	Carrying amount		
31 Dec 2019, EURm	**Positive**	**Negative**	**Total nom. amount**
Cash flow hedges			
Foreign exchange risk	715	120	11,486
Net investment hedges			
Foreign exchange risk	39	207	7,358
Total derivatives used for hedge accounting	**754**	**327**	**18,844**

G19. Derivatives and hedge accounting, cont.

The below table specifies the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year.

Hedge ineffectiveness

EURm	Foreign exchange risk 2020	Foreign exchange risk 2019
Cash flow hedges		
Changes in fair value of hedging instruments	–720	138
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	720	–138
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	–720	138
Net investment hedges		
Changes in fair value of hedging instruments	117	–62
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–117	62
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	117	–62

1) Recognised on the row Net result from items at fair value.
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedge reserve

EURm	Foreign exchange risk 2020	Foreign exchange risk 2019
Balance at 1 Jan	–37	–17
Cash flow hedges:		
Valuation gains/losses	–720	138
Tax on valuation gains/losses	137	–28
Transferred to the income statement	739	–164
Tax on transfers to the income statement	–141	34
Other comprehensive income, net of tax	15	–20
Total comprehensive income	15	–20
Balance at 31 Dec	**–22**	**–37**
of which relates to continuing hedges for which hedge accounting is applied	–22	–37
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

Maturity profile of the nominal amount of hedging instruments

31 Dec 2020, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	4,138	14,182	8,690	2,910	29,920
Total	**–**	**4,138**	**14,182**	**8,690**	**2,910**	**29,920**

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	255	5,318	13,482	10,887	29,942
Total	**–**	**255**	**5,318**	**13,482**	**10,887**	**29,942**

G19. Derivatives and hedge accounting, cont.

Average rates of instruments hedging foreign exchange risk

The average forward exchange rates of instruments hedging foreign exchange risk per 31 December are presented in the table below.

31 Dec 2020	NOK	SEK	USD	RUB
EUR	10,57	10,30	1,14	90,11

31 Dec 2019	NOK	SEK	USD	RUB
EUR	10,08	10,68	1,10	71,53

The IBOR reform

The IBOR transition is a global reform with significant impact on the financial industry. It will affect a large variety of financial services and thus individuals, companies and institutions. The transition will influence products, market liquidity, risk management, data and technology infrastructure as well as financials and the balance sheet. IBORs are embedded in a vast range of financial instruments including loans, mortgages, bonds, trading product and derivative contracts.

Current expectations are that some IBORs will be replaced, while others may continue to exist but with a reformed methodology. There is currently uncertainty as to the timing and the methods of transition for the different IBORs and whether some existing benchmarks will continue to be supported. EONIA (for EUR) as well as GBP, JPY, CHF and EUR LIBOR will likely cease to exist after 2021, USD LIBOR will likely cease to exist mid 2023, while EURIBOR and the Nordic IBORs are expected to be available beyond 2021 in reformed formats.

Nordea has established an IBOR Transition Programme sponsored by the CFO and Group Treasurer to prepare and coordinate Group-wide efforts to manage the operational impacts and financial risks caused by the transition from existing IBOR rates to alternative near risk-free rates. An IBOR Transition Office is responsible for the Group-wide coordination of transition activities and reports to a Steering Committee with participation from senior management in Business Areas and Group Functions to ensure a centralised Nordea strategy and senior management steering and oversight. Business Areas and Group Functions are responsible for, and drive, the execution of changes required for a successful transition to alternative near risk-free rates.

Nordea has adopted the amendments to IFRS 7 and IAS 39 in Phase I and in the table below, nominal amounts of the hedging derivatives in scope for the relief are disclosed. Nordea has not yet adopted the amendments in Phase II.

Hedging derivatives with floating leg

Total nominal amount, EURm	31 Dec 2020	31 Dec 2019
CIBOR	13,808	9,122
STIBOR	67,020	17,810
NIBOR	20,702	12,767
EURIBOR	85,049	56,964
LIBOR	24,555	24,694
Other	–	22
Total	**211,134**	**121,379**

G20. Investments in associated undertakings and joint ventures

EURm	31 Dec 2020	31 Dec 2019
Acquisition value at beginning of year	593	1,603
Acquisitions	8	362
Sales	–8	–1,414
Share in earnings	–1	69
Share of other comprehensive income	–1	0
Dividend received	–7	–19
Translation differences	–8	–8
Acquisition value at end of year	**576**	**593**
Accumulated impairment charges at beginning of year	**–21**	**–2**
Impairment charges	–	–19
Accumulated impairment charges at end of year	**–21**	**–21**
Total	**555**	**572**

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2020	31 Dec 2019
Total assets	3,379	4,259
Net profit for the year	12	45
Other comprehensive income	–1	1
Total comprehensive income	11	46

Nordea has one material associate, Luminor Holding AS. The company is the result of the merger of Nordea's and DnB's operations in the Baltics. In 2018 the investment was classified as a joint venture as Nordea held 50.0% of the voting rights. In 2019 Nordea sold shares in Luminor and the current ownership is 19.9% of the shares in Luminor.

As communicated in connection with the announcement of the deal on 13 September 2018, Nordea and Blackstone have additionally entered into a forward sale agreement for the sale of Nordea's remaining 20 per cent stake. The forward sale is subject to certain conditions but is expected to complete over the next two financial years.

Luminor is included in the consolidated accounts of Nordea via the equity method. Luminor applies IFRS in its consolidated accounts and the balance sheet and income statements below are based on IFRS. The disclosed figures show the entire Luminor Group, not just Nordea's share. The full-year figures for 2020 were not available when this report was published.

G20. Investments in associated undertakings and joint ventures, cont.

Balance sheet Luminor Group

EURm	30 Sep 2020	30 Sep 2019
Assets		
Cash and balances with central banks	3,989	2,400
Loans to central banks and credit institutions	98	175
Loans to the public	9,627	10,760
Interest-bearing securities	292	222
Derivatives	50	74
Other assets	139	160
Total assets	**14,195**	**13,791**
Liabilities and equity		
Deposits by credit institutions	120	1,331
Deposits and borrowings from the public	11,070	9,923
Debt securities in issue	1,163	658
Derivatives	49	58
Other liabilities	146	186
Equity	1,647	1,635
Total liabilities and equity	**14,195**	**13,791**

Income statement Luminor Group

	9 months	9 months
EURm	2020	2019
Interest income	206	228
Interest expense	–36	–31
Net commission income	53	59
Net result from items at fair value	21	19
Other income	7	12
Total operating income	**251**	**287**
Staff costs	–72	–87
Other administrative expenses	–123	–123
Depreciation and amortisation	–9	–10
Net loan losses	–32	–12
Operating profit	**15**	**55**
Income tax expense	0	–5
Net profit for the year	**15**	**50**
Other comprehensive income	0	2
Total comprehensive income	**15**	**52**

Associated undertakings

31 Dec 2020	Registration number	Domicile	Carrying amount 2020, EURm	Carrying amount 2019, EURm	Voting power of holding %	Ownership %
Eksportfinans ASA	816521432	Oslo	142	153	23	23
Eiendomsverdi AS	881971682	Oslo	15	15	25	25
Suomen Luotto-osuuskunta	0201646-0	Helsinki	2	2	27	27
E-nettet Holding A/S	28308019	Copenhagen	3	3	18	18
Mandrague Capital Partners AB	556854-2780	Stockholm	0	14	–	40
Trill Impact AB	559196-0827	Stockholm	9	–	6	40
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	–	8	–	–
NF Fleet Oy	2006935-5	Espoo	9	9	20	20
NF Fleet AB	556692-3271	Stockholm	6	6	20	20
NF Fleet A/S	29185263	Copenhagen	6	4	20	20
NF Fleet AS	988906808	Oslo	3	3	20	20
Bankomat AB	556817-9716	Stockholm	8	8	20	20
Luminor Holding AS	14723133	Estonia	333	327	20	20
P27Nordic Payments Platform AB[1]	559198-9610	Stockholm	–	11	–	–
Mondido Payments AB	556960-7129	Stockholm	4	4	14	14
Financial Transaction Service B.V.	68914016	Amsterdam	5	–	19	15
Invidem AB (former Nordic KYC Utility AB)[1]	559210-0779	Stockholm	–	2	–	–
Subaio ApS	37766585	Aalborg	1	1	25	25
Other			2	2		
Total			**548**	**572**		

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2020	31 Dec 2019
Total assets	12	–
Net profit for the year	1	–
Total comprehensive income	**1**	**–**

G20. Investments in associated undertakings and joint ventures, cont.

Joint ventures

	Registration number	Domicile	Carrying amount 2020, EURm	Carrying amount 2019, EURm	Voting power of holding %	Ownership %	Average number of FTE
Siirto Brand Oy	3102648-1	Helsinki	1	–	50	50	–
Invidem AB (former Nordic KYC Utility AB)[1]	559210-0779	Stockholm	2	–	17	17	18
P27Nordic Payments Platform AB[1]	559198-9610	Stockholm	7	–	17	17	28
Total			**7**	**–**			
Total associated undertakings and joint ventures			**555**	**572**			

1) Reclassified to Joint ventures during the year.

For information about investments in group undertakings and companies in which Nordea has unlimited responsibility, see Note P20 "Investments in group undertakings".

G21. Intangible assets

Cash-generating units, EURm	Goodwill[1] 31 Dec 2020	Computer software 31 Dec 2020	Total 31 Dec 2020	Goodwill[1] 31 Dec 2019	Computer software 31 Dec 2019	Total 31 Dec 2019
Personal Banking	1,040	588	1,628	1,055	780	1,835
Business Banking	732	536	1,268	741	440	1,181
Large Corporates & Institutions	166	352	518	173	247	420
Asset & Wealth Management	–	192	192	–	124	124
Total	**1,938**	**1,668**	**3,606**	**1,969**	**1,591**	**3,560**
Other intangible assets	–	–	165	–	–	135
Total intangible assets	**1,938**	**1,668**	**3,771**	**1,969**	**1,591**	**3,695**

1) Excluding goodwill in associated undertakings.

Movements in goodwill, EURm	31 Dec 2020	31 Dec 2019
Acquisition value at beginning of year	2,110	1,958
Acquisitions	15	150
Translation differences	–46	2
Acquisition value at end of year	**2,079**	**2,110**
Accumulated impairment charges at beginning of year	–141	–142
Translation differences	0	1
Accumulated impairment charges at end of year	**–141**	**–141**
Total	**1,938**	**1,969**

Movements in computer software, EURm	31 Dec 2020	31 Dec 2019
Acquisition value at beginning of year	2,782	2,788
Acquisitions	351	437
Sales/disposals	–574	–441
Transfers/reclassifications	–	14
Translation differences	21	–16
Acquisition value at end of year	**2,580**	**2,782**
Accumulated amortisation at beginning of year	–606	–548
Amortisation according to plan	–246	–246
Accumulated amortisation on sales/disposals	160	197
Transfers/reclassifications	–	–10
Translation differences	–6	1
Accumulated amortisation at end of year	**–698**	**–606**
Accumulated impairment charges at beginning of year	–585	–73
Accumulated impairment charges on sales/disposals	414	244
Impairment charges	–45	–742
Translation differences	2	–14
Accumulated impairment charges at end of year	**–214**	**–585**
Total	**1,668**	**1,591**

G21 . Intangible assets, cont.

Impairment testing of goodwill and computer software

A cash-generating unit, defined as the operating segment, is the basis for the impairment test.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

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

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

	Discount rate[1]		Growth rate	
%	2020	2019	2020	2019
Sweden	5.6	6.4	1.5	1.8
Denmark	5.2	6.2	1.3	1.3
Finland	5.9	6.9	1.3	1.3
Norway	6.5	7.9	1.5	1.8

1) Post-tax.

The impairment tests conducted in 2020 did not indicate any need for goodwill impairment. See also Note G1 "Accounting policies" section 4 for more information.

Both an increase in the discount rate of 1 percentage point and 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.

During the year Nordea recognised an impairment of non-core IT-systems following a decision to decommission or replace the functionality. The impairment amounted to EUR 45m and was recognised in Group Business Support, which is included in Group Functions in the reconciliation between total operating segments and financial statements in the segment reporting in Note G3. The carrying amounts after impairment for the IT assets are disclosed per CGU in the table above, based on the receiving unit.

G22. Properties and equipment

	31 Dec 2020			31 Dec 2019		
EURm	Owned	Right of use assets	Total	Owned	Right of use assets	Total
Equipment	424	15	439	447	19	466
Land and buildings	48	1,444	1,492	49	1,487	1,536
Total	**472**	**1,459**	**1,931**	**496**	**1,506**	**2,002**
Equipment						
Acquisition value at beginning of year	1,358	26	1,384	1,340	–	1,340
Adjustments to opening balance	–	–	–	2	8	10
Acquisitions	69	9	78	67	19	86
Sales/disposals	–60	–2	–62	–32	–1	–33
Transfers/reclassifications	–	–	–	–19	–	–19
Translation differences	–6	0	–6	0	0	0
Acquisition value at end of year	**1,361**	**33**	**1,394**	**1,358**	**26**	**1,384**
Accumulated depreciation at beginning of year	–895	–7	–902	–829	–	–829
Adjustments to opening balance	–	–	–	–2	–	–2
Accumulated depreciation on sales/disposals	44	2	46	18	0	18
Transfers/reclassifications	–	–	–	18	–	18
Depreciation according to plan	–84	–11	–95	–99	–7	–106
Translation differences	5	–2	3	–1	0	–1
Accumulated depreciation at end of year	**–930**	**–18**	**–948**	**–895**	**–7**	**–902**
Accumulated impairment charges at beginning of year	–16	–	–16	–5	–	–5
Accumulated impairment charges on sales/disposals	8	–	8	–	–	–
Impairment charges	0	–	0	–11	–	–11
Translation differences	1	–	1	0	–	0
Accumulated impairment charges at end of year	**–7**	**–**	**–7**	**–16**	**–**	**–16**
Total	**424**	**15**	**439**	**447**	**19**	**466**
Land and buildings						
Acquisition value at beginning of year	55	1,667	1,722	44	–	44
Adjustments to opening balance	–	–	–	–	1,515	1,515
Acquisitions	–	165	165	3	167	170
Sales/disposals	–3	–59	–62	0	–16	–16
Reclassifications	–	–	–	8	–	8
Translation differences	–1	1	0	0	1	1
Acquisition value at end of year	**51**	**1,774**	**1,825**	**55**	**1,667**	**1,722**
Accumulated depreciation at beginning of year	–5	–164	–169	–3	–	–3
Adjustments to opening balance	–	–	–	–	–2	–2
Accumulated depreciation on sales/disposals	2	18	20	0	6	6
Depreciation according to plan	0	–160	–160	–2	–167	–169
Translation differences	0	–1	–1	0	–1	–1
Accumulated depreciation at end of year	**–3**	**–307**	**–310**	**–5**	**–164**	**–169**
Accumulated impairment charges at beginning of year	–1	–16	–17	–1	–	–1
Impairment charges	–	–7	–7	–	–16	–16
Translation differences	1	0	1	0	0	0
Accumulated impairment charges at end of year	**0**	**–23**	**–23**	**–1**	**–16**	**–17**
Total	**48**	**1,444**	**1,492**	**49**	**1,487**	**1,536**

G23. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G14) in an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

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

EURm	31 Dec 2020	31 Dec 2019
Gross investments	10,155	6,803
Less unearned finance income	–982	–797
Net investments in finance leases	**9,173**	**6,006**
Less unguaranteed residual values accruing to the benefit of the lessor	–6	–3
Present value of future minimum lease payments receivable[1]	**9,167**	**6,003**
Accumulated allowance for uncollectible minimum lease payments receivable	–23	–11

1) Of which EUR 3,197m is related to the acquisition of Nordea Finance Equipment AS.

In Finance lease contracts the residual value risk is carried by the vendor or by the lessee according to the terms of the contract.

As of 31 December 2020 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2020	
EURm	Gross investment	Net investment
2021	2,848	2,559
2022	2,506	2,237
2023	2,245	2,025
2024	1,469	1,342
2025	565	524
Later years	522	486
Total	**10,155**	**9,173**

Operating leases

Assets subject to operating leases mainly comprise machinery and equipment. On the balance sheet they are reported as "Properties and equipment".

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

EURm	31 Dec 2020	31 Dec 2019
2020	–	1
2021	1	0
2022	0	0
2023	–	–
2024	–	–
2025	–	–
Later years	–	–
Total	**1**	**1**

Nordea as a lessee

EURm	2020	2019
Expense related to short-term leases	–12	–12
Expense related to low-value leases	0	–1
Expense related to variable payments	–32	–31
Interest expense	–11	–12
Sublease income	2	3
Total cash outflow on leases	–199	–196

Contractual maturity of undiscounted cash flows, lease liabilities

EURm	31 Dec 2020	31 Dec 2019
Less than one year	150	145
1–2 years	132	128
2–5 years	253	271
5–10 years	282	258
10–15 years	263	270
15–20 years	208	229
20–25 years	40	27
More than 25 years	–	–
Total	**1,328**	**1,328**

Other lease disclosures

See Note G22 "Properties and equipment" for further information related to Right of use assets.

See Note G44 "Maturity analysis for assets and liabilities" for further infromation on the maturity profile.

The lease liability does not include the future estimated cash flows for significant committed leases that have not yet commenced amounting to approximately EUR 100m.

Nordea operates in leased premises. The premises are mainly divided into head-office contracts, banking branches and other contracts.

The head office contracts in the different Nordic countries generally have fixed lease terms of 10–25 years. Usually these contracts have either continuation options or they are automatically continued unless separately terminated at the end of the lease term.

Banking branch contracts generally either have fixed lease terms of 1–10 years or are without an end date with the right to terminate. The termination clauses are generally 6–24 months. The main principle is that the premises contracts do not contain purchase options. The company car contracts generally have a fixed lease term of less than 5 years.

G24. Investment properties

EURm	31 Dec 2020	31 Dec 2019
Carrying amount at beginning of year	1,585	1,607
Acquisitions	129	102
Sales/disposals	–188	–157
Fair value adjustments	42	42
Transfers/reclassifications	–	–10
Translation differences	–33	1
Carrying amount at end of year	**1,535**	**1,585**

Amounts recognised in the income statement[1]

EURm	2020	2019
Fair value adjustments[2]	55	74
Rental income	58	69
Direct operating expenses that generate rental income	–17	–18
Direct operating expenses that did not generate rental income	–1	–1
Total	**95**	**124**

1) Included in Net result from items at fair value.
2) Including also fair value adjustments on investment properties presented as "Assets in pooled schemes and unit-linked investments contracts" on the balance sheet.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see Note G41 "Assets and liabilities at fair value".

G25. Other assets

EURm	31 Dec 2020	31 Dec 2019
Claims on securities settlement proceeds	948	1,366
Cash/margin receivables	10,591	9,978
Other	1,810	1,199
Total	**13,349**	**12,543**

G26. Prepaid expenses and accrued income

EURm	31 Dec 2020	31 Dec 2019
Accrued income	345	372
Prepaid expenses	292	339
Total	**637**	**711**

G27. Deposits by credit institutions

EURm	31 Dec 2020	31 Dec 2019
Central banks	15,657	11,409
Banks	7,103	17,570
Other credit institutions	1,179	3,325
Total	**23,939**	**32,304**

G28. Deposits and borrowings from the public

EURm	31 Dec 2020	31 Dec 2019
Deposits[1]	182,064	166,426
Repurchase agreements	1,367	2,299
Total	**183,431**	**168,725**

1) Deposits related to individual pension savings (IPS) are also included.

G29. Liabilities to policyholders

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investment contracts.

Insurance contract consists of Life insurance provisions and other insurance related items.

EURm	31 Dec 2020	31 Dec 2019
Traditional life insurance provisions	6,167	6,304
- of which guaranteed provisions	6,079	6,222
- of which non-guaranteed provisions	88	82
Collective bonus potential	2,001	2,113
Unit-linked insurance provisions	7,070	6,978
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	7,070	6,978
Insurance claims provision	468	461
Provisions, Health & personal accident	86	72
Total Insurance contracts	**15,792**	**15,928**
Investment contracts	2,386	3,318
- of which guaranteed provisions	2,386	3,318
- of which non-guaranteed provisions	–	–
Total	**18,178**	**19,246**

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies methodology on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies.

G29. Liabilities to policyholders, cont.

31 Dec 2020, 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	**6,304**	**2,113**	**6,978**	**461**	**72**	**3,318**	**19,246**
Gross premiums written	62	–	294	–	–	134	490
Transfers	40	–	–43	–	–	–1,017	–1,020
Addition of interest/investment return	185	–	362	–	–	141	688
Claims and benefits	–266	–	–472	8	–	–235	–965
Expense loading including addition of expense bonus	–23	–	–38	–	–	–26	–87
Change in provisions/bonus potential	–2	–135	138	–	16	–	17
Other	149	–	–123	–	–	32	58
Translation differences	–282	23	–26	–1	–2	39	–249
Provisions/bonus potentials, end of year	**6,167**	**2,001**	**7,070**	**468**	**86**	**2,386**	**18,178**
Provision relating to bonus schemes/ discretionary participation feature:	98%					100%	

31 Dec 2019, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**6,187**	**1,937**	**6,375**	**433**	**69**	**3,229**	**18,230**
Gross premiums written	87	–	441	–	–	156	684
Transfers	40	–	–43	–	–	–56	–59
Addition of interest/investment return	273	–	1,740	–	–	540	2,553
Claims and benefits	–280	–	–806	28	–	–234	–1,292
Expense loading including addition of expense bonus	–25	–	–41	–	–	–28	–94
Change in provisions/bonus potential	–298	200	98	–	3	–	3
Other	272	–	–790	–	–	–249	–767
Translation differences	48	–24	4	–	–	–40	–12
Provisions/bonus potentials, end of year	**6,304**	**2,113**	**6,978**	**461**	**72**	**3,318**	**19,246**
Provision relating to bonus schemes/ discretionary participation feature:	98%					69%	

Insurance risks

Insurance risk is described in Note G2 "Risk and Liquidity management". Additional quantitative information is found below.

Life insurance risk and market risks in the Life insurance operations, Sensitivities

	31 Dec 2020		31 Dec 2019	
Sensitivities, EURm	Effect on policyholders' liabilities[1]	Effect on Nordea's equity[2]	Effect on policyholders' liabilities[1]	Effect on Nordea's equity[2]
Mortality – increase in life span of 1 year	23.4	–18.3	23.0	–17.7
Mortality – decrease in life span of 1 year	–0.3	0.3	–0.1	0.1
Disability – 10% increase	8.7	–6.8	8.3	–6.5
Disability – 10% decrease	–6.2	4.9	–5.7	4.4
50 bp increase in interest rates	–297.4	6.3	–286.0	6.7
50 bp decrease in interest rates	299.0	–6.3	287.3	–6.7
12% decrease in all share prices	–853.2	–0.1	–828.7	–0.1
8% decrease in property value	–117.4	–0.3	–114.8	–0.5
8% loss on counterparts	–0.1	0.0	–0.5	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decreases.

G29. Liabilities to policyholders, cont.

Liabilities to policyholders by guarantee levels (technical interest rate)

31 Dec 2020, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,160	396	2,954	2,170	1,973	970	15,623

31 Dec 2019, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,060	1,426	2,827	2,228	2,170	889	16,600

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guarantees	Yes
Unit-linked	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

G30. Debt securities in issue

EURm	31 Dec 2020	31 Dec 2019
Certificates of deposit	23,426	22,094
Commercial papers	10,227	22,192
Covered bonds	113,043	115,361
Senior Non Preferred bonds	2,651	2,732
Senior unsecured bonds	24,922	31,307
Other	40	40
Total	**174,309**	**193,726**

G31. Other liabilities

EURm	31 Dec 2020	31 Dec 2019
Liabilities on securities settlement proceeds	1,083	921
Sold, not held, securities	8,103	9,111
Accounts payable	149	151
Cash/margin payables	6,133	4,675
Lease liabilities	1,233	1,225
Other	4,640	3,785
Total	**21,341**	**19,868**

G32. Accrued expenses and prepaid income

EURm	31 Dec 2020	31 Dec 2019
Accrued expenses	1,184	1,262
Prepaid income	220	214
Total	**1,404**	**1,476**

G33. Provisions

EURm	31 Dec 2020	31 Dec 2019
Restructuring	245	304
Guarantees/commitments	236	144
Other	115	122
- of which AML related matters	95	95
Total	**596**	**570**

Provisions for restructuring costs have been utilised by EUR 138m in 2020, and an increase of EUR 83m has been accounted for. The provision is related to staff restructuring (EUR 200m) and premises related obligations (EUR 45m). The staff related provision is related to the new Group business plan, including new financial targets. These activities were largely initiated already in 2019, but have continued also in 2020. Approximately EUR 150m of the EUR 245m is expected to be utilised in 2021. Staff related activities are expected to be executed on during 2021, but payments are expected to extend to 2022. Like for any other provision, there is uncertainty surrounding timing and amount. The uncertainty is expected to decrease as the plans are executed.

Loan loss provisions on off-balance sheet items amount to EUR 236m (EUR 144m). More information on these provisions can be found in Note G2 “Risk and Liquidity management”.

The provision related to AML related matters (EUR 95m) remains unchanged compared with 2019.

	Restructuring		Other	
EURm	2020	2019	2020	2019
At beginning of year	304	193	122	7
New provisions made	83	246	21	124
Provisions utilised	–138	–117	–3	–5
Reversals	–3	0	–25	–4
Reclassifications	0	–16	0	0
Translation differences	–1	–2	0	0
At end of year	**245**	**304**	**115**	**122**

G34. Retirement benefit obligations

EURm	31 Dec 2020	31 Dec 2019
Retirement benefit assets	144	173
Retirement benefit liabilities	365	439
Net liability (–)/asset (+)	**–221**	**–266**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 ensures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislation, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service-based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants; new employees are offered DCPs.

DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation.

In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway, plan assets are also held in a separate pension fund.

In Finland, Nordea provides additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation.

Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full, with a predefined surplus or alternatively safeguarded by a credit insurance contract (Sweden only). Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are performed to monitor the likely level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), inflation, salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions.

Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on different actuarial assumptions.

Assumptions[1]

	Swe	Nor	Fin	Den	UK
2020					
Discount rate[2]	1.06%	1.80%	0.15%	0.31%	1.29%
Salary increase	2.50%	1.75%	1.75%	2.25%	–
Inflation	1.50%	1.50%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
2019					
Discount rate[2]	1.39%	2.20%	0.60%	0.76%	1.82%
Salary increase	2.75%	2.75%	1.75%	2.25%	–
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 2020 have an impact on the liability calculation by year-end 2020, while the assumptions disclosed for 2019 are used for calculating the pension expense in 2020.
2) More information on the discount rate can be found in Note G1 "Accounting policies", section 24. The sensitivities to changes in the discount rate are provided below.
3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.
4) With CMI_2019 projections for 2020 calculations and CMI_2018 projections for 2019 calculations.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den	UK
Discount rate – Increase 50bp	–11.2%	–8.1%	–6.4%	–4.9%	–8.7%
Discount rate – Decrease 50bp	11.8%	9.2%	7.1%	5.3%	10.0%
Salary increase – Increase 50bp	3.0%	0.4%	0.4%	4.7%	–
Salary increase – Decrease 50bp	–2.6%	–0.3%	–0.3%	–4.4%	–
Inflation – Increase 50bp	10.8%	8.4%	5.2%	–	1.4%
Inflation – Decrease 50bp	–9.6%	–8.0%	–4.8%	–	–1.2%
Mortality – Increase 1 year	6.4%	3.8%	4.9%	6.4%	5.0%
Mortality – Decrease 1 year	–6.0%	–5.0%	–4.8%	–6.2%	–4.8%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach because the actuarial assumptions are usually correlated. However, it enables isolating one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. The sensitivity analysis includes the impact on the liabilities held for future SWT (special wage tax) or SSC (social security contributions) in Sweden and Norway, respectively.

As all pensions in Denmark are salary-indexed, inflation has no impact on the DBO in Denmark.

G34. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2020	Nor 2020	Fin 2020	Den 2020	UK 2020	Total 2020	Total 2019
Obligations	2,058	796	806	103	108	3,871	3,790
Plan assets	1,867	679	847	127	130	3,650	3,524
Net liability(–)/asset(+)	**–191**	**–117**	**41**	**24**	**22**	**–221**	**–266**
- of which retirement benefit assets	2	45	48	27	22	144	173
- of which retirement benefit liabilities	193	162	7	3	–	365	439

Movements in the obligation

2020, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,993	796	791	102	108	3,790
Current service cost	30	4	3	–	–	37
Interest cost	27	16	4	1	2	50
Pensions paid	–68	–28	–44	–6	–6	–152
Past service cost and settlements	3	–	7	–	–	10
Remeasurement from changes in demographic assumptions	–	–	–	0	0	0
Remeasurement from changes in financial assumptions	31	45	48	5	10	139
Remeasurement from experience adjustments	–26	–5	–3	1	–	–33
Acquisitions	–	9	–	–	–	9
Translation differences	87	–47	–	0	–6	34
Change in provision for SWT/SSC[1]	–19	6	–	–	–	–13
Closing balance	**2,058**	**796**	**806**	**103**	**108**	**3,871**
- of which relates to the active population	26%	10%	12%	–	–	19%

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,840	744	722	96	92	3,494
Current service cost	28	4	3	–	–	35
Interest cost	38	21	10	2	3	74
Pensions paid	–68	–37	–39	–6	–4	–154
Past service cost and settlements	4	–7	2	–	–	–1
Remeasurement from changes in demographic assumptions	–	–	0	–1	–1	–2
Remeasurement from changes in financial assumptions	210	71	95	9	14	399
Remeasurement from experience adjustments	–33	–13	–2	2	–	–46
Translation differences	–35	9	–	0	4	–22
Change in provision for SWT/SSC[1]	9	4	–	–	–	13
Closing balance	**1,993**	**796**	**791**	**102**	**108**	**3,790**
- of which relates to the active population	26%	11%	13%	–	–	19%

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 19 (20) years in Sweden, 15 (15) years in Norway, 13 (14) years in Finland, 11 (11) years in Denmark and 19 (20) years in the UK, based on discounted cash flows. The fact of all DBPs now being closed to new entrants gives a lower duration.

G34. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2020, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,710	710	845	126	133	3,524
Interest income (calculated using the discount rate)	24	14	5	1	2	46
Pensions paid	–	–20	–45	–6	–5	–76
Contributions by employer	1	2	0	2	–	5
Remeasurement (actual return less interest income)	53	15	42	4	8	122
Translation differences	79	–42	–	0	–8	29
Closing balance	**1,867**	**679**	**847**	**127**	**130**	**3,650**

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,604	681	824	122	111	3,342
Interest income (calculated using the discount rate)	34	19	13	2	3	71
Pensions paid	0	–19	–39	–6	–4	–68
Contributions by employer	–	4	–31	2	–	–25
Remeasurement (actual return less interest income)	105	18	78	6	17	224
Translation differences	–33	7	–	0	6	–20
Closing balance	**1,710**	**710**	**845**	**126**	**133**	**3,524**

Asset composition

The combined return on assets in 2020 was 4.8% (8.8%). Despite challenging asset returns, particularly in equities, strong performance of fixed income assets and interest rate hedging instruments led to a positive total return. At the end of the year, the equity exposure in Nordea´s pension funds/ foundations represented 19% (19%) of total assets.

The Group expects to contribute EUR 2m to its defined benefit plans in 2021.

Asset composition in funded schemes

%	Swe 2020	Nor 2020	Fin 2020	Den 2020	UK 2020	Total 2020	Total 2019
Bonds	78%	62%	62%	64%	88%	71%	74%
- sovereign	38%	38%	31%	37%	88%	38%	41%
- covered bonds	24%	18%	9%	27%	–	18%	18%
- corporate bonds	16%	6%	22%	–	–	15%	15%
- issued by Nordea entities	*2%*	*5%*	–	–	–	*2%*	*2%*
- with quoted market price in an active market	*78%*	*62%*	*62%*	*64%*	*88%*	*71%*	*74%*
Equity	19%	21%	19%	10%	12%	19%	19%
- domestic	4%	4%	4%	10%	4%	5%	5%
- European	4%	6%	5%	–	1%	4%	4%
- US	4%	6%	5%	–	5%	5%	5%
- emerging	3%	5%	5%	–	2%	3%	4%
- private equity	4%	–	–	–	–	2%	0%
- Nordea shares	–	–	–	–	–	*0%*	*0%*
- with quoted market price in an active market	*15%*	*21%*	*19%*	*10%*	*12%*	*17%*	*19%*
Real estate[1]	–	15%	15%	–	–	6%	6%
- occupied by Nordea	–	–	*5%*	–	–	*1%*	*1%*
Interest rate swaps	2%	0%	–	–	–	1%	0%
Insurance contracts	–	–	2%	7%	–	1%	0%
Cash and cash equivalents	1%	2%	2%	19%	0%	2%	1%

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

G34. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 61m (EUR 46m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G8 "Staff costs").

Recognised in the income statement

2020, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	30	4	3	–	–	37
Net interest	3	2	–1	0	0	4
Past service cost and settlements	3	–	7	–	–	10
SWT/SSC[1]	9	1	–	–	–	10
Pension cost on defined benefit plans (expense+/ income–)	**45**	**7**	**9**	**0**	**0**	**61**
2019, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Current service cost	28	4	3	–	–	35
Net interest	4	2	–3	0	0	3
Past service cost and settlements	4	–7	2	–	–	–1
SWT/SSC[1]	9	0	–	–	–	9
Pension cost on defined benefit plans (expense+/ income–)	**45**	**–1**	**2**	**0**	**0**	**46**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost in 2019, excluding past service cost and related SWT and SSC, the pension cost remained largely unchanged in 2020.

Recognised in other comprehensive income

2020, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	–	–	0	0	0
Remeasurement from changes in financial assumptions	31	45	48	5	10	139
Remeasurement from experience adjustments	–26	–5	–3	1	–	–33
Remeasurement of plan assets (actual return less interest income)	–53	–15	–42	–4	–8	–122
SWT/SSC[1]	–11	5	–	–	–	–6
Pension cost on defined benefit plans (expense+/income–)	**–59**	**30**	**3**	**2**	**2**	**–22**
2019, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Remeasurement from changes in demographic assumptions	–	–	0	–1	–1	–2
Remeasurement from changes in financial assumptions	210	71	95	9	14	399
Remeasurement from experience adjustments	–33	–13	–2	2	–	–46
Remeasurement of plan assets (actual return less interest income)	–105	–18	–78	–6	–17	–224
SWT/SSC[1]	17	8	–	–	–	25
Pension cost on defined benefit plans (expense+/income–)	**89**	**48**	**15**	**4**	**–4**	**152**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

G34. Retirement benefit obligations, cont.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Furthermore, the scheme allows employees to continue working while receiving AFP without this affecting their pension rights. The plan is founded on the basis of a tripartite cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense for the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms pay to the plan is determined to be sufficient to cover on-going pension expenses and provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2020 was 2.5% of employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The premium is calculated based on the average wages and average base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2020 amount to EUR 3m. Payments into the plan in 2020 covered 2,373 employees. The premium rate for 2020 will be 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premiums in 2021 amount to EUR 3m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. Consequently, the employer members have joint responsibility for two thirds of the pensions payable to employees who, at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or the withdrawal of entities from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 7m (EUR 7m) at the end of the year. These obligations are largely covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2020 were EUR 0m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G8 "Staff costs".

G35. Subordinated liabilities

EURm	31 Dec 2020	31 Dec 2019
Additional Tier 1	1,893	2,409
Tier 2	5,048	7,410
Total	**6,941**	**9,819**

For more information, see Note P34 "Subordinated liabilities".

G36. Assets pledged as security for own liabilities

EURm	31 Dec 2020	31 Dec 2019
Assets pledged for own liabilities		
Securities etc	5,759	24,458
Loans to the public	156,029	146,615
Other assets pledged	14,576	12,922
Total	**176,364**	**183,995**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	13,351	12,178
Deposits and borrowings from the public	3,050	5,569
Derivatives	10,804	4,676
Debt securities in issue	117,322	113,283
Other liabilities and commitments	2,497	2,464
Total	**147,024**	**138,170**

Assets recognised on the balance sheet and pledged as securities for Nordea's own liabilities are disclosed as "Assets pledged as securities for own liabilities". Assets recognised on the balance sheet and pledged for other than own liabilities are reported in Note G37 "Other assets pledged". Securities borrowed and then used as collateral are reported 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 relate to certificates of deposits pledged by Nordea to comply with authority requirements.

G37. Other assets pledged

Assets recognised on the balance sheet and pledged on behalf of other items than Nordea's liabilities are disclosed as "Other assets pledged". Assets recognised on the balance sheet and pledged for own liabilities are disclosed in Note G36 "Assets pledged as securities for own liabilities". Securities borrowed and then used as collateral are reported in Note G43 "Transferred assets and obtained collaterals".

Other assets pledged are mainly related to securities, which include interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions in the amount of EUR 267m (EUR 20m). From 2020 only securities that are pledged for overnight liquidity are disclosed (pledged securities for intraday liquidity are excluded). Comparative figures have been restated. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities is also accounted for under this item.

G38. Contingent liabilities

EURm	31 Dec 2020	31 Dec 2019
Guarantees		
- Loan guarantees	3,521	2,791
- Other guarantees	14,802	13,855
Documentary credits	1,011	1,146
Other contingent liabilities	13	0
Total	**19,347**	**17,792**

In its normal business, Nordea issues various forms of guarantees in favour of its customers. Loan guarantees are given for customers to guarantee obligations in other credit and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export-related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank's services and support Nordea´s customers. Guarantees and documentary credits are off-balance-sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received. The table above includes all issued guarantees, also those for which the possibility of an outflow of resources is considered remote.

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity of managing directors or board member in group undertakings of Nordea Bank Abp.

Nordea Bank Abp has undertaken to indemnify the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations from third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board of Directors decides otherwise on a case-by-case basis. The indemnity is secondary to any other insurance coverage.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G8 "Staff costs".

Claims in civil lawsuits and possible fines

Within the framework of its normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak anti-money laundering processes and procedures in the past. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea cannot exclude the possibility of fines, which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. See also Note G2 "Risk and Liquidity management" and Note G33 "Provisions".

G39. Commitments

EURm	31 Dec 2020	31 Dec 2019
Unutilised overdraft facilities	32,859	28,871
Loan commitments	55,932	46,459
Future payment obligations	325	222
Other commitments	1,444	1,511
Total	**90,560**	**77,063**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on the settlement date. Nordea has as per 31 December 2020 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On the settlement date, these reverse repurchase agreements will, as far as possible, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2020. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information on credit commitments, see Note G1 "Accounting policies", section 26, about derivatives, see Note G19 "Derivatives and Hedge accounting" and about reverse repurchase agreements, see Note G43 "Transferred assets and obtained collaterals".

G40. Classification of financial instruments

Assets

31 Dec 2020, 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)			
Cash and balances with central banks	32,955	–	–	–	–	32,955
Loans to central banks	2,965	158	–	–	–	3,123
Loans to credit institutions	1,441	1,682	–	–	–	3,123
Loans to the public	256,989	72,776	–	–	–	329,765
Interest-bearing securities	3,293	21,960	4,216	33,040	–	62,509
Financial instruments pledged as collateral	–	3,109	–	686	–	3,795
Shares	–	12,649	–	–	–	12,649
Assets in pooled schemes and unit-linked investment contracts	–	35,908	215	–	361	36,484
Derivatives	–	44,770	–	–	–	44,770
Fair value changes of the hedged items in portfolio hedge of interest rate risk	359	–	–	–	–	359
Investments in associated undertakings and joint ventures	–	–	–	–	555	555
Intangible assets	–	–	–	–	3,771	3,771
Properties and equipment	–	–	–	–	1,931	1,931
Investment properties	–	–	–	–	1,535	1,535
Deferred tax assets	–	–	–	–	406	406
Current tax assets	–	–	–	–	300	300
Retirement benefit assets	–	–	–	–	144	144
Other assets	1,425	11,220	–	–	704	13,349
Prepaid expenses and accrued income	292	–	–	–	345	637
Total	**299,719**	**204,232**	**4,431**	**33,726**	**10,052**	**552,160**

Liabilities

31 Dec 2020, 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)		
Deposits by credit institutions	21,070	2,869	–	–	23,939
Deposits and borrowings from the public	180,590	2,841	–	–	183,431
Deposits in pooled schemes and unit-linked investment contracts	–	–	37,534	–	37,534
Liabilities to policyholders	–	–	2,386	15,792	18,178
Debt securities in issue	118,102	–	56,207	–	174,309
Derivatives	–	47,033	–	–	47,033
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,608	–	–	–	2,608
Current tax liabilities	–	–	–	305	305
Other liabilities[1]	4,748	14,755	–	1,838	21,341
Accrued expenses and prepaid income	222	–	–	1,182	1,404
Deferred tax liabilities	–	–	–	436	436
Provisions	–	–	–	596	596
Retirement benefit liabilities	–	–	–	365	365
Subordinated liabilities	6,941	–	–	–	6,941
Total	**334,281**	**67,498**	**96,127**	**20,514**	**518,420**

1) Of which lease liabilities classified into the category Amortised cost EUR 1,233m.

G40. Classification of financial instruments, cont.

Assets

31 Dec 2019, 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)			
Cash and balances with central banks	35,509	–	–	–	–	35,509
Loans to central banks	5,889	3,318	–	–	–	9,207
Loans to credit institutions	5,727	2,792	–	–	–	8,519
Loans to the public	245,527	77,564	–	–	–	323,091
Interest-bearing securities	3,489	28,460	4,088	28,893	–	64,930
Financial instruments pledged as collateral	–	6,265	–	886	–	7,151
Shares	–	14,184	–	–	–	14,184
Assets in pooled schemes and unit-linked investment contracts	–	30,324	169	–	306	30,799
Derivatives	–	39,111	–	–	–	39,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	217	–	–	–	–	217
Investments in associated undertakings and joint ventures	–	–	–	–	572	572
Intangible assets	–	–	–	–	3,695	3,695
Properties and equipment	–	–	–	–	2,002	2,002
Investment properties	–	–	–	–	1,585	1,585
Deferred tax assets	–	–	–	–	487	487
Current tax assets	–	–	–	–	362	362
Retirement benefit assets	–	–	–	–	173	173
Other assets	1,079	10,778	–	–	686	12,543
Prepaid expenses and accrued income	339	–	–	–	372	711
Total	**297,776**	**212,796**	**4,257**	**29,779**	**10,240**	**554,848**

Liabilities

31 Dec 2019, 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)		
Deposits by credit institutions	23,330	8,974	–	–	32,304
Deposits and borrowings from the public	164,027	4,698	–	–	168,725
Deposits in pooled schemes and unit-linked investment contracts	–	–	31,859	–	31,859
Liabilities to policyholders	–	–	3,318	15,928	19,246
Debt securities in issue	135,223	–	58,503	–	193,726
Derivatives	–	42,047	–	–	42,047
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,018	–	–	–	2,018
Current tax liabilities	–	–	–	742	742
Other liabilities[1]	4,634	14,153	–	1,081	19,868
Accrued expenses and prepaid income	215	–	–	1,261	1,476
Deferred tax liabilities	–	–	–	481	481
Provisions	–	–	–	570	570
Retirement benefit liabilities	–	–	–	439	439
Subordinated liabilities	9,819	–	–	–	9,819
Total	**339,266**	**69,872**	**93,680**	**20,502**	**523,320**

1) Of which lease liabilities classified into the category Amortised cost EUR 1,225m.

G40. Classification of financial instruments, cont.

Financial assets designated at fair value through profit or loss

EURm	2020	2019
Carrying amount per end of year	4,431	4,257
Maximum exposure to credit risk per end of year	4,431	4,257

Assets designated at fair value through profit or loss (fair value option) consist of all assets in Nordea Life and Pension held under investment contracts, EUR 4,216m (EUR 4,088m). Also, assets in pooled schemes and unit-linked investment contracts in Life, EUR 215m (EUR 169m), are designated at fair value through profit or loss. For more information see Note G1 section 13. Nordea does not disclose the effect of changes in credit risk on the fair values of these assets and the fair value change in related credit derivatives; as such, changes in value will directly result in essentially the same change in the carrying amount of the corresponding liabilities to policyholders. There is thus no significant impact on the income statement or equity due to changes in credit risk of these assets in Life. For this reason Nordea does not either disclose the nominal amount of credit derivatives used to mitigate the maximum exposure to credit risk per end of the year.

Financial liabilities designated at fair value through profit or loss consist of issued bonds in the Danish group undertakings Nordea Kredit Realkreditaktieselskab, EUR 54,411m (EUR 55,766m), issued structured bonds in Markets operation, EUR 1,796m (EUR 2,737m), deposits linked to the investment return of separate assets, EUR 4,421m (EUR 4,377m) and investment contracts and pooled schemes in Life, EUR 35,499m (EUR 30,800m). For issued structured bonds in Markets, changes in fair value due to changes in own credit risk are recognised in other comprehensive income and Nordea calculates the change in own credit spread based on the change in Nordea's funding spread by assuming the liquidity premium for the issuance to be constant over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on issuance date and actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk. The value of the investment contracts in Life and asset linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

Changes in fair value due to changes in own credit risk of bonds issued in Nordea Kredit Realkreditaktieselskab, are calculated by determining the amount of changes in its fair value that are not attributable to changes in market conditions. The method used to estimate the amount of changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds. This model is assessed to provide the best estimate of the impact of own credit risk. The changes in own credit risk on issued mortgage bonds in Nordea Kredit Realkreditaktieselskab are not recognised in other comprehensive income as that would create an accounting missmatch with the corresponding change in fair value of the mortgage loans that is recognised in profit or loss. For this reason, the whole change in the fair value of issued mortgage bonds in Nordea Kredit Realkreditaktieselskab is recognised in the income statement. For the issued mortgage bonds, a change in the liability's credit risk and price will have a corresponding effect on the value of the loans as a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loans.

Financial liabilities designated at fair value through profit or loss

	2020			2019		
EURm	Liabilities for which changes in credit risk are presented in OCI	Liabilites for which changes in credit risk are presented in profit or loss	Total	Liabilities for which changes in credit risk are presented in OCI	Liabilites for which changes in credit risk are presented in profit or loss	Total
Carrying amount per end of the year	1,796	94,331	96,127	2,737	90,943	93,680
Amount to be paid at maturity[1]	1,829	97,269	99,098	2,737	93,317	96,054
Changes in fair value due to changes in own credit risk, during the year	–9	35	26	–15	94	79
Changes in fair value due to changes in own credit risk, accumulated	–14	–421	–435	–5	–456	–461

1) Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. For these liabilities, the amount disclosed to be paid at maturity has been set at the carrying amount.

G41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

EURm	31 Dec 2020 Carrying amount	31 Dec 2020 Fair value	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value
Financial assets				
Cash and balances with central banks	32,955	32,955	35,509	35,509
Loans	336,370	344,038	341,034	343,764
Interest-bearing securities	62,509	62,764	64,930	65,047
Financial instruments pledged as collateral	3,795	3,795	7,151	7,151
Shares	12,649	12,649	14,184	14,184
Assets in pooled schemes and unit-linked investment contracts	36,123	36,123	30,493	30,493
Derivatives	44,770	44,770	39,111	39,111
Other assets	12,645	12,645	11,857	11,857
Prepaid expenses and accrued income	292	292	339	339
Total	**542,108**	**550,031**	**544,608**	**547,455**

Fair value of financial assets and liabilities, cont.

EURm	31 Dec 2020 Carrying amount	31 Dec 2020 Fair value	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value
Financial liabilities				
Deposits and debt instruments	391,228	392,214	406,592	407,337
Deposits in pooled schemes and unit-linked investment contracts	37,534	37,534	31,859	31,859
Liabilities to policyholders	2,386	2,386	3,318	3,318
Derivatives	47,033	47,033	42,047	42,047
Other liabilities	18,270	18,270	17,562	17,562
Accrued expenses and prepaid income	222	222	215	215
Total	**496,673**	**497,659**	**501,593**	**502,338**

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 2020, EURm	Quoted prices in active markets for the same instrument (Level 1)	– of which Life & Pensions	Valuation technique using observable data (Level 2)	– of which Life & Pensions	Valuation technique using non–observable data (Level 3)	– of which Life & Pensions	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	158	–	–	–	158
Loans to credit institutions	–	–	1,682	–	–	–	1,682
Loans to the public	–	–	72,776	–	–	–	72,776
Interest–bearing securities[2]	28,676	1,161	33,404	3,073	931	67	63,011
Shares	10,280	9,302	400	280	1,969	835	12,649
Assets in pooled schemes and unit–linked investment contracts	35,679	31,609	352	352	453	453	36,484
Derivatives	54	–	42,945	28	1,771		44,770
Investment properties	–	–	–	–	1,535	1,534	1,535
Other assets	–	–	11,189	–	31	30	11,220
Total	**74,689**	**42,072**	**162,906**	**3,733**	**6,690**	**2,919**	**244,285**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	2,869	–	–	–	2,869
Deposits and borrowings from the public	–	–	2,841	–	–	–	2,841
Deposits in pooled schemes and unit–linked investment contracts	–	–	37,534	33,113	–	–	37,534
Liabilities to policyholders	–	–	2,386	2,386	–	–	2,386
Debt securities in issue	45,548	–	8,878	–	1,781	–	56,207
Derivatives	84	–	45,340	2	1,609	–	47,033
Other liabilities	5,238	–	9,485	–	32	–	14,755
Total	**50,870**	**–**	**109,333**	**35,501**	**3,422**	**–**	**163,625**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 3,795m relates to the balance sheet item Financial instruments pledged as collateral.

G41. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet
Categorisation into the fair value hierarchy

31 Dec 2019, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life & Pensions	Valuation technique using observable data (Level 2)	- of which Life & Pensions	Valuation technique using non-observable data (Level 3)	- of which Life & Pensions	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	3,318	–	–	–	3,318
Loans to credit institutions	–	–	2,792	–	–	–	2,792
Loans to the public	–	–	77,564	–	–	–	77,564
Interest-bearing securities[2]	19,694	1,487	48,726	2,660	172	13	68,592
Shares	11,825	10,184	325	322	2,034	860	14,184
Assets in pooled schemes and unit-linked investment contracts	30,078	26,129	359	359	362	362	30,799
Derivatives	37	–	37,717	12	1,357	–	39,111
Investment properties	–	–	–	–	1,585	1,578	1,585
Other assets	–	–	10,743	–	35	34	10,778
Total	**61,634**	**37,800**	**181,544**	**3,353**	**5,545**	**2,847**	**248,723**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,974	–	–	–	8,974
Deposits and borrowings from the public	–	–	4,698	–	–	–	4,698
Deposits in pooled schemes and unit-linked investment contracts	–	–	31,859	27,482	–	–	31,859
Liabilities to policyholders	–	–	3,318	3,318	–	–	3,318
Debt securities in issue	8,155	–	48,116	–	2,232	–	58,503
Derivatives	59	–	40,805	13	1,183	–	42,047
Other liabilities	3,587	–	10,564	–	2	–	14,153
Total	**11,801**	**–**	**148,334**	**30,813**	**3,417**	**–**	**163,552**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 7,151m relates to the balance sheet item Financial instruments pledged as collateral.

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 ongoing basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or inputs prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input has a significant impact on the fair values, certain complex or structured financial instruments and illiquid interest-bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific inputs.

All valuation models, both complex and simple models, make use of market prices and inputs. These market prices and inputs comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies the interest rates are all observable, and implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations may also be observable for the most liquid equity instruments. For less liquid equity names the option market is fairly illiquid, and hence implied volatilities and correlations are unobservable.

For interest-bearing securities the categorisation into the three levels is based on the internal valuation methodology.

G41. Assets and liabilities at fair value, cont.

The valuation of these instruments can either be based on direct quotes in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). If the impact from unobservable parameters on the valuation of the bond is significant the bond is categorised as Level 3 in the fair value hierarchy.

For OTC derivatives valuation models are used for establishing fair value. The models are usually in-house developed and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model inputs are observable in active markets.

Valuations of Private Equity Funds, Credit Funds and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by IPEV Board. The guidelines are considered as best practice in the industry. For US-based funds, similar methods are applied.

Furthermore Nordea 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. Starting from Q2 2020, adjustments for IPV variances are also included in fair value.

The fair value measurement of the investment properties takes into account a market participant's ability to generate economic benefits by using the investment properties in its highest and best use, i.e. taking into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The current use of the investment properties in Nordea is in accordance with the highest and best use. The valuation of the investment properties is carried out taking into account the purpose and the nature of the property by using the most appropriate valuation methods. The primary valuation approach is a discounted cash flow model using current cash flows, market interest rates and the current yield requirements.

Transfers between Level 1 and 2

During the year, Nordea transferred "Interest-bearing securities" (including such financial instruments pledged as collateral) of EUR 1,113m (EUR 4,272m) from Level 1 to Level 2 and EUR 11,448m (EUR 701m) from Level 2 to Level 1 in the fair value hierarchy. Further Nordea transferred "Debt securities in issue" of EUR 735m (EUR 4,455m) from Level 1 to Level 2 and EUR 32,916m (EUR 0m) from Level 2 to Level 1. Nordea also transferred "Other liabilities" of EUR 10m (EUR 1,426m) from Level 1 to Level 2 and EUR 1,040m (EUR 1m) from Level 2 to Level 1. The main driver for the transfers during the year was an update to the rules for categorisation of financial instruments into Levels 1, 2 and 3. This update had a significant impact on the categorisation of "Interest-bearing securities" and "Debt securities in issue", where the volume and frequency of trading for the individual instruments (ISINs) are now considered. Transfers between levels are considered to have occurred at the end of the year.

G41. Assets and liabilities at fair value, cont.

Movements in Level 3

2020, EURm	1 Jan 2020	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification¹	Translation differences	31 Dec 2020
Interest-bearing securities	172	3	−2	–	641	−34	−3	421	−267	–	–	931
- of which Life & Pensions	13	–	−2	–	–	−4	–	60	–	–	–	67
Shares	2,034	93	−6	–	312	−283	−15	8	−92	−32	−50	1,969
- of which Life & Pensions	860	25	−48	–	103	−93	−15	4	–	–	−1	835
Assets in pooled schemes and unit-linked investment contracts	362	–	44	–	52	−8	−1	3	–	–	1	453
- of which Life & Pensions	362	–	44	–	52	−8	−1	3	–	–	1	453
Derivatives (net)	174	434	−49	–	–	–	−434	47	−10	–	–	162
Other assets	35	–	–	–	–	–	−4	–	–	–	–	31
- of which Life & Pensions	34	–	–	–	–	–	−4	–	–	–	–	30
Investment properties	1,585	49	−46	–	167	−188	–	–	–	–	−32	1,535
- of which Life & Pensions	1,578	49	−46	–	166	−182	–	–	–	–	−31	1,534
Debt securities in issue	2,232	652	−980	−4	189	–	−651	347	−4	–	–	1,781
Other liabilities	2	–	−1	–	30	–	–	1	–	–	–	32

1) Reclassification related to early conversion of Visa C-shares into Visa A-shares.

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The main driver for the transfers into and out of Level 3 during the year was an update to the rules for categorisation of financial instruments into Levels 1, 2 and 3. This mainly impacted the categorisation of "Derivatives", "Interest-bearing securities", "Shares" and "Debt securities in issue", where the volume and frequency of trading for the individual instruments (ISINs) are now considered. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G6). Assets and liabilities related to derivatives are presented net.

2019, EURm	1 Jan 2019	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification¹	Translation differences	31 Dec 2019
Interest-bearing securities	329	−1	8	–	14	−180	2	–	–	–	–	172
- of which Life & Pensions	4	–	9	–	–	−1	1	–	–	–	–	13
Shares	1,697	123	51	–	358	−419	−19	169	−31	91	14	2,034
- of which Life & Pensions	916	42	−25	–	35	−221	−19	166	−31	–	−3	860
Assets in pooled schemes and unit-linked investment contracts	189	2	45	–	145	−22	2	1	–	–	–	362
- of which Life & Pensions	189	2	45	–	145	−22	2	1	–	–	–	362
Derivatives (net)	15	−121	200	–	−33	–	121	–	−8	–	–	174
Other assets	74	–	−5	–	–	–	−33	–	–	–	−1	35
- of which Life & Pensions	40	–	–	–	–	–	−6	–	–	–	–	34
Investment properties	1,607	2	39	–	103	−157	–	–	–	−10	1	1,585
- of which Life & Pensions	1,588	2	38	–	101	−145	–	–	–	−7	1	1,578
Debt securities in issue	2,627	54	−232	−8	422	–	−634	3	–	–	–	2,232
Other liabilities	14	–	–	–	1	−13	–	–	–	–	–	2

1) Due to deconsolidation of Nordea Bank S.A., shares in Level 3 increased by EUR 91m and Investment properties in Level 3 decreased by EUR 3m. In addition, investment properties in Level 3 of EUR 7m have been reclassified from Investment properties to Properties and equipment.

G41. Assets and liabilities at fair value, cont.

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 G6). 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. Also, adjustments for IPV variances are included in fair value. The verification of the correctness of prices and inputs is as a minimum carried out on a monthly basis and is for many products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the 1st line of defence. These teams are responsible for 2nd line of defence oversight for valuations, with independent reporting responsibilities towards the CRO and the BAC.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is 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 reports quarterly to the Nordea Group Valuation Committee. Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G41. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2020, EURm	Fair value	Of which Life & Pensions[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Public bodies	39	–	Discounted cash flows	Credit spread	–4/4
Mortgage and other credit institutions[2]	687	63	Discounted cash flows	Credit spread	–64/64
Corporates	201	–	Discounted cash flows	Credit spread	–20/20
Other	4	4	Discounted cash flows	Credit spread	–0/0
Total	**931**	**67**			**–88/88**
Shares					
Private equity funds	948	470	Net asset value[3]		–104/104
Hedge funds	81	79	Net asset value[3]		–7/7
Credit Funds	464	163	Net asset value/market consensus[3]		–40/40
Other funds	199	115	Net asset value/fund prices[3]		–17/17
Other[4]	369	100	–		–31/31
Total	**2,061**	**927**			**–199/199**
Derivatives					
Interest rate derivatives	274	–	Option model	Correlations	–10/10
				Volatilities	
Equity derivatives	–37	–	Option model	Correlations	–10/7
				Volatilities	
				Dividend	
Foreign exchange derivatives	88	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	–165	–	Credit derivative model	Correlations	–32/38
				Recovery rates	
				Volatilities	
Other	2	–	Option model	Correlations	–0/0
				Volatilities	
Total	**162**	**–**			**–52/55**
Debt securities in issue					
Issued structured bonds	1,781	–	Credit derivative model	Correlations	–7/7
				Recovery rates	
				Volatilities	
Total	**1,781**	**–**			**–7/7**
Other, net					
Other assets and Other liabilities, net	–1	30	–	–	–1/1
Total	**–1**	**30**			**–1/1**

1) Investment in financial instruments is a major part of the life insurance business, acquired to fulfil the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and the LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 50% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 3% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 92m related to assets in pooled schemes and unit-linked investment.

G41. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2019, EURm	Fair value	Of which Life & Pensions[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	164	9	Discounted cash flows	Credit spread	–16/16
Corporates	8	4	Discounted cash flows	Credit spread	–0/0
Total	**172**	**13**			**–16/16**
Shares					
Private equity funds	833	489	Net asset value[3]		–93/93
Hedge funds	87	83	Net asset value[3]		–8/8
Credit Funds	421	167	Net asset value/market consensus[3]		–35/35
Other funds	289	115	Net asset value/fund prices[3]		–26/26
Other[4]	460	62	–		–32/32
Total	**2,090**	**916**			**–194/194**
Derivatives					
Interest rate derivatives	265	–	Option model	Correlations	–31/35
				Volatilities	
Equity derivatives	–10	–	Option model	Correlations	–6/3
				Volatilities	
				Dividend	
Foreign exchange derivatives	–16	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	–69	–	Credit derivative model	Correlations	–24/26
				Recovery rates	
				Volatilities	
Other	4	–	Option model	Correlations	–0/0
				Volatilities	
Total	**174**	–			**–61/64**
Debt securities in issue					
Issued structured bonds	2,232	–	Credit derivative model	Correlations	–11/11
				Recovery rates	
				Volatilities	
Total	**2,232**	–			**–11/11**
Other, net					
Other assets and Other liabilities, net	33	34			–4/4
Total	**33**	**34**			**–4/4**

1) Investment in financial instruments is a major part of the life insurance business, acquired to fulfil the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 3% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 56m related to assets in pooled schemes and unit-linked investment.

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

G41. Assets and liabilities at fair value, cont.

approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a total range of 2–10 percentage units depending on the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

Investment properties

31 Dec 2020, EURm	Fair value[1]	Of which Life & Pensions	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	657	657	Discounted cash flows	Market rent		
				- Office	105–362 EUR/m2	224 EUR/m2
				- Other	106–287 EUR/m2	220 EUR/m2
				Yield requirement		
				- Office	3.90%–5.60%	4.5%
				- Other	4.1%–9.5%	4.4%
Finland[3]	946	946	Discounted cash flows[2]	Market rent		
				- Commercial	138–228 EUR/m2	183 EUR/m2
				- Office	123–468 EUR/m2	296 EUR/m2
				- Apartment	189–300 EUR/m2	245 EUR/m2
				- Other	225–282 EUR/m2	254 EUR/m2
				Yield requirement		
				- Commercial	5.75%–7.25%	6.5%
				- Office	3.25%–8.25%	5.8%
				- Apartment	3.25%–4.75%	4.0%
				- Other	4.5%–6%	5.3%
Sweden	291	291	Discounted cash flows[2]	Market rent		
				- Commercial	68–217 EUR/m2	125 EUR/m2
				- Office	251–251 EUR/m2	251 EUR/m2
				- Apartment	176–188 EUR/m2	181 EUR/m2
				- Other	69–69 EUR/m2	69 EUR/m2
				Yield requirement		
				- Commercial	4.75%–7.10%	5.5%
				- Office	4.65%–4.65%	4.7%
				- Apartment	3.67%–3.80%	3.8%
				- Other	6.53%–6.53%	6.5%
Other	2	1	Discounted cash flows	–	–	–
Total	**1,896**	**1,895**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 361m related to investment properties in pooled schemes and unit-linked investments in Life.

G41. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2019, EURm	Fair value[1]	Of which Life & Pensions	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	713	713	Discounted cash flows	Market rent		
				- Office	110–401 EUR/m²	280 EUR/m²
				- Other	128 EUR/m²	128 EUR/m²
				Yield requirement		
				- Office	4.0%–5.65%	4.6%
				- Other	6.5%–9.5%	7.1%
Finland[3]	933	933	Discounted cash flows[2]	Market rent		
				- Commercial	144–230 EUR/m²	187 EUR/m²
				- Office	189–306 EUR/m²	296 EUR/m²
				- Apartment	189–306 EUR/m²	248 EUR/m²
				- Other	231–291 EUR/m²	261 EUR/m²
				Yield requirement		
				- Commercial	5.75%–7.25%	6.5%
				- Office	4.5%–8.25%	5.8%
				- Apartment	3.25%–4.75%	4.0%
				- Other	4.5%–6%	5.3%
Sweden	238	238	Discounted cash flows[2]	Market rent		
				- Commercial	73–208 EUR/m²	124 EUR/m²
				- Office	226–231 EUR/m²	229 EUR/m²
				- Apartment	166–178 EUR/m²	172 EUR/m²
				- Other	65–66 EUR/m²	65 EUR/m²
				Yield requirement		
				- Commercial	5.10%–6.75%	5.8%
				- Office	4.5%–4.65%	4.6%
				- Apartment	3.73%–4.30%	3.9%
				- Other	6.75%–6.75%	6.8%
Other	7	–	Discounted cash flows	–	–	–
Total	**1,891**	**1,884**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 306m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to the transaction price not beeing established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see Note G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

G41. Assets and liabilities at fair value, cont.

Deferred Day 1 profit – derivatives, net

EURm	2020	2019
Amount at beginning of year	125	81
Deferred profit/loss on new transactions	125	85
Recognised in the income statement during the year[1]	–177	–41
Amount at end of year	**73**	**125**

1) Of which EUR –10m (EUR –m) due to transfers of derivatives from Level 3 to Level 2.

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2020		31 Dec 2019		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	32,955	32,955	35,509	35,509	3
Loans	261,754	269,422	257,360	260,090	3
Interest-bearing securities	3,293	3,548	3,489	3,606	1,2,3
Other assets	1,425	1,425	1,079	1,079	3
Prepaid expenses and accrued income	292	292	339	339	3
Total	**299,719**	**307,642**	**297,776**	**300,623**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	329,311	330,297	334,417	335,162	3
Other liabilities	3,515	3,515	3,409	3,409	3
Accrued expenses and prepaid income	222	222	215	215	3
Total	**333,048**	**334,034**	**338,041**	**338,786**	

Cash and balances with central banks
The fair value of "Cash and balances with central banks" is due to its short term nature assumed to equal the carrying amount and is thus is categorised into Level 3 in the fair value hierarchy.

Loans
The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" has been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, 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 3,548m (EUR 3,606m), of which EUR 136m (EUR 237m) is categorised in Level 1 and EUR 3,332m (EUR 3,369m) in Level 2 and EUR 80m (EUR –m) in Level 3. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income
The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments
The fair value of "Deposits by credit institutions", "Deposits and borrowings from the public", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk are based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk are calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long-term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea´s own credit risk related to these items are assumed not to be significant. This is also the case for short-term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income
The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

G42. Financial instruments set off on balance or subject to netting agreements

31 Dec 2020, 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	130,816	–86,082	44,734	–30,587	–	–10,603	3,544
Reverse repurchase agreements	25,529	–11,532	13,997	–	–13,997	–	0
Securities borrowing agreements	4,292	–	4,292	–	–1,672	–	2,620
Variation margin	685	–685	0	–	–	–	0
Total	**161,322**	**–98,299**	**63,023**	**–30,587**	**–15,669**	**–10,603**	**6,164**

31 Dec 2020, 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	130,447	–83,792	46,655	–30,587	–	–6,134	9,934
Repurchase agreements	15,698	–11,532	4,166	–	–4,166	–	0
Securities lending agreements	1,548	–	1,548	–	–1,548	–	0
Variation margin	2,975	–2,975	0	–	–	–	0
Total	**150,668**	**–98,299**	**52,369**	**–30,587**	**–5,714**	**–6,134**	**9,934**

1) All amounts are measured at fair value, except for the reverse repurchase agreements of EUR 1,021m and repurchase agreements of EUR 1,020m which are measured at amortised cost.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

31 Dec 2019, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	126,040	–87,038	39,002	–27,317	–	–9,987	1,698
Reverse repurchase agreements	38,143	–9,965	28,178	–	–28,178	–	0
Securities borrowing agreements	4,324	–	4,324	–	–3,223	–	1,101
Variation margin	382	–382	0	–	–	–	0
Total	**168,889**	**–97,385**	**71,504**	**–27,317**	**–31,401**	**–9,987**	**2,799**

31 Dec 2019, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	125,813	–84,423	41,390	–27,317	–	–4,676	9,397
Repurchase agreements	24,351	–9,965	14,386	–	–14,356	–	30
Securities lending agreements	2,500	–	2,500	–	–2,500	–	0
Variation margin	2,996	–2,997	0	–	–	–	0
Total	**155,660**	**–97,385**	**58,276**	**–27,317**	**–16,856**	**–4,676**	**9,427**

1) All amounts are measured at fair value , except for the reverse repurchase agreements of EUR 3,169m and repurchase agreements of EUR 3,211m which are measured at amortised cost.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

G42. Financial instruments set off on balance or subject to netting agreements, cont.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and Nordea would consequently be able to benefit from netting, in the event of its counter-parties defaulting, in any calculations involving counterparty credit risk.

For a description of counterparty risk see the section Counterparty risk in Note G2 "Risk and Liquidity management".

G43. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

Assets are considered to be transferred from Nordea if Nordea either transfer the contractual right to receive the cash flows from the asset or to retain that right, but has a contractual obligation to pay the cash flows to one or more entities.

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing whereby Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions result in the securities being returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea, although they are not available to 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.

G43. Transferred assets and obtained collaterals, cont.

EURm	31 Dec 2020	31 Dec 2019
Repurchase agreements		
Interest-bearing securities	3,795	7,151
Total	**3,795**	**7,151**

Liabilities associated with the assets

EURm	31 Dec 2020	31 Dec 2019
Repurchase agreements	3,815	7,150
Total	**3,815**	**7,150**
Net	**–20**	**1**

Obtained collaterals that are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities upon settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements is disclosed below. Nordea also obtains collaterals under other agreements which, under the terms of the agreements, can be sold or repledged. Those are mainly related to collaterals received under CSA agreements covering derivative transactions.

EURm	31 Dec 2020	31 Dec 2019
Reverse repurchase agreements		
Received collaterals that can be repledged or sold	24,458	36,218
- of which repledged or sold	11,709	15,791
Securities borrowing agreements		
Received collaterals that can be repledged or sold	3,177	5,680
- of which repledged or sold	712	2,612
Other agreements		
Received collaterals that can be repledged or sold	625	1,018
- of which repledged or sold	349	424
Total	**28,260**	**42,916**

G44. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2020 Expected to be recovered or settled:			31 Dec 2019 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		32,955	–	32,955	35,509	–	35,509
Loans to central banks	G14	3,123	–	3,123	9,207	–	9,207
Loans to credit institutions	G14	2,599	524	3,123	7,632	887	8,519
Loans to the public	G14	74,660	255,105	329,765	72,345	250,746	323,091
Interest-bearing securities	G15	12,501	50,008	62,509	20,021	44,909	64,930
Financial instruments pledged as collateral	G16	113	3,682	3,795	–	7,151	7,151
Shares	G17	4,901	7,748	12,649	6,474	7,710	14,184
Assets in pooled schemes and unit-linked investment contracts	G18	27,492	8,992	36,484	22,371	8,428	30,799
Derivatives	G19	8,296	36,474	44,770	7,097	32,014	39,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk		131	228	359	44	173	217
Investments in associated undertakings and joint ventures	G20	–	555	555	–	572	572
Intangible assets	G21	5	3,766	3,771	4	3,691	3,695
Properties and equipment	G22	172	1,759	1,931	169	1,833	2,002
Investment properties	G24	658	877	1,535	715	870	1,585
Deferred tax assets	G12	16	390	406	23	464	487
Current tax assets		300	–	300	362	–	362
Retirement benefit assets	G34	–	144	144	–	173	173
Other assets	G25	13,281	68	13,349	11,944	599	12,543
Prepaid expenses and accrued income	G26	576	61	637	451	260	711
Total assets		**181,779**	**370,381**	**552,160**	**194,368**	**360,480**	**554,848**
Deposits by credit institutions	G27	16,310	7,629	23,939	32,117	187	32,304
Deposits and borrowings from the public	G28	178,382	5,049	183,431	159,446	9,279	168,725
Deposits in pooled schemes and unit-linked investment contracts	G18	6,400	31,134	37,534	6,188	25,671	31,859
Liabilities to policyholders	G29	2,146	16,032	18,178	1,056	18,190	19,246
Debt securities in issue	G30	58,807	115,502	174,309	65,196	128,530	193,726
Derivatives	G19	10,327	36,706	47,033	8,955	33,092	42,047
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,903	705	2,608	1,521	497	2,018
Current tax liabilities		300	5	305	742	–	742
Other liabilities[1]	G31	19,761	1,580	21,341	18,589	1,279	19,868
Accrued expenses and prepaid income	G32	1,394	10	1,404	1,471	5	1,476
Deferred tax liabilities	G12	4	432	436	95	386	481
Provisions	G33	203	393	596	228	342	570
Retirement benefit liabilities	G34	–	365	365	–	439	439
Subordinated liabilities	G35	3,298	3,643	6,941	2,512	7,307	9,819
Total liabilities		**299,235**	**219,185**	**518,420**	**298,116**	**225,204**	**523,320**
1) Of which lease liabilities		138	1,095	1,233	138	1,087	1,225

G44. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2020, EURm	< 1 month	1–3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
Cash and balances with central banks and Loans to central banks	36,078	–	–	–	–	–	–	36,078
Loans to the public	46,552	13,361	32,777	31,462	67,954	55,301	141,430	388,837
Loans to credit institutions	2,272	470	236	98	53	4	–	3,133
Interest-bearing securities	3,302	1,270	7,550	13,871	25,163	7,190	9,505	67,851
Other non-derivative financial assets	–	–	–	–	–	–	61,718	61,718
Total non-derivatives financial assets	**88,204**	**15,101**	**40,563**	**45,431**	**93,170**	**62,495**	**212,653**	**557,617**
Deposits and borrowings from the public	180,419	645	2,311	55	25	4	1	183,460
Deposits by credit institutions	8,298	4,217	3,710	117	7,404	72	–	23,818
Debt securities in issue	8,990	12,097	36,132	32,039	54,088	11,571	27,483	182,400
- of which CDs and CPs	4,809	8,761	18,837	1,297	–	–	–	33,704
- of which covered bonds	3,274	1,261	13,918	23,706	43,228	7,204	27,324	119,915
- of which other bonds	907	2,075	3,377	7,036	10,860	4,367	159	28,781
Subordinated liabilities	–	897	2,659	1,020	1,499	1,687	282	8,044
Other non-derivative financial liabilities	94,787	9	110	132	253	282	511	96,084
Total non-derivative financial liabilities	**292,494**	**17,865**	**44,922**	**33,363**	**63,269**	**13,616**	**28,277**	**493,806**
Derivatives, cash inflows	214,682	242,307	148,591	84,940	167,630	94,302	43,867	996,319
Derivatives, cash outflows	215,304	243,152	148,887	84,263	167,111	93,259	43,008	994,984
Derivatives, net cash flows	**–622**	**–845**	**–296**	**677**	**519**	**1,043**	**859**	**1,335**
Credit commitments	88,791	–	–	–	–	–	–	88,791
Issued guarantees	18,323	–	–	–	–	–	–	18,323

31 Dec 2019, EURm	< 1 month	1–3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
Cash and balances with central banks and Loans to central banks	42,001	2,716	0	0	0	–	–	44,717
Loans to the public	61,696	15,139	33,184	30,699	63,730	55,641	133,187	393,276
Loans to credit institutions	8,080	2,963	1,402	397	494	73	–	13,409
Interest-bearing securities	1,097	1,353	16,297	13,806	33,057	7,998	1,939	75,547
Other non-derivative financial assets	–	–	–	–	–	–	57,445	57,445
Total non-derivatives financial assets	**112,874**	**22,171**	**50,883**	**44,902**	**97,281**	**63,712**	**192,571**	**584,394**
Deposits and borrowings from the public	164,609	1,695	3,959	1,134	1,224	1,501	968	175,090
Deposits by credit institutions	28,281	7,788	1,047	16	24	–	–	37,156
Debt securities in issue	22,343	11,958	40,453	27,117	66,091	17,370	18,013	203,345
- of which CDs and CPs	11,050	11,365	20,147	1,751	215	–	–	44,528
- of which covered bonds	9,664	333	12,850	19,362	54,022	11,755	17,852	125,838
- of which other bonds	1,629	260	7,456	6,004	11,854	5,615	161	32,979
Subordinated liabilities	0	1,497	1,332	3,655	2,263	2,230	281	11,258
Other non-derivative financial liabilities	83,211	9	107	128	271	258	526	84,510
Total non-derivative financial liabilities	**298,444**	**22,947**	**46,898**	**32,050**	**69,873**	**21,359**	**19,788**	**511,359**
Derivatives, cash inflows	346,370	222,804	151,980	94,069	143,136	70,177	17,389	1,045,925
Derivatives, cash outflow	346,961	221,249	153,460	93,574	143,733	70,362	16,654	1,045,993
Derivatives, net cash flows	**–591**	**1,555**	**–1,480**	**495**	**–597**	**–185**	**735**	**–68**
Credit commitments	75,330	–	–	–	–	–	–	75,330
Issued guarantees	16,646	–	–	–	–	–	–	16,646

The table is based on contractual maturities. 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. For contractual lease liabilities, see Note G23 "Leasing". For further information about remaining maturity, see also Note G2 "Risk and Liquidity management".

G45. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

	Associated undertakings		Other related parties[1]	
EURm	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Assets				
Loans	92	143	2	–
Interest-bearing securities	–	–	5	92
Derivatives	1	3	109	51
Other assets	3	66	6	41
Total assets	**96**	**212**	**122**	**184**
Liabilities				
Deposits	14	8	571	524
Derivatives	12	8	16	10
Other liabilities	–	–	0	2
Total liabilities	**26**	**16**	**587**	**536**
Off-balance	**0**	**21**	**5**	**5**

	Associated undertakings		Other related parties[1]	
EURm	2020	2019	2020	2019
Net interest income	1	1	0	2
Net fee and commission income	3	3	0	–
Net result from items at fair value	–3	5	13	–12
Other operating income	–	1	–	–
Total operating expenses	0	0	0	–
Profit before loan losses	**1**	**10**	**13**	**–10**

1) Shareholders with significant influence (including its subsidiaries) and close family members of key management personnel at Nordea, as well as companies controlled or jointly controlled by key management personnel or by close family members of key management personnel at Nordea, are considered to be related parties to Nordea. This group of related parties includes Sampo Plc, which has a significant influence over Nordea, and the subsidiaries of Sampo Plc. Liabilities to Sampo Plc and its subsidiaries consist mainly of deposits and long-term investments in bonds issued by Nordea. The transactions with Sampo Plc and its subsidiaries also include several ongoing derivative contracts. Other related parties also include Nordea's pension foundations.

With the exception of compensation, certain loans and other commitments to key management, all related party transactions are made on the same criteria and terms as those of comparable transactions with external parties of similar standing.

Compensation, loans and deposits to key management personnel

Compensation, loans, deposits and loan commitments to key management personnel are specified in Note G8 "Staff costs". Certain other commitments to key management are noted in Note G38 "Contingent liabilities".

G46. Interests in structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It normally has restricted activities with a narrow and well-defined objective. If Nordea controls such an entity, it is consolidated.

Consolidated structured entities

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available.

Nordea has provided liquidity facilities to a maximum of EUR 857m (EUR 952m) and at year-end EUR 755m (EUR 871m) was utilised. Total assets in the conduit were EUR 821m (EUR 904m) at year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from the payments being dependent on the rate at which Viking releases its assets.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities to a maximum of EUR 125m (EUR 125m) and at year-end EUR 81m (EUR 83m) was utilised. The entity holds assets of EUR 81m (EUR 84m) at year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest but not control, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interests in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products in which Nordea invests in investment funds:
a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in 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 in investment funds held on behalf of other policyholders is largely passed on to the policyholders, but as Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value.

G46. Interests in structured entities, cont.

Investment funds acquired to hedge exposures in structured products reduce the exposures and, to the extent hedges are effective, Nordea is not exposed to changes in value. Investments in illiquid private equity and credit funds are an integral part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated at EUR 735m (EUR 600m), equal to the investment in the funds.

Nordeas interests in unconsolidated structured entities and any related liability are disclosed in the table below. The carrying amount is the maximum exposure to credit loss, before considering any hedges. Income related to these investments is recognised in "Net result from items at fair value".

EURm	31 Dec 2020	31 Dec 2019
Assets, carrying amount:		
Shares	10,085	10,899
Assets in pooled schemes and unit-linked investment contracts	33,232	26,653
Total assets	**43,317**	**37,552**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit-linked investment contracts	33,232	26,653
Liabilities to policyholders	9,294	10,171
Total liabilities	**42,526**	**36,824**
Off-balance, nominal amount:		
Loan commitments	0	0

Nordea holds approximately 2,500 different funds that are classified as unconsolidated structured entities, approximately 400 of which are managed by Nordea. These have different investment mandates and risk appetites, ranging from low-risk government bond funds to high-risk leveraged equity funds. Total assets in funds managed by Nordea are EUR 194bn (EUR 177bn). All funds are financed by deposits from units holders. The total assets in investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and are thus not disclosed.

Nordea has sponsored two unconsolidated structured entities in which Nordea does not currently have an interest, Archean and Thulite. Nordea has established the entities but has no influence over them, and is thus considered to have sponsored them. During 2020, Nordea entered into a new transactions with Thulite, where Thulite issued a guarantee in favour of Nordea. Nordea also bought protection in the form of a CDS from Thulite in 2019. Nordea has not received any income from Thulite in 2019 or 2020. The guarantee issued by Archean has been terminated in 2020. Nordea has not received any compensation in 2020 from Archean (EUR 18m in 2019).

G47. Group structure

The specification below includes major directly owned subsidiaries and major subsidiaries to the directly owned companies.

Company	Domicile	Shareholding, %	Voting power of holding, %
Nordea Bank Abp	Helsinki	N/A	N/A
Denmark branch	Copenhagen	N/A	N/A
Estonia branch	Tallinn	N/A	N/A
London branch	London	N/A	N/A
New York branch	New York	N/A	N/A
Norway branch	Oslo	N/A	N/A
Poland branch	Łódź	N/A	N/A
Shanghai branch	Shanghai	N/A	N/A
Singapore branch	Singapore	N/A	N/A
Sweden branch	Stockholm	N/A	N/A
Nordea Kredit RealKreditaktieselskab	Copenhagen	100.0	100.0
Nordea Hypotek AB (publ)	Stockholm	100.0	100.0
Nordea Eiendomskreditt AS	Oslo	100.0	100.0
Nordea Mortgage Bank Plc	Helsinki	100.0	100.0
Nordea Finance Finland Ltd	Helsinki	100.0	100.0
Nordea Finans Danmark A/S	Høje Taastrup	100.0	100.0
Nordea Finans Sverige AB (publ)	Stockholm	100.0	100.0
Nordea Finans Norge AS	Oslo	100.0	100.0
Nordea Direct Bank ASA	Oslo	100.0	100.0
Nordea Direct Boligkreditt AS	Oslo	100.0	100.0
Nordea Equipment Finance AS	Oslo	100.0	100.0
LLC Promyshlennaya Kompaniya Vestkon[1]	Moscow	100.0	100.0
JSC Nordea Bank[1]	Moscow	100.0	100.0
Nordea Funds Ltd	Helsinki	100.0	100.0
Nordea Asset Management Holding AB	Stockholm	100.0	100.0
Nordea Investment Funds S.A.	Luxembourg	100.0	100.0
Nordea Investment Management AB	Stockholm	100.0	100.0
Nordea Life Holding AB	Stockholm	100.0	100.0
Nordea Life Assurance Finland Ltd	Helsinki	100.0	100.0
Livforsikringsselskapet Nordea Liv Norge AS	Bergen	100.0	100.0
Nordea Livförsäkring Sverige AB (publ)	Stockholm	100.0	100.0

1) In December 2020, Nordea announced the decision to wind down the operations in Russia. The legal process has been initiated for the closing of the subsidiaries.

There are different types of restriction in the way Nordea can access and transfer assets within the Group:

- Dividends are used to transfer excess capital in the subsidiaries of NBAbp to the parent company. The specific dividend amount is determined for each legal entity based on distributable funds, capital adequacy regulations and ratios, capital and business planning, local tax considerations and group-internal policies. Regulatory restrictions, both general and local, for dividends as well as projected changes in the entities' capital requirements and risk exposure amounts are incorporated in the analysis regarding the dividend decisions.
- The CRR requires credit institutions to hold liquid assets, the sum of the values of which covers the liquidity outflows less the liquidity inflows under stressed conditions so as to ensure that institutions maintain levels of liquidity buffers which are adequate. There are also local liquidity requirements that restricts the movement of funds between legal entities.
- The Group has pledged assets to collateralise its obligations under repurchase agreements, securities financing transactions, collateralised loan obligations and for margining purposes for OTC derivative liabilities. Further information is disclosed in Notes G36 and G37.
- For banks under resolution, which is not applicable in Nordea at the balance sheet date, there are potential restrictions as the regulators would have far-reaching resolution tools they could impose if deemed necessary
- Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of the Group to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group. Since the Group did not have any material non-controlling interests at the balance sheet date, any protective rights associated with these did not give rise to significant restrictions.

G48. Acquisitions

Acquisition of SG Finance AS

On 1 October 2020 the acquisition of 100% of the shares in SG Finans AS (now Nordea Finance Equipment AS) was completed. Nordea Finance Equipment AS is a Norwegian domiciled company that provides equipment finance and factoring solutions. The company has 350 employees and operates in Denmark, Norway and Sweden. The acquisition of Nordea Finance Equipment AS supports Nordea's strategy to focus on core business in the Nordics. The acquisition is also aligned with the Group's priorities – to create great customer experiences, drive income growth initiatives and optimise operational efficiency.

A preliminary purchase price of EUR 604m was paid to Société Générale. The current estimate is that there will be an additional purchase price of NOK 5m (EUR 0m), to be paid in the first quarter of 2021. There is, in addition, a maximum contingent consideration of NOK 200m (EUR 19m, converted using the spot rate at 31 December 2020) to be paid if Nordea receives permission to use the IRB models in Nordea Finance Equipment AS before 1 October 2021. The preliminary purchase price allocation is disclosed below.

EURm	1 Oct 2020
Loans to the public[1]	3,676
Accruals and other assets	89
Deposits from credit institutions	–2,988
Accruals and other liabilities	–178
Acquired net assets	**599**
Purchase price, settled in cash	604
Purchase price, to be settled in cash	0
Contingent consideration	19
Cost of combination	**623**
Surplus value	**24**
Allocation of surplus value:	
Customer intangible	8
Technology	6
Deferred tax liability	–5
Goodwill[2]	15

1) Including fair value adjustments for loans measured at amortised cost.
2) Goodwill is not expected to be tax deductible.

The fair value of loans in the table above includes allowances for the contractual cash flows not expected to be collected. The allowances amount to EUR 49m.

Nordea identified two intangible assets in the acquisition. One intangible asset related to the customers and the distribution network acquired and the other related to technology. The customer intangible asset reflects the profit expected to be generated from extensions and renewals of acquired contracts due to the existing relationships Nordea Finance Equipment has with customers and distributors. The customer intangible will be amortised over twelve years, reflecting the pace at which customers can be expected to leave. The technology intangible consists of the value of the existing IT platform. Nordea plans to continue using it also in the future and to transfer existing contracts to the new platform. The development cost for the platform, has to a large degree, been expensed in the company and there is now a surplus value, as the replacement cost exceeds the carrying amount. The technology intangible asset will be amortised over five years. Goodwill is mainly related to the value of the assembled workforce, which cannot be accounted for as a separate intangible asset under IFRS 3. The goodwill is expected to have an indefinite life and will consequently not be amortised.

"Total operating income" for the three months during which the company was consolidated amounted to EUR 37m. "Operating profit" for the same period was EUR –15m including the recognition of restructuring provisions. The corresponding pro forma figures had the company been consolidated from 1 January 2020 onwards were EUR 140m and EUR 27m, respectively.

Signing

Board of Directors' proposal for the distribution of earnings

On 31 December 2020, Nordea Bank Abp's distributable earnings, including profit for the financial year – after subtracting the dividend to be paid on 1 March 2021 (at the earliest) based on the balance sheet for the financial year ended 31 December 2019 and capitalised development expenses – were EUR 19,694,163,764.90* and other unrestricted equity amounted to EUR 4,573,347,620.91. The Board of Directors proposes that the 24 March 2021 Annual General Meeting (AGM) authorise it to decide on a dividend payment of a maximum of EUR 0.72 per share. The payment would be distributed based on the balance sheet to be adopted for the financial year ended 31 December 2020, in one or several instalments. The authorisation would remain in force until the beginning of the next AGM.

The total dividend amount calculated based on the maximum of EUR 0.72 per share, excluding dividend for treasury shares, would then be EUR 2,907,097,050.96** and it would be paid from retained earnings. After the maximum dividend pay-out, EUR 16,787,066,713.94 would be carried forward as distributable retained earnings.

In the opinion of the Board of Directors, the proposed distribution of earnings does not risk the solvency of Nordea Bank Abp. Further information can be found in the section Proposed distribution of earnings in the Board of Directors' Report.

Signatures of the financial statements and the report of the Board of Directors for the year 2020

Helsinki, 24 February 2021

Torbjörn Magnusson
Chair

Kari Jordan
Vice Chair

Kari Ahola
Board member[1]

Dorrit Groth Brandt
Board member[1]

Pernille Erenbjerg
Board member

Nigel Hinshelwood
Board member

Petra van Hoeken
Board member

Robin Lawther
Board member

John Maltby
Board member

Gerhard Olsson
Board member[1]

Sarah Russell
Board member

Birger Steen
Board member

Jonas Synnergren
Board member

Frank Vang-Jensen
President and Group CEO

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 26 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

1) Employee representative.

*) Calculated based on treasury share amount of 12,317,126.

**) The total amount of the dividend payment and the amount carried forward as distributable retained earnings after the dividend pay-out, will be adjusted based on the amount of treasury shares held by Nordea Bank Abp at the record date for the dividend payment.

Auditor's report (Translation of the Swedish original)

To the Annual General Meeting of Nordea Bank Abp

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Nordea Bank Abp (business identity code 2858394-9) for the year ended 31 December 2020. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in Note G9 Other expenses/Auditors' fees to the consolidated financial statements.

Our Audit Approach

Overview

- Overall group materiality: € 200 million, which represents 0,65 % of equity

- The group audit scope encompassed all significant group companies, as well a number of smaller group companies in Nordic countries, covering the vast majority of revenue, assets and liabilities

- Impairment of loans to customers
- Valuation of financial instruments held at fair value
- Actuarial assumptions related to the Life business
- IT systems supporting processes over financial reporting

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 200 million
How we determined it	0,65 % of equity
Rationale for the materiality benchmark applied	We chose equity as the benchmark because, in our view, it is the benchmark against which the capital resources of the bank are most commonly measured by users and is a generally accepted benchmark. We chose 0,65% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Nordea group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralized systems. Audits were performed in group companies which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the group.

By performing the procedures above at group companies, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Impairment of loans to customers	
Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty), Note G11 – Net loan losses and Note G14 – Loans and impairment to the consolidated financial statements. A high level of judgement is involved in determining the appropriate impairment loss to be recognised. For individually assessed loans, judgement is involved in determining whether a loan has a loss event and in assessing the loan loss amount. Expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. Nordea categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated. The COVID-19 global pandemic has impacted management's determination of the ECL. To address the uncertainties inherent in the current and future environment and to reflect all relevant risk factors not captured in the Nordea's modelled results, management developed post-model-adjustments. Additionally, Nordea uses adjustments to the model-driven ECL results to address impairment model limitations. This is also a key audit matter with respect to our audit of the parent company financial statements	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. We obtained an understanding of the loan origination process, credit risk management and the impairment allowances for loans and advances to customers. We had a special focus on post-model-adjustments developed as a result of the COVID-19 global pandemic and the credit risk development for large customers. Based on risk, we selected individual loans and performed detailed credit file reviews and assessed its credit risk. For ECL models, we involved our modelling specialists to assess the methodology, challenge the underlying assumptions and to independently reperform the calculation for a sample of loans. We evaluated the appropriateness of the assumptions and accuracy of underlying data used to develop post-model-adjustments and reviewed that governance procedures have been performed. We have also assessed the disclosures related to impairment of loans.
Valuation of financial instruments held at fair value	
Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty), Note G19 – Derivatives and Hedge accounting, Note G40 – Classification of financial instruments and Note G41 – Assets and liabilities at fair value to the consolidated financial statements. Given the increased volatility and widespread macro-economic uncertainty around the continuous impact of the global COVID-19 pandemic on economic activity, valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II and III financial instruments utilise observable and unobservable inputs respectively, for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value adjustments, price testing, fair value hierarchy and model control & governance; and • Disclosures of financial instruments. This is also a key audit matter with respect to our audit of the parent company financial statements.	We assessed and tested the design and operating effectiveness of the controls over: • The identification, measurement and oversight of valuation of financial instruments • Fair value 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 fair value hierarchy 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. We assessed the disclosures related to valuation of financial instruments held at fair value.

Key audit matter	How our audit addressed the key audit matter
Actuarial assumptions related to the Life business	
Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty) and Note G29 – Liabilities to policyholders to the consolidated financial statements. Technical provisions involve subjective judgments over uncertain future outcomes. The value is based on models where significant judgment is applied in setting economic assumptions, actuarial assumptions as well as customer behavior. Changes in these assumptions can materially impact the valuation of technical provisions.	We assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business. Our audit also included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out involving PwC actuaries.
IT systems supporting processes over financial reporting	
Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operates effectively. This is also a key audit matter with respect to our audit of the parent company financial statements.	We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to program and data as well as program development and changes. For logical access to program and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT systems.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment
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 three financial years.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support the proposal that the financial statements are adopted. The proposal by the Board of Directors regarding the distribution of profits is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 26 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

ANNEX 2
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE YEAR ENDED 31 DECEMBER 2019, INCLUDING THE AUDITOR'S REPORT AND NOTES RELATING THERETO

Contents

Income statement

EURm	Note	2019	2018
Operating income			
Interest income calculated using the effective interest rate method		6,399	5,978
Other interest income		1,350	1,447
Negative yield on financial assets		–309	–172
Interest expense		–3,334	–2,902
Negative yield on financial liabilities		212	140
Net interest income	**G4**	**4,318**	**4,491**
Fee and commission income		3,931	3,846
Fee and commission expense		–920	–853
Net fee and commission income	**G5**	**3,011**	**2,993**
Net result from items at fair value	G6	1,024	1,088
Profit from associated undertakings and joint ventures accounted for under the equity method	G20	50	124
Other operating income	G7	232	476
Total operating income		**8,635**	**9,172**
Operating expenses			
General administrative expenses:			
Staff costs	G8	–3,017	–2,998
Other expenses	G9	–1,639	–1,566
Depreciation, amortisation and impairment charges of tangible and intangible assets	G10	–1,330	–482
Total operating expenses		**–5,986**	**–5,046**
Profit before loan losses		**2,649**	**4,126**
Net loan losses	G11	–536	–173
Operating profit		**2,113**	**3,953**
Income tax expense	G12	–571	–872
Net profit for the year		**1,542**	**3,081**
Attributable to:			
Shareholders of Nordea Bank Abp		1,519	3,070
Additional Tier 1 capital holders		26	7
Non–controlling interests		–3	4
Total		**1,542**	**3,081**
Basic earnings per share, EUR	G13	0.38	0.76
Diluted earnings per share, EUR	G13	0.38	0.76

Statement of comprehensive income

EURm	Note	2019	2018
Net profit for the year		**1,542**	**3,081**
Items that may be reclassified subsequently to the income statement			
Currency translation differences during the year		18	–240
Tax on currency translation differences during the year		1	–2
Hedging of net investments in foreign operations:	G19		
Valuation gains/losses during the year		–62	67
Tax on valuation gains/losses during the year		16	–19
Fair value through other comprehensive income[1]:	G40		
Valuation gains/losses during the year		21	–48
Tax on valuation gains/losses during the year		–4	11
Transferred to the income statement during the year		–37	–10
Tax on transfers to the income statement during the year		6	2
Cash flow hedges:	G19		
Valuation gains/losses during the year		152	720
Tax on valuation gains/losses during the year		–31	–159
Transferred to the income statement during the year		–170	–676
Tax on transfers to the income statement during the year		35	149
Other comprehensive income from companies accounted for under the equity method during the year	G20	1	–
Tax on other comprehensive income from companies accounted for under the equity method during the year		0	–
Items that may not be reclassified subsequently to the income statement			
Changes in own credit risk related to liabilities classified as fair value option:	G40		
Valuation gains/losses during the year		–15	20
Tax on valuation gains/losses during the year		2	–4
Defined benefit plans:	G34		
Remeasurement of defined benefit plans during the year		–152	–173
Tax on remeasurement of defined benefit plans during the year		34	36
Other comprehensive income, net of tax		**–185**	**–326**
Total comprehensive income		**1,357**	**2,755**
Attributable to:			
Shareholders of Nordea Bank Abp		1,334	2,744
Additional Tier 1 capital holders		26	7
Non-controlling interests		–3	4
Total		**1,357**	**2,755**

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	Note	31 Dec 2019	31 Dec 2018
Assets	G40		
Cash and balances with central banks		35,509	41,578
Loans to central banks	G14	9,207	7,642
Loans to credit institutions	G14	8,516	11,320
Loans to the public	G14	322,740	308,304
Interest-bearing securities	G15	64,930	76,222
Financial instruments pledged as collateral	G16	7,151	7,568
Shares	G17	14,184	12,452
Assets in pooled schemes and unit-linked investment contracts	G18	30,799	24,583
Derivatives	G19	39,111	37,025
Fair value changes of the hedged items in portfolio hedge of interest rate risk		217	169
Investments in associated undertakings and joint ventures	G20	572	1,601
Intangible assets	G21	3,695	4,035
Properties and equipment	G22	2,002	546
Investment properties	G24	1,585	1,607
Deferred tax assets	G12	487	164
Current tax assets		362	284
Retirement benefit assets	G34	173	246
Other assets	G25	12,543	14,749
Prepaid expenses and accrued income	G26	1,065	1,313
Total assets		**554,848**	**551,408**
Liabilities	G40		
Deposits by credit institutions	G27	32,304	42,419
Deposits and borrowings from the public	G28	168,725	164,958
Deposits in pooled schemes and unit-linked investment contracts	G18	31,859	25,653
Liabilities to policyholders	G29	19,246	18,230
Debt securities in issue	G30	193,726	190,422
Derivatives	G19	42,047	39,547
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,018	1,273
Current tax liabilities		742	414
Other liabilities	G31	19,868	23,315
Accrued expenses and prepaid income	G32	1,476	1,696
Deferred tax liabilities	G12	481	706
Provisions	G33	570	321
Retirement benefit liabilities	G34	439	398
Subordinated liabilities	G35	9,819	9,155
Total liabilities		**523,320**	**518,507**
Equity			
Additional Tier 1 capital holders		748	750
Non-controlling interests		40	6
Share capital		4,050	4,050
Invested unrestricted equity		1,080	1,080
Other reserves		–2,062	–1,876
Retained earnings		27,672	28,891
Total equity		**31,528**	**32,901**
Total liabilities and equity		**554,848**	**551,408**
Off balance sheet commitments			
Assets pledged as security for own liabilities	G36	183,995	171,899
Other assets pledged	G37	3,919	4,788
Contingent liabilities	G38	17,792	17,819
Commitments	G39	77,063	74,479

Statement of changes in equity

2019

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[4]	Cash flow hedges[5]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 1 Jan 2019		**4,050**	**1,080**	**–1,914**	**–12**	**59**	**–17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**
Net profit for the year		–	–	–	–	–	–	–	1 ,519	1,519	26	–3	1,542
Items that may be reclassified subsequently to the income statement													
Currency translation differences during the year		–	–	18	–	–	–	–	–	18	–	–	18
Tax on currency translation differences during the year		–	–	1	–	–	–	–	–	1	–	–	1
Hedging of net investments in foreign operations:	G19												
Valuation gains/losses during the year		–	–	–62	–	–	–	–	–	–62	–	–	–62
Tax on valuation gains/losses during the year		–	–	16	–	–	–	–	–	16	–	–	16
Fair value through other comprehensive income:	G40												
Valuation gains/losses during the year		–	–	–	–	21	–	–	–	21	–	–	21
Tax on valuation gains/losses during the year		–	–	–	–	–4	–	–	–	–4	–	–	–4
Transferred to the income statement during the year		–	–	–	–	–37	–	–	–	–37	–	–	–37
Tax on transfers to the income statement during the year		–	–	–	–	6	–	–	–	6	–	–	6
Cash flow hedges:	G19												
Valuation gains/losses during the year		–	–	–	152	–	–	–	–	152	–	–	152
Tax on valuation gains/losses during the year		–	–	–	–31	–	–	–	–	–31	–	–	–31
Transferred to the income statement during the year[3]		–	–	–	–170	–	–	–	–	–170	–	–	–170
Tax on transfers to the income statement during the year[3]		–	–	–	35	–	–	–	–	35	–	–	35

Statement of changes in equity, cont.

2019

EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[4]	Cash flow hedges[5]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
Items that may not be reclassified subsequently to the income statement													
Changes in own credit risk related to liabilities classified as fair value option:	G40												
Valuation gains/losses during the year		–	–	–	–	–	–	–15	–	–15	–	–	–15
Tax on valuation gains/losses during the year		–	–	–	–	–	–	2	–	2	–	–	2
Defined benefit plans:	G34												
Remeasurement of defined benefit plans during the year		–	–	–	–	–	–152	–	–	–152	–	–	–152
Tax on remeasurement of defined benefit plans during the year		–	–	–	–	–	34	–	–	34	–	–	34
Other comprehensive income from companies accounted for under the equity method during the year	G20	–	–	–	–	–	–	–	1	1	–	–	1
Tax on other comprehensive income from companies accounted for under the equity method during the year		–	–	–	–	–	–	–	0	0	–	–	0
Other comprehensive income, net of tax		**–**	**–**	**–27**	**–14**	**–14**	**–118**	**–13**	**1**	**–185**	**–**	**–**	**–185**
Total comprehensive income		**–**	**–**	**–27**	**–14**	**–14**	**–118**	**–13**	**1,520**	**1,334**	**26**	**–3**	**1,357**
Paid interest on additional Tier 1 capital		–	–	–	–	–	–	–	–	–	–26	–	–26
Change in additional Tier 1 capital holders		–	–	–	–	–	–	–	–	–	–2	–	–2
Share-based payments	G8	–	–	–	–	–	–	–	20	20	–	–	20
Dividend for 2018		–	–	–	–	–	–	–	–2,788	–2,788	–	–	–2,788
Divestment of own shares[2]		–	–	–	–	–	–	–	29	29	–	–	29
Change in non-controlling interests		–	–	–	–	–	–	–	–	–	–	37	37
Balance at 31 Dec 2019		**4,050**	**1,080**	**–1,941**	**–26**	**45**	**–135**	**–5**	**27,672**	**30,740**	**748**	**40**	**31,528**

1) Total shares registered were 4,050 million. The number of own shares were 10.8 million which represents 0.3% of the total shares in Nordea. Each share represents one voting right.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme (LTIP), trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holding of own shares related to LTIP was 9.2 million.
3) The transfer is due to the hedged item affecting the income statement.
4) Relates to foreign exchange risk. Out of the balance per 31 December 2019, EUR 522m relates to hedging relationships for which hedge accounting is applied and EUR -m relates to hedging relationships for which hedge accounting is no longer applied.
5) For more detailed information see Note G19.

Statement of changes in equity, cont.

2018

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Share premium reserve/ Invested unrestricted equity	Translation of foreign operations[6]	Cash flow hedges[7]	Fair value through other com-prehensive income[5]	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 31 Dec 2017		**4,050**	**1,080**	**–1,720**	**–46**	**103**	**120**	**–**	**28,811**	**32,398**	**750**	**168**	**33,316**
Effects from changed accounting policy, net of tax		–	–	–	–	1	–	–8	–237	–244	–	–	–244
Restated opening balance at 1 Jan 2018		**4,050**	**1,080**	**–1,720**	**–46**	**104**	**120**	**–8**	**28,574**	**32,154**	**750**	**168**	**33,072**
Net profit for the year		–	–	–	–	–	–	–	3,070	3,070	7	4	3,081
Items that may be reclassified subsequently to the income statement													
Currency translation differences during the year		–	–	–240	–	–	–	–	–	–240	–	–	–240
Tax on currency translation differences during the year		–	–	–2	–	–	–	–	–	–2	–	–	–2
Hedging of net investments in foreign operations:	G19												
Valuation gains/losses during the year		–	–	67	–	–	–	–	–	67	–	–	67
Tax on valuation gains/losses during the year		–	–	–19	–	–	–	–	–	–19	–	–	–19
Fair value through other comprehensive income:	G40												
Valuation gains/losses during the year		–	–	–	–	–48	–	–	–	–48	–	–	–48
Tax on valuation gains/losses during the year		–	–	–	–	11	–	–	–	11	–	–	11
Transferred to the income statement during the year		–	–	–	–	–10	–	–	–	–10	–	–	–10
Tax on transfers to the income statement during the year		–	–	–	–	2	–	–	–	2	–	–	2
Cash flow hedges:	G19												
Valuation gains/losses during the year		–	–	–	720	–	–	–	–	720	–	–	720
Tax on valuation gains/losses during the year		–	–	–	–159	–	–	–	–	–159	–	–	–159
Transferred to the income statement during the year[4]		–	–	–	–676	–	–	–	–	–676	–	–	–676
Tax on transfers to the income statement during the year[4]		–	–	–	149	–	–	–	–	149	–	–	149

Statement of changes in equity, cont.

2018

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Share premium reserve/ Invested unrestricted equity	Translation of foreign operations[6]	Cash flow hedges[7]	Fair value through other comprehensive income[5]	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Items that may not be reclassified subsequently to the income statement													
Changes in own credit risk related to liabilities classified as fair value option:	G40												
Valuation gains/losses during the year		–	–	–	–	–	–	20	–	20	–	–	20
Tax on valuation gains/losses during the year		–	–	–	–	–	–	–4	–	–4	–	–	–4
Defined benefit plans:	G34												
Remeasurement of defined benefit plans during the year		–	–	–	–	–	–173	–	–	–173	–	–	–173
Tax on remeasurement of defined benefit plans during the year		–	–	–	–	–	36	–	–	36	–	–	36
Other comprehensive income, net of tax		**–**	**–**	**–194**	**34**	**–45**	**–137**	**16**	**–**	**–326**	**–**	**–**	**–326**
Total comprehensive income		**–**	**–**	**–194**	**34**	**–45**	**–137**	**16**	**3,070**	**2,744**	**7**	**4**	**2,755**
Paid interest on additional Tier 1 capital		–	–	–	–	–	–	–	–	–	–7	–	–7
Dividend for 2017		–	–	–	–	–	–	–	–2,747	–2,747	–	–	–2,747
Purchase of own shares[2]		–	–	–	–	–	–	–	–6	–6	–	–	–6
Change in non-controlling interests[3]		–	–	–	–	–	–	–	–	–	–	–166	–166
Balance at 31 Dec 2018		**4,050**	**1,080**	**–1,914**	**–12**	**59**	**–17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**

1) Total shares registered were 4,050 million. The number of own shares were 15.2 million which represents 0.4% of the total shares in Nordea. Each share represents one voting right.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme (LTIP), trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holding of own shares related to LTIP was 9.6 million.
3) Of which EUR –172m refers to the sale of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.
4) The transfer is due to the hedged item affecting the income statement.
5) Due to the implementation of IFRS 9 the Available for sale (AFS) category no longer exists and the assets are instead classified as Fair value through other comprehensive income (FVOCI). Hence, the opening balance 2018 for the FVOCI-reserve is the closing balance 2017 for the AFS-reserve.
6) Relates to foreign exchange risk. Out of the balance per 31 December 2018, EUR 568m relates to hedging relationships for which hedge accounting is applied and EUR – m relates to hedging relationships for which hedge accounting is no longer applied.
7) For more detailed information see Note G19.

Cash flow statement

EURm	Note	2019	2018
Operating activities			
Operating profit		2,113	3,953
Adjustment for items not included in cash flow		5,024	1,238
Income taxes paid	G12	–816	–1,024
Cash flow from operating activities before changes in operating assets and liabilities		**6,321**	**4,167**
Changes in operating assets			
Change in loans to central banks	G14	413	–2,052
Change in loans to credit institutions	G14	1,951	–1,463
Change in loans to the public	G14	–11,079	–2,884
Change in interest-bearing securities	G15	10,485	–90
Change in financial assets pledged as collateral	G16	402	237
Change in shares	G17	–1,379	4,984
Change in derivatives, net	G19	1,281	4,687
Change in investment properties	G24	–36	–218
Change in other assets	G25	–3,921	–1,672
Changes in operating liabilities			
Change in deposits by credit institutions	G27	–10,339	–622
Change in deposits and borrowings from the public	G28	2,050	–5,461
Change in liabilities to policyholders	G29	5,229	–1,531
Change in debt securities in issue	G30	869	12,856
Change in other liabilities	G31	–4,779	–8,307
Cash flow from operating activities		**–2,532**	**2,631**
Investing activities			
Acquisition of business operations	G48	–447	–
Sale of business operations		–25	646
Acquisition of associated undertakings and joint ventures	G20	–26	–81
Sale of associated undertakings	G20	879	90
Acquisition of property and equipment	G22	–70	–32
Sale of property and equipment	G22	15	14
Acquisition of intangible assets	G21	–517	–608
Cash flow from investing activities		**–191**	**29**
Financing activities			
Issued subordinated liabilities	G35	1,401	641
Amortised subordinated liabilities	G35	–890	–669
Paid interest on additional Tier 1 capital		–26	–7
Divestment/repurchase of own shares incl. change in trading portfolio		29	–6
Dividend paid		–2,788	–2,747
Cash flow from financing activities		**–2,274**	**–2,788**
Cash flow for the year		**–4,997**	**–128**
Cash and cash equivalents at beginning of year		46,009	46,213
Translation difference		152	–76
Cash and cash equivalents at end of year		41,164	46,009
Change		**–4,997**	**–128**

Cash flow statement, cont.

Comments on the cash flow statement

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

Operating activities

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

EURm	2019	2018
Depreciation	558	307
Impairment charges	772	175
Loan losses	583	217
Unrealised gains/losses	212	239
Capital gains/losses (net)	–69	–401
Change in accruals and provisions	–26	994
Translation differences	198	–94
Change in bonus potential to policyholders, Life	203	–447
Change in technical reserves, Life	1,794	–20
Change in fair value on the hedge items, assets/liabilities (net)	705	–144
Other	94	412
Total	**5,024**	**1,238**

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

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

EURm	2019	2018
Interest payments received	7,395	7,412
Interest expenses paid	–3,166	–3,138

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2019	31 Dec 2018
Cash and balances with central banks	35,509	41,578
Loans to central banks, payable on demand	4,826	2,759
Loans to credit institutions, payable on demand	829	1,672
Total	**41,164**	**46,009**

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

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

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

Reconciliation of liabilities arising from financing activities

The opening balance of subordinated liabilities was EUR 9,155m (EUR 8,987m). During the period cash flows related to bonds were EUR 511m (EUR –28m) and the effects of FX changes and other were EUR 153m (EUR 196m), ending up in a closing balance of EUR 9,819m (EUR 9,155m).

G1. Accounting policies

Content for Note G1

1. Basis for presentation

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

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

On 20 February 2020 the Board of Directors approved the financial statements, subject to final adoption by the Annual General Meeting on 25 March 2020.

The accounting policies, the basis for calculations and presentations are unchanged in comparison with the Annual Report 2018, except for the changed accounting policies and presentation described below in the section "Changed accounting policies and presentation".

2. Changed accounting policies and presentation

The new accounting requirements implemented during 2019 and their impact on Nordea's financial statements are described below.

IFRS 16 "Leases"

The new standard IFRS 16 "Leases" changes the accounting requirements for lessees. All leases (except for short-term and small ticket leases) are accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments are recognised as amortisation on the lease liability and interest expense. The accounting requirements for lessors are mostly unchanged. Additional disclosures are also required. IFRS 16 was implemented by Nordea as from 1 January 2019. Nordea has applied the modified retrospective approach, which means that IFRS 16 has been applied from 1 January 2019 with no restatement of comparative figures. The right of use asset was recognised as the amount of the lease liability adjusted for any prepaid expensed and accrued lease payments.

The main impact on Nordea's financial statements comes from the accounting of property leases. Such leasing contracts are under IFRS 16 accounted for on the balance sheet to a larger extent than under the earlier requirements. The right of use asset, presented as "Properties and equipment" on the balance sheet, amounted to EUR 1,521m at transition on 1 January 2019. The increase of total assets was EUR 1,163m considering also a reclassification of already existing prepaid lease expenses. There was no impact on equity at transition. The impact on the CET1 ratio was negative by 12 basis points following an increase in REA. At transition, the standard was implemented based on a single discount rate applied on a portfolio of leases with similar characteristics. The future cash flows have been discounted using the incremental borrowing rate, and the weighted average incremental borrowing rate applied to the lease liabilities at transition was approximately 1%. The assessment of onerous leases according to IAS 37 has been applied as an alternative to performing an impairment review of the right of use asset. Initial direct costs have been excluded from the right of use asset and the right to use hindsight when determining the lease term has been used.

Reconciliation of lease commitments in Annual Report 2018 to lease liabilities at 1 January 2019

EURm	
Future minimum lease payments under non-cancellable leases 31 Dec 2018	1,217
Increase in lease term	157
Discounting effect using the average incremental borrowing rate	–93
Deduction for leases reclassified to short-term leases under IFRS 16	–5
Other changes	–111
Lease liability 1 January 2019	**1,165**

G1. Accounting policies, cont.

Impact on the balance sheet at transition

EURm	31 Dec 2018	Change	1 Jan 2019
Assets			
Properties and equipment	546	1,521	2,067
- of which Owned assets	546	–	546
- of which Right of use assets	–	1,523	1,523
- of which Accumulated impairment on Right of use assets	–	−2	−2
Prepaid expenses	1,313	−358	955
Other	549,549	–	549,549
Total assets	**551,408**	**1,163**	**552,571**
Liabilities			
Other liabilities	23,315	1,165	24,480
- of which Lease liabilities	–	1,165	1,165
Provisions	321	−2	319
Other	494,871	–	494,871
Total liabilities	**518,507**	**1,163**	**519,670**

Impact on the income statement and balance sheet 2019

	Full year 2019		
EURm	Old policy	Change	New policy
Interest expense[1]	−3,110	−12	−3,122
Other expenses	−1,834	195	−1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets	−1,139	−191	−1,330
Income tax expense	−573	2	−571
Impact on net profit for the period		**−6**	

	31 Dec 2019		
EURm	Old policy	Change	New policy
Properties and equipment	496	1,506	2,002
Prepaid expenses and accrued income	1,370	−305	1,065
Other liabilities	18,643	1,225	19,868
Provisions	586	−16	570
Current tax liabilities	744	−2	742
Retained earnings	27,678	−6	27,672

1) Including negative yield on financial liabilities in the Annual Report 2019.

Amendments to IAS 39 and IFRS 7 "Interest rate benchmark reform"

In September 2019, IASB published amendments to IAS 39, IFRS 9 and IFRS 7 as a consequence of the coming reform of benchmark interest rates. The amendments give some relief in relation to hedge accounting. Under the amendments, the hedge accounting requirements should be evaluated assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Early application is permitted, and Nordea has exercised this option. The amendments have resulted in that the hedge relationships in Nordea pass the effectiveness test and that hedge accounting can continue as before during the relief period.

Presentation of fair value adjustments

As from 1 January 2019 Nordea presents all other valuation adjustments than DVA (Debit Valuation Adjustment) as an adjustment to derivatives with positive fair value and DVA as an adjustment to derivatives with negative fair value on the balance sheet. Earlier all valuation adjustments were presented as an adjustment to derivatives with negative fair value on the balance sheet. The impact on 2019 was a decrease of derivatives with positive fair value and derivatives with negative fair value by EUR 223m. There was no impact on the income statement or equity. Comparative figures have not been restated.

Changed recognition and presentation of resolution fees

As from 1 January 2019 Nordea recognises resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents the expense as "Other expenses". The earlier policy was to amortise these fees over the year and present the expense as "Interest expense". The change mainly reflects the change in the structure of the resolution fees following the re-domiciliation to Finland.

Comparative figures have been restated accordingly and the impact, together with the impact on 2019, can be found in the below table.

Resolution fee

	Full year 2019		
EURm	Old policy	Change	New policy
Interest expense[1]	−3,333	211	−3,122
Other expenses	−1,428	−211	−1,639
Income tax expense	−571	–	−571
Impact on net profit for the period		–	
Impact on EPS/DEPS, EUR		**–**	

	Full year 2018		
EURm	Old,policy	Change	New,policy
Interest expense[1]	−2,929	167	−2,762
Other expenses	−1,399	−167	−1,566
Income tax expense	−872	–	−872
Impact on net profit for the period		**–**	
Impact on EPS/DEPS, EUR		**–**	

1) Including negative yield on financial liabilities in the Annual Report 2019.

Presentation of "Net interest income"

To increase the transparency, a more granular presentation of net interest income has been included in the income statement. The negative yield on assets and liabilities has been separated from "Interest income calculated using the effective interest rate method", "Other interest income" and "Interest expense", respectively, and disclosed on separate lines. The comparative figures for 2018 have been restated.

Other amended requirements

The following new and amended standards and interpretations were implemented by Nordea on 1 January 2019 but have not had any significant impact on the financial statements of Nordea:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement

G1. Accounting policies, cont.

- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle

Changes in the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decree of the Ministry of Finance on the financial statements and consolidated statements of credit institutions and investment firms have not had any significant impact on Nordea's financial statements.

3. Changes in IFRSs not yet applied

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

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

IFRS 17 "Insurance contracts"

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

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

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

Other changes in IFRS

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

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of business
- Amendments to IAS 1 and IAS 8: Definitions of Material

4. Critical judgements and estimation uncertainty

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

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

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the classification of financial assets
- the derecognition of financial assets
- the impairment testing of:
  - goodwill and other intangible assets and
  - loans to the public/credit institutions
- the amortisation period for capitalised software
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the actuarial calculations of insurance contracts
- the valuation of investment properties
- the assessment of expected lease terms and classification of leases
- the classification of additional tier 1 instruments
- assessing control for consolidation purposes
- the valuation of deferred tax assets
- claims in civil lawsuits and possible fines

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G41 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

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

The critical judgements required when determining the fair value of financial instruments that lack quoted prices or

G1. Accounting policies, cont.

recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, levels 2 and 3 in the fair value hierarchy, was EUR 185,148m (EUR 178,960m) and EUR 151,751m (EUR 136,412m), respectively, at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note G41 "Assets and liabilities at fair value".

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

Classification of financial assets

Nordea classifies financial assets based on Nordea's business model for managing the assets. When determining the business model for the bonds within the liquidity buffer Nordea makes critical judgements. The bonds within the liquidity buffer is split in two portfolios. For the first portfolio Nordea has determined that the business model is to both keep the bonds and collect contractual cash flows and to sell financial assets. For the second portfolio, Nordea has determined that the business model is to manage the bonds with the objective of realising cash flows through sale. The bonds within the first portfolio are measured at fair value through other comprehensive income (FVOCI) and the bonds within the second portfolio are measured at fair value through profit and loss (FVPL). Interest-bearing securities and Financial instruments pledged as collateral in the liquidity buffer measured at FVOCI (the first portfolio) amount to EUR 29,779m (EUR 33,564m) and interest-bearing securities measured at FVPL (the second portfolio) amount to EUR 34,725m (EUR 39,708m).

Derecognition of financial assets

Loans and other financial assets where cash flows are modified, or part of a restructuring, are derecognised, and a new loan recognised, if the terms and conditions of the new loan are substantially different from the old loan. Nordea applies judgements to determine if the terms and conditions of the new loan are substantially different from the old loan. Nordea considers the terms and conditions to be substantially different if the present value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan or if the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa. The carrying amount of loans, interest-bearing securities and financial instruments pledged as collateral on the asset side of the balance sheet amounts to EUR 412,544m (EUR 411,056m).

Impairment testing of goodwill and other intangible assets

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets", and Note G21 "Intangible assets" lists the cash-generating units (CGUs) to which goodwill has been allocated. Also internally developed software for which amortisation has not yet started is included in the impairment test and allocated to the CGUs. Nordea's total goodwill amounted to EUR 1,969m (EUR 1,816m) at the end of the year. Software for which amortisation has not yet started amounted to EUR 768m (EUR 1,300m) at the end of the year.

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

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

For information on the sensitivity to changes in relevant parameters, see Note G21 "Intangible assets".

Impairment testing of loans to the public/credit institutions

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

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. Nordea's total lending before impairment allowances was EUR 342,646m (EUR 329,306m) at the end of the year. For more information, see Note G14 "Loans and impairment".

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

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

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

The amortisation period for capitalised software

Internally developed software is capitalised and amortised over the useful life of the software. As the IT landscape develops rapidly, management exercises judgment to estimate the useful life of the software, which affects the yearly amortisation charge.

Effectiveness testing of cash flow hedges

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

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

Where Nordea applies cash flow hedge accounting the

G1. Accounting policies, cont.

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

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 24 "Employee benefits".

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

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G34 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,790m (EUR 3,494m) at the end of the year.

Actuarial calculations of insurance contracts

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

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

The insurance liability was EUR 15,928m (EUR 15,001m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G29 "Liabilities to policyholders".

Valuation of investment properties

Nordea's accounting policy for investment properties is described in section 18 "Investment properties".

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

The carrying amount of investment properties was EUR 1,585m (EUR 1,607m) at the end of the year. See Note G24 "Investment properties" for more information on amounts and parameters used in these models.

Assessment of expected lease terms and classification of leases

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

Critical judgement has to be exercised as a lessee when estimating the expected lease term by considering all facts and circumstances that create an economic incentive to exercise an extension or termination option. The expected lease term for contracts with no end date is estimated in the same way. Backstop rules on the average expected lifetime for different types of real estate contracts are used as a guidance when making the estimate for banking branches. A more detailed analysis is performed for larger contracts as head offices. The head office contracts are estimated to be more long term in nature than the branches where the environment is changing at a more rapid pace. The expected lease term of head office contracts is currently generally close to 25 years. The backstop rule of banking branches is currently limiting the expected lease term of contracts with no end date, or contracts with extension options, to 5 years. It is possible to deviate from the backstop rule if the circumstances show that it is likely that Nordea will stay for a longer/shorter period.

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

The carrying amount of the right of use asset was EUR 1,506m at the end of the year.

More information on lease contracts can be found in Note G23 "Leasing".

Classification of additional tier 1 instruments

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

Assessing control for consolidation purposes

One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns. Nordea's critical judgement is that Nordea is normally exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea is also the investment manager and thus has influence over the return produced by the structured entity.

G1. Accounting policies, cont.

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

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

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 21 "Taxes" and Note G12 "Taxes".

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

The carrying amount of deferred tax assets was EUR 487m (EUR 164m) at the end of the year.

Claims in civil lawsuits and possible fines

Within framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak anti-money laundering processes and procedures in the past. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea cannot exclude the possibility of fines, which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. See also Note G2 "Risk and Liquidity management", Note G33 "Provisions" and Note G38 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities

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

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

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

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

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

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

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

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

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

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

Investments in associated undertakings and joint ventures

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

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

Investments within Nordea's investment activities, which are classified as a venture capital organisation within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IFRS 9. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

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

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

Note G20 "Investments in associated undertakings and joint ventures" lists the major associated undertakings in the Nordea Group.

Structured entities

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

Power can exist due to agreements or other types of influ-

G1. Accounting policies, cont.

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

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

Further information about consolidated and unconsolidated structured entities is disclosed in Note G46 "Interests in structured entities".

Currency translation of foreign entities/branches

The consolidated financial statements are presented in euro (EUR). When translating the financial statements of foreign entities and branches into EUR from their functional currency, the assets and liabilities of foreign entities and branches have been translated at the closing rates, while items in the income statement and the statement of comprehensive income are translated at the average exchange rate for the year. The average exchange rates are calculated based on daily exchange rates divided by the number of banking days in the period. Translation differences are recognised in other comprehensive income and are accumulated in the translation reserve in equity.

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

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

Information on the most important exchange rates is disclosed in the separate section 30 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

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

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

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

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

The yield on financial assets is presented on three rows in the income statement, Interest income calculated using the effective interest rate method, Other interest income and Negative yield on financial assets. On the row Interest income calculated using the effective interest method, Nordea presents interest income from financial assets measured at amortised cost or at fair value through other comprehensive income. This line item also includes the effect from hedge accounting relating to these assets. All other interest income is presented as on the income statement row "Other interest income", except the negative yield on financial assets that is presented on a separate row. The negative yield on financial liabilities is also disclosed separately in the income statement.

Net fee and commission income

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

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

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

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

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

Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time. The

G1. Accounting policies, cont.

amount of loan syndication fees as well as other transaction-based fees received are recognised at a point when the performance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received on bilateral transactions are generally amortised as part of the effective interest of the financial instruments recognised.

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

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

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

Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

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

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

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

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

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

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

Profit from companies accounted for under the equity method

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

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

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

Also, impairment on investments in associated undertakings and joint ventures is classified as "Profit from companies accounted for under the equity method" in the income statement. The policies covering impairment of financial assets classified into the category Amortised cost are disclosed in section 13 "Financial instruments" and section 14 "Loans to the public/credit institutions".

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

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

Other operating income and other expenses

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

Resolution fees are presented as other expenses in the income statement.

G1. Accounting policies, cont.

Net loan losses

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

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

7. Income recognition life insurance

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

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

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

The result from these components is, except for the cost result and the risk and performance margin relating to unit-linked and investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income" together with the risk and performance margin relating to unit-linked and investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholders' part of a positive or negative cost result (profit sharing) is included in the note line "Change in technical provisions, Life insurance" within Note G6 "Net result from items at fair value".

The insurance risk result consists of income from individual risk products and from unbundled life insurance contracts as well as health and personal accident insurance. The risk premiums are amortised over the coverage period as the provisions are reduced when insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive a part of a net income or a net deficit. The risk income and the risk expenses are presented gross on the lines "Insurance risk income, Life insurance" and "Insurance risk expense, Life insurance" in Note G6 "Net result from items at fair value". The policyholders' part of the result is included in the line "Change in technical provisions, Life insurance" in the note.

Gains and losses derived from investments in Nordea Life & Pensions are split between the relevant lines in Note G6 "Net result from items at fair value" as for any other investment in Nordea. The lines include investment return on assets held to cover liabilities to policyholders and return on the additional capital allocated to Nordea Life & Pensions (Shareholders' capital in the Nordea Life & Pensions group).

The note line "Change in technical provisions, Life insurance" in Note G6 "Net result from items at fair value" includes:

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

The note line "Change in collective bonus potential, Life insurance" in Note G6 "Net result from items at fair value" relates only to traditional life insurance contracts. The line includes policyholders' share of investment returns not yet individualised. The line includes also additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

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

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

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

Loans and other financial assets where cash flows are modified, or part of a restructuring, are derecognised, and a new loan recognised, if the terms and conditions of the new loan are substantially different from the old loan. This is normally the case if the present value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities. The terms and conditions are also considered to be significantly different for financial assets where the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa.

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

Financial liabilities are derecognised from the balance

G1. Accounting policies, cont.

sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterparty, i.e. on settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognised as "Other liabilities" on the balance sheet on trade date.

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

9. Translation of assets and liabilities denominated in foreign currencies

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

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

10. Hedge accounting

As part of Nordea's risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in Note G2 "Risk and Liquidity management" (the Market risk section) and Note G19 "Derivatives and hedge accounting".

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

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

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

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

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

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

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

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out in Note G2 "Risk and Liquidity management" (the Market risk section) and Note G19 "Derivatives and hedge accounting". The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

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

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

Hedged items

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

Hedging instruments

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

Hedge effectiveness

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

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

Hedge ineffectiveness can arise from:

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

G1. Accounting policies, cont.

Cash flow hedge accounting

In accordance with Nordea's risk management policies set out in Note G2 "Risk and Liquidity management" (the Market risk section) and Note G19 "Derivatives and hedge accounting", cash flow hedge accounting is applied when hedging the exposure to variability in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

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

Hedged items

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

Hedging instruments

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

Hedge effectiveness

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

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

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

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

Hedges of net investments

In accordance with Nordea's risk management policies set out in the Market risk section in Note G2 "Risk and Liquidity management" and Note G19 "Derivatives and Hedge accounting", Nordea hedges its foreign currency translation risk. Translation risk is defined as the risk of loss from investments in foreign operations which have a functional currency different from that of the Group reporting currency (EUR). The hedging instruments used by Nordea are FX forwards where only the spot component is designated in the hedging relationship.

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

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

11. Determination of fair value of financial instruments

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

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

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

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

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

G1. Accounting policies, cont.

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

Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:
- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC derivatives)

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

Note G41 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:
- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

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

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

For further information, see Note G41 "Assets and liabilities at fair value".

12. Cash and balances with central banks

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:
- The central bank or the postal giro system is domiciled in the country where the institutions are established
- The balance is readily available at any time

13. Financial instruments

Classification of financial instruments

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

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

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

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

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

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

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the table "Classification of financial instruments" in Note G40 the classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about

G1. Accounting policies, cont.

the effective interest rate method see section 6, "Net interest income". For information about impairment under IFRS 9, see section 14 below.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income" and "Interest expense" in the income statement.

This category consists of mainly all loans and deposits, except for reverse repurchase/repurchase agreements and securities borrowing/lending agreements in Markets and mortgage loans in Nordea Kredit Realkreditaktieselskab. This category also includes interest-bearing securities mainly related to a portfolio of interest-bearing securities in Life & Pension in Norway, subordinated liabilities and debt securities in issue, except for bonds issued in Nordea Kredit Realkreditaktieselskab and issued structured bonds in Markets.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

The category consists of two sub-categories; Mandatorily measured at fair value through profit and loss and Designated at fair value through profit or loss (fair value option).

The sub-category Mandatorily measured at fair value through profit and loss contains mainly all assets in Markets, trading liabilities in Markets, interest-bearing securities included in part of the liquidity buffer, derivative instruments, shares, the mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policyholders. The deposits are invested in different types of financial asset on behalf of customers and policyholders.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are issued bonds in Nordea Kredit Realkreditaktieselskab and assets and liabilities in Nordea Life & Pensions.

Liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law, Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. The loans are measured at fair value through profit and loss, and if the bonds were measured at amortised cost, this would give rise to an accounting mismatch. To avoid such an accounting mismatch Nordea measures the bonds at fair value with all changes in fair value, including changes in credit risk recognised in profit or loss.

All assets in Nordea Life & Pensions held under investment contracts are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch with the liabilities to the policyholders that are measured at fair value. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. Changes in own credit risk is recognised in profit and loss as recognising this change in other comprehensive income would create an accounting mismatch. Assets held under insurance contracts (defined in section 19 "Liabilities to policyholders"), except for a portfolio of interest-bearing securities in Norway, are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also, assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. The deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss. The value of these deposits is directly linked to assets in the contacts and there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value of these issued structured bonds is recognised in profit and loss except for the changes in credit risk that are recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in part of the liquidity buffer. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income", foreign exchange effects in "Net result from items at fair value" and impairment losses in the item "Net loan losses" in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value". For information about impairment under IFRS 9, see section 14 below.

Hybrid (combined) financial instruments

Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The host, the zero-coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from items at fair value".

For structured bonds issued by Markets, Nordea applies

G1. Accounting policies, cont.

the fair value option, and the entire combined instrument, the host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item "Net result from items at fair value" and presented as "Debt securities in issue" on the balance sheet.

Securities borrowing and lending agreements

Generally, securities borrowings and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In cases where the counterparty is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item "Financial instruments pledged as collateral".

Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to counterparties is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from counterparties is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements

Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In cases where the counterparty has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities".

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public".

Additionally, the sale of securities received in reverse repurchase agreements triggers the recognition of a trading liability (short sale).

Derivatives

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities

Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of default, bankruptcy and insolvency of Nordea and the counterparties, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

Exchange-traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received, and the instrument is reset to market terms. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities against central counterparty clearing houses are offset on the balance sheet if the transaction currency and the central counterparty is the same. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities related to bilateral OTC derivative transactions are not offset on the balance sheet.

In addition, loans and deposits related to repurchase and reverse repurchase transaction with CCP are offset on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposits related to repurchase and reverse repurchase transactions that are made in accordance with the Global Master Repurchase Agreement (GMRA) are offset on the balance sheet if the assets and the liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

Issued debt and equity instruments

A financial instrument issued by Nordea is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea having a present obligation to either deliver cash or another financial asset or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

14. Loans to the public/credit institutions

Scope

Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 13 above and Note G40 "Classification of financial instruments".

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction, or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as Fair value through other comprehen-

G1. Accounting policies, cont.

sive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net loan losses". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing

Nordea classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Nordea monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in Note G2 "Risk and Liquidity management". Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collateral and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the model described below but based on the fact that the exposures are already in default.

Model-based allowance calculation

For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stages 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition on 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded that it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion.

- Retail customers with an initial 12-month PD below 1%: Exposures with a relative increase in lifetime PD above 100% and an absolute increase in 12-month PD above 45 bps are transferred to stage 2.
- Retail customers with an initial 12-month PD above or equal to 1%: Exposures with a relative increase in lifetime PD above 100% or an absolute increase in 12-month PD above 300 bps are transferred to stage 2.
- Non-Retail customers with an initial 12-month PD below 0.5%: Exposures with a relative increase in lifetime PD above 150% and an absolute increase in 12-month PD above 20 bps are transferred to stage 2.
- Non-Retail customers with an initial 12-month PD above or equal to 0.5%: Exposures with a relative increase in lifetime PD above 150% or an absolute increase in 12-month PD above 400 bps are transferred to stage 2.

For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence that the customer is not in default. Such exposures will be classified as stage 2.

Nordea does not use the "low credit risk exemption" in the banking operations but uses it for a minor portfolio of interest-bearing securities in the insurance operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward-looking information. Nordea applies three macroeconomic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions. The model is based on data collected before the reporting date, requiring Nordea to identify events that should affect the provisions after the data is sourced to the model calculation. Management evaluates these events and adjusts the provisions if deemed necessary.

Write-offs

A write-off is a derecognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable, they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (list is not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written off.

G1. Accounting policies, cont.

- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

Discount rate
The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans and modifications
In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to their financial difficulties and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery, the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims
In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example, a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Fair value through profit or loss and measured at fair value. Changes in fair values are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. The item "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

15. Leasing
Nordea as lessor
Finance leases

Nordea's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee in the balance sheet item "Loans to the public" at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as properties and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as "Net interest income". The depreciation of the leased assets is calculated based on Nordea's depreciation policy for similar assets and reported as "Depreciation, amortisation and impairment charges of tangible and intangible assets" in the income statement.

Nordea as lessee
At inception Nordea assesses whether a contract is or contains a lease. A lease is a contract that conveys the user the right to control the use of an asset for a period of time in exchange for consideration.

The right to use an asset in a lease contract is recognised on the commencement date as a right of use (ROU) assets and the obligation to pay lease payments is recognised as a lease liability. The ROU assets is initially measured as the present value of the lease payments plus initial direct costs and the cost of obligations to refurbish the asset less any lease incentives received. Non-lease components are separated. The discount rate used to calculate the lease liability for each contract is the incremental borrowing rate at commencement of the contract. In significant premises contracts the rate implicit in the contract may be used if available.

The ROU assets are presented as similar owned assets and the lease liabilities as "Other liabilities" on the balance sheet. The depreciation policy is consistent with that of similar owned assets, but the depreciation period is normally capped at the end of the lease term. Impairment testing of the righ of use assets is performed following the same principles as for similar owned assets. Interest expense on lease liabilities is presented as "Interest expense" in the income statement.

The assets are classified as Land and buildings and Equipment. Equipment mainly comprises vehicles and IT hardware. Nordea applies the practical expedient for short-term contracts (with a contract term of 12 months or less) both for Land and buildings and for Equipment. The practical expedient for low value assets is applied on Equipment. Short-term and low value contracts are not recognised on the balance sheet and the payments are recognised as expenses in the income statement as "Other expenses" on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit.

Leases are mainly related to office premises contracts but also to company cars, IT hardware and other assets normal to the business. The premises are mainly divided into banking branches and headoffices. The premises contracts are actively managed with focus on the effective use of the premises and the changes in the business environment. The lease payments generally include fixed payments and especially in premises contracts also variable payments that depend on an index.

G1. Accounting policies, cont.

Residual value guarantees, or purchase options are generally not used.

The lease term is the expected lease term. This comprises the non-cancellable period of lease contracts and any options that Nordea is reasonably certain to exercise. The length of contracts with no end date is estimated by considering all facts and circumstances.

The expected lease term of most of the premises contracts is 1–10 years whereas the expected lease term of the main head office contracts in the Nordic countries is 15–25 years. These contracts generally have renewal options.

Embedded leases
Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

16. Intangible assets
Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea's control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea mainly consist of goodwill, IT development/computer software and customer-related intangible assets.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures are disclosed in section 6 "Recognition of operating income and impairment".

IT development/Computer software
Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software also includes acquired software licences not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 5 years, and in some circumstances for strategic infrastructure up to a maximum of 10 years.

Customer-related intangible assets
In business combinations a portion of the purchase price is normally allocated to a customer-related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over maximum 10 years.

Impairment
Goodwill and IT development not yet taken into use are not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generate largely independent cash flows in relation to other assets. For goodwill and IT development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cashgenerating unit in its current condition and discounted at a rate based on the long-term risk-free interest rate plus a risk premium. If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G21 "Intangible assets" for more information on the impairment testing.

17. Properties and equipment
Properties and equipment include own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties and equipment comprises its purchase price as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Properties and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follow the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, and any impairment loss is recognised.

Impairment losses are reversed if the recoverable amount

G1. Accounting policies, cont.

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

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available, discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained, consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision also includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-linked contracts represent life insurance provisions relating to Unit-linked policies written either with or without an investment guarantee. Unit-linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts

Contracts classified as investment contracts are contracts with policyholders which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF contracts (collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabili-

G1. Accounting policies, cont.

ties is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

20. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is borne by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders.

Unit-linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 "Financial instrument" above.

21. Taxes

The item "Income tax expense" in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement, unless the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax positions are regularly reviewed to identify situations where it is not probable that the relevant tax authorities will accept the treatment used in the tax filings. Uncertain tax positions are considered independently or as a group, depending on which approach better predicts the resolution of the uncertainty. If Nordea concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty is reflected when determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. This is done by using either the most likely amount or the expected value, depending on which method better predicts the outcome of the uncertainty. Uncertain tax treatment can affect both current tax and deferred tax.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Provisions

Provisions (which are presented as a liability) are recognised when Nordea has a present obligation (legal or constructive) as a result of a past event if it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provisions relating to Employee benefits are further described in section 24 and provisions relating to Financial guarantees contract and credit commitments are described in section 26.

23. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to shareholders of Nordea Bank Abp by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long-term incentive programmes and contracts on Nordea shares that can be settled in Nordea shares, i.e. derivatives such as options and warrants and their equivalents. Such contracts affect diluted earnings per share when and only when the average price of ordinary shares during the period exceeds the exercise price of the options or warrants (i.e. they are in the money).

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

24. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 27 "Share-based payment".

More information can be found in Note G8 "Staff costs".

G1. Accounting policies, cont.

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit pension plans are predominantly sponsored in Sweden, Norway and Finland. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit liabilities"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit liabilities ".

Most pensions in Denmark, but also plans in other countries, are based on defined contribution arrangements that hold no pension liability for Nordea. All defined benefit pension plans are closed for new employees. Nordea also contributes to public pension systems.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G34 "Retirement benefit obligations").

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high-quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve are derived from the most liquid long-dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G8 "Staff costs".

25. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank Abp.

For each business combination, Nordea measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Additional Tier 1 capital holders

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

Nordea determines payments on financial instrument classified as equity (i.e. Additional Tier 1 instruments) as distributions of profits and for that reason such payments are accounted for as dividends.

Invested unrestricted equity/Share premium reserve

The reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue. Transaction costs in connection to the rights issue have been deducted.

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include reserves for cash flow

G1. Accounting policies, cont.

hedges, financial assets classified into the category Financial assets at fair value through other comprehensive income and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

Retained earnings

Apart from undistributed profits from previous years, retained earnings include the equity portion of untaxed reserves. Untaxed reserves according to national rules are accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

In addition, Nordea's share of the earnings in associated undertakings and joint ventures, after the acquisition date, that have not been distributed is included in retained earnings.

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are recognised as a deduction of "Retained earnings" on the balance sheet. Also, own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash, i.e. derivatives such as options and warrants and their equivalents, are either presented as financial assets or financial liabilities.

26. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured and recognised as a provision on the balance sheet at the higher of either the received fee less amortisation, or an amount calculated in accordance with IFRS 9. Changes in provisions are recognised in the income statement in the item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 6 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, net of any provisions. Financial guarantees are disclosed in the item "Contingent liabilities" and irrevocable credit commitments in the item "Commitments".

27. Share-based payment

Equity-settled programmes

Nordea has issued programmes where employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value is the original fair value per right times the best estimate of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period. The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G8 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred, and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

For more information see Note G8 "Staff costs".

28. Related party transactions

Nordea defines related parties as:

- Shareholders with significant influence
- Associated undertakings and joint ventures
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis, apart from loans granted to employees as well as certain other commitments to key management, see Note G8 "Staff costs" and Note G38 "Contingent liabilities".

Shareholders with significant influence

Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

Associated undertakings and joint ventures

For the definition of associated undertakings and joint ventures, see section 5 "Principles of consolidation".

Further information on the associated undertakings and the joint ventures included in the Nordea Group is found in Note G20 "Investments in associated undertakings and joint ventures".

Key management personnel

Key management personnel includes the following positions:

- Board of Directors
- Chief Executive Officer (CEO)
- Group Leadership Team (GLT)

For information about compensation, pensions and other transactions with key management personnel, see Note G8 "Staff costs".

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in the Nordea Group as well as companies significantly influenced by close family members to key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

G1. Accounting policies, cont.

29. Presentation of disposal groups held for sale

Assets and liabilities related to disposal groups are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale", respectively, as from the classification date. Financial instruments continue to be measured under IFRS 9, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

30. Exchange rates

	Jan–Dec 2019	Jan–Dec 2018
EUR 1 = SEK		
Income statement (average)	10.5848	10.2608
Balance sheet (at end of year)	10.4563	10.2330
EUR 1 = DKK		
Income statement (average)	7.4661	7.4533
Balance sheet (at end of year)	7.4717	7.4672
EUR 1 = NOK		
Income statement (average)	9.8499	9.6033
Balance sheet (at end of year)	9.8463	9.9470
EUR 1 = RUB		
Income statement (average)	72.4524	74.0484
Balance sheet (at end of year)	69.7096	79.3826

G2. Risk and Liquidity management

Maintaining risk awareness in the organisation is engrained in Nordea's business strategies. Nordea has defined clear risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and capital structure.

Internal Control Framework

The Internal Control Framework covers the whole Group and it sets out the Group Board's and senior executive management's responsibilities towards internal control, all Group Functions and Business Areas including outsourced activities and distribution channels. Under the Internal Control Framework, all Business Areas, Group Functions and units are responsible for managing the risks they incur in conducting their activities and to have controls in place that aim to ensure compliance with internal and external requirements. As part of the Internal Control Framework, Nordea has established Group Control Functions with appropriate and sufficient authority, independence and access to the Group Board to fulfil their mission, as well as the Risk Management Framework.

The Internal Control Framework ensures effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information (both internal and external) and compliance with applicable laws, regulations, standards, supervisory requirements and the Group internal rules.

The internal control process is carried out by the governing bodies, risk management functions, management and other staff at Nordea. The internal control process is based on five main components: control environment, risk assessment, control activities, information and communication as well as monitoring. The internal control process is created to ensure the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Governing bodies for risk, liquidity and capital management

The Group Board, the Board Risk Committee (BRIC), the President of Nordea Bank Abp and Nordea Group Chief Executive Officer (CEO) in Group Leadership Team (GLT), the Asset and Liability Committee (ALCO) and the Risk Committee (RC) are the key decision-making bodies for risk, liquidity and capital management in Nordea. In addition, the CEO Credit Committee, the Executive Credit Committee and Business Area Credit Committees are the key bodies for Credit decision-making.

Board of Directors and Board Risk Committee

The Group Board has following overarching risk management responsibilities.

- It decides on the Group risk strategy and the Risk Appetite Framework, including the Risk Appetite Statements, with at least annual reviews and additional updates when needed.
- It decides on and oversees an adequate and effective Risk Management Framework and regularly evaluates whether the Group has effective and appropriate controls to manage the risks.

The Group Board decides on the Group Board Directive on Capital including dividend policy, which ensures adequate capital levels within the Group, on an ongoing and forward-looking basis consistent with Nordea's business model, risk appetite and regulatory requirements and expectations.

The Board Risk Committee (BRIC) assists the Group Board in fulfilling its oversight responsibilities concerning management and control of the risk, risk frameworks, controls and processes associated with the Group's operations, including credit, market, liquidity, business, life and operational risk, as well as conduct and compliance risk and related frameworks and processes.

President and Chief Executive Officer

The Group CEO is responsible to the Group Board for the overall management of the Group's operations and risks. Responsibilities include ensuring that the risk strategy and risk management decided by the Group Board is implemented, the necessary practical measures are taken and risks are monitored and limited. The Group CEO is working together with heads of Business Areas and certain heads of Group Functions within GLT for the purposes of supporting the Group CEO's decision-making.

Group-wide committees have been established in order to promote coordination within the Group, thus ensuring commitment to and ownership of Group-wide prioritizations, decisions and implementation. The composition and the areas of responsibility of each committee are established in the Group Board Directives or Group CEO Instructions for the respective committees.

Asset and Liability Committee

The Asset and Liability Committee (ALCO) is subordinated to the Group CEO in GLT and chaired by the Chief Financial Officer (CFO). ALCO decides on changes to the financial operations and the risk profile of the balance sheet, including asset and liability management (ALM), balance sheet management and liquidity management. ALCO also decides on certain issuances and capital injections for all wholly-owned legal entities within the Group. ALCO has established sub-committees for its work and decision-making within specific risk areas.

Risk Committee

Risk Committee (RC) is sub-ordinated to the Group CEO in GLT and chaired by the Chief Risk Officer (CRO). It has been established in order to manage the overall Risk Management Framework and prepares or provides guidance regarding proposals to the Group CEO in GLT and/or the relevant Board of Directors (BoD) on issues of major importance concerning Nordea's Risk Management Framework. Given the BoD decided Risk Appetite Framework, RC decides on the allocation of cascaded risks limits to risk-taking units and on actions relating to the management of all risks. The first line of defence (1st LoD) is responsible for ensuring that limits are further cascaded and operationally implemented. RC has established sub-committees for its work and decision-making within specific risk areas.

Credit decision-making bodies

The governing bodies for Credit Risk and/or the Credit Risk Management Framework are the Group Board and BRIC. The Group Board and the local BoD delegate credit decision-making according to the Powers to Act as described in the Group Board Directive for Risk:

- CEO Credit Committee is chaired by the Group CEO and its members include the members of the Executive Credit Committee.
- Executive Credit Committee is chaired by the Head of Group Credit Management, and BRIC appoints the members of the Executive Credit Committee.
- The Executive Credit Committee establishes credit committees for each Business Area as required by organisational and customer segmentation.

BRIC reviews decisions of the CEO Credit Committee and the Executive Credit Committee, as well as other strategic credit policy matters and development of the credit portfolio. BRIC confirms Industry Group Strategies approved by the RC.

All credit limits within the Nordea Group are based on

G2. Risk and Liquidity management, cont.

credit decisions or authorizations made by an ultimate Decision-Making Authority with the right to decide upon that limit. Credit decisions include, inter alia, pricing, risk mitigation and any terms and conditions related to the limit or expected utilization. Credit decisions also serve to delegate decision making within the approved limit to lower decision makers, unless otherwise explicitly decided.

Subsidiary governance

At subsidiary level, the local BoD is responsible for approving risk appetite limits and capital actions. The proposals for such items are the joint responsibilities of relevant subsidiary management and Group Functions.

The subsidiary BoD has oversight responsibilities concerning the management and control of risk, risk management frameworks as well as the processes associated with the subsidiary's operations. In addition, there are risk management functions responsible for the risk management framework and processes within the subsidiary.

The subsidiary CEO is part of the decision-making process at the subsidiary level and is responsible for the daily operations.

Governance of Risk Management and Compliance

Group Risk and Compliance (GRC) represents Nordea's independent second line of defence (2nd LoD) function. GRC oversees the implementation of the financial and the non-financial risk policies and according to a risk-based approach, monitors and controls the Risk Management Framework including the Compliance Risk Framework and oversees that risks that Nordea is or could be exposed to, are identified, assessed, monitored, managed and reported on. GRC is organised in divisions with individual risk type responsibility.

Risk and Capital Management Processes

The Risk Management Framework ensures consistent processes for identifying, assessing and measuring, responding to and mitigating, controlling and monitoring and reporting risks to enable informed decisions on risk-taking. The Risk Management Framework encompasses all risks to which Nordea is or could be exposed, including off-balance sheet risks and risks in a stressed situation. Detailed risk information, covering all risks as well as capital adequacy, is regularly reported to the RC, GLT, BRIC and the Group Board. In addition to this Nordea's compliance with regulatory requirements is reported to the GLT and the Group Board. The Group Board and the CEO in each legal entity regularly receive local risk reporting.

The Risk Identification and Materiality Assessment Process starts with identifying potential risks to which Nordea is or could be exposed. Risks are then assessed for relevance, classified, and included in the Common Risk Taxonomy.

All risks within the Nordea Common Risk Taxonomy need to be classified as material or not material for risk management and capital purposes. Material risks are those assessed as having a material impact on Nordea's current and future financial position, its customers and stakeholders. These risks will typically, though not always, refer to a higher-level risk within the Risk Taxonomy which captures a number of underlying risks in which losses arise from a common source.

Risk appetite

The Risk Appetite Framework (RAF) supports effective risk management and a sound risk culture by enabling informed decisions on risk-taking, with the objective of ensuring that risk-taking activities are conducted within the organisation's risk appetite and that emerging risks are identified and addressed in a timely way.

Risk capacity is the maximum level of risk Nordea is deemed able to assume given its capital (own funds), its risk management and control capabilities and its regulatory constraints. Risk appetite is the aggregate level and types of risk Nordea is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives. The Risk Appetite Statements (RAS) are the articulation of the Group Board approved risk appetite and comprises the qualitative statements and quantitative Limits and Triggers by main risk type, which are deemed appropriate to be able to operate with a prudent risk profile.

Credit concentration metrics cover e.g. sectors and geographic regions of size or importance. Stress test metrics are applied to credit, market and liquidity risk metrics to ensure a forward-looking approach to risk management. Operational risk metrics cover both residual risk levels and requirements for mitigating actions as well as limits for incidents and losses.

Risk appetite processes

The RAF contains all processes and controls to establish, monitor and communicate Nordea's risk appetite:

- Risk capacity setting based on capital position: On an annual basis, the Group's overall risk capacity is aligned with the financial and capital planning process, based on Nordea's risk strategy. Risk capacity is set in line with Nordea's capital position, including an appropriate shock absorbing capacity.
- Risk appetite allocation by risk type: Risk appetite includes Risk Appetite Limits for the main risk types that Nordea is or could be exposed to in line with the Risk Taxonomy. Risk Appetite Triggers are also set for these main risk types, to act as early indicators for key decision-makers that the risk profile for a particular risk type is approaching its Risk Appetite Limit.
- Risk limit setting: Measurable risk limits are established and set at an appropriate level to manage risk-taking effectively. Risk Appetite Limits are set by the Group Board. These inform the risk limits which are established and approved at lower decision-making levels at Nordea, including RC and sub-RC levels, and also other levels as appropriate. Subsidiary risk limits must be set by the appropriate governing body in alignment with local regulatory requirements and consistent with the Group Risk Limits.
- Controlling and monitoring risk exposures against risk limits: Regular controlling and monitoring of risk exposures compared to risk limits is carried out to ensure that risk-taking activity remains within risk appetite.
- Risk appetite limit breach management process: GRC oversees that any Risk Appetite Limit breaches are appropriately escalated to RC and BRIC. GRC reports monthly on any breaches of the risk appetite to the Group Board and other relevant governing bodies including a follow-up on the status of actions to be taken, until the relevant risk exposure is within appetite. The reporting includes a consistent status indicator to communicate the current risk exposure compared to Risk Appetite Limit for all risk types covered by the RAS.

Embedding risk appetite in business processes

The end-to-end risk appetite process cycle is aligned with other strategic processes, including the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Ade-

G2. Risk and Liquidity management, cont.

quacy Assessment Process (ILAAP) and the Recovery and Resolution Plan.

Moreover, the risk appetite is embedded in business processes and communicated across the organisation in order to meet Nordea's objectives of maintaining a sound risk culture. This includes but is not limited to ensuring a strong link between the assessed risk appetite and the business plans and budgets, the capital and liquidity position, the systemic risk profile, the recoverability and resolvability assessments as well as the incentive structures and remuneration framework.

Disclosure requirements of the CRR – Capital and Risk Management Report 2019

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2019, in accordance with the Capital Requirements Regulation (CRR), which is based on the Basel III framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Credit Risk management

Credits granted within the Group shall conform to the common principles established for the Group. Nordea strives to have a well-diversified credit portfolio that is adapted to the structure of its home markets and economies.

The key principles for managing Nordea's risk exposures are:

- the three Lines of Defence (LoD), as further described in the Policy for Internal Control in the Nordea Group;
- independency, i.e. the risk control function should be independent of the business it controls; and
- risk-based approach, i.e. the risk control functions should be aligned to the nature, size and complexity of Nordea's business, ensuring that efforts undertaken are proportional to the risks in question.

Group Credit Management in 1st LoD is responsible for the credit process framework and operational credit risk guidelines and SOPs. Group Credit Risk Control in 2nd LoD is responsible for the credit risk framework, consisting of policies and instructions for the Group. Group Credit Risk Control is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

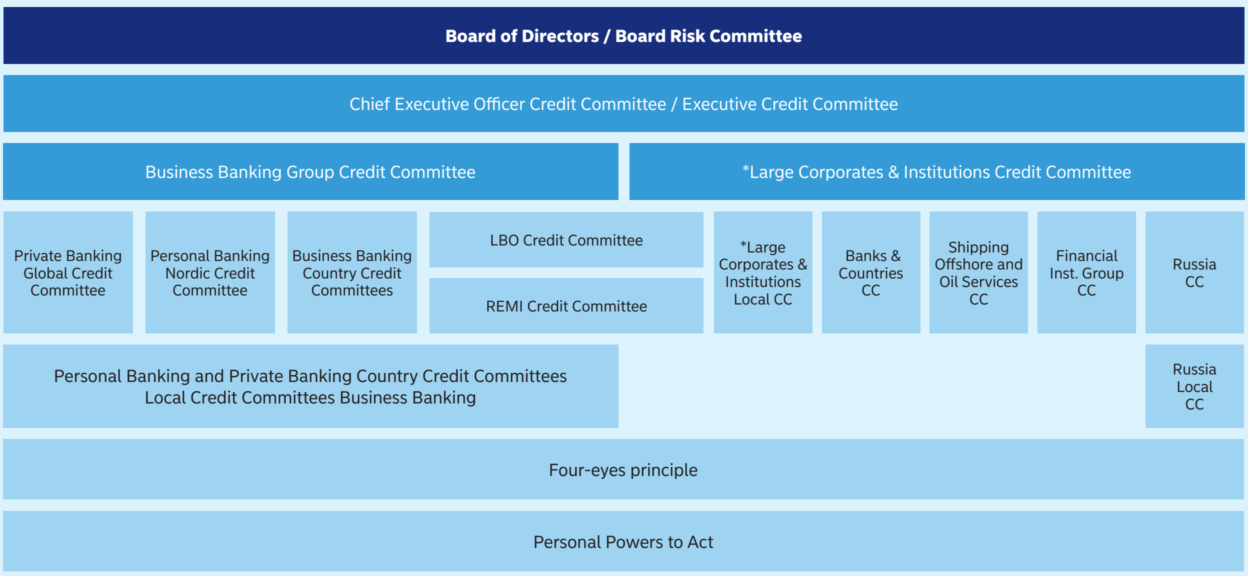
The basis of credit risk management in Nordea is limits to customers and customer groups that are aggregated and assigned to units responsible for their continuous monitoring and development. An additional dimension of concentration risk limits, based on industries, segments, products or geographies, shall likewise be aggregated, assigned to units responsible for their monitoring and development and serve as caps on those limits. Each division/unit is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting.

Within the powers to act granted by the Board of Directors, Internal credit risk limits are approved by credit decision making authorities on different levels in the organisation constituting the maximum risk appetite on the customer in question. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU). The risk categorisation together with the exposure of the customer decides at what level the credit decision will be made. Responsibility for a credit risk lies with the customer responsible unit. Customers are risk-categorized by a rating or score in accordance with Nordea's rating and scoring guidelines. The rating and scoring of customers aim to predict their probability of default and consequently rank them according to their respective default risk. Rating and scoring are used as integrated parts of the credit risk management and decision-making process. Representatives from 1st LoD credit organization approve the rating independently.

Credit risk definition and identification

Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet its obligations to clear a debt in accordance with agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. Credit risk stems mainly from various forms of lending, but also from

Credit Committee Structure



*Reflects organisational name change as of 1 January 2020.

There is currently an additional Baltic Desk Credit Committee on level 4. This committee handles carve out cases from the merger to Luminor. This committee will continue to exist as long as there are remaining customers to handle, or until other decision is taken.

G2. Risk and Liquidity management, cont.

issued guarantees and documentary credits and includes counterparty credit risk, transfer risk and settlement risk. Nordea's loan portfolio is furthermore broken down by segment, industry and geography. Industry credit policies are established for those industries that have a significant weight in the portfolio and are either highly cyclical or volatile or require special industry competencies.

Credit decisions are reached after a credit risk assessment, based on principles that are defined consistently across the Group. These principles emphasize the need to adjust the depth and scope of the assessment according to the risk. The same credit risk assessments are used as input for determining the internal ratings. Credit decisions in Nordea reflect Nordea's view of both the customer relationship and credit risk.

All credit assessments in Nordea shall adequately reflect a consideration of relevant environmental, social and governmental risks and conform to the Nordea Sustainability Policy. The total credit risk assessment shall be a combined risk conclusion on the obligor's repayment capacity and the Group's recovery position. The risk conclusion must be sufficiently forward-looking as compared to the risk profile of the customer and maturity of the transaction.

In addition to credit risk assessment in conjunction with new or changed exposure towards a customer, an annual or continuous credit review process is in place. The review process is an important part of the continuous credit analysis process.

If credit weakness is identified in relation to a customer exposure, the customer is categorized as "High Risk" and receives special attention in terms of more frequent reviews. In addition to continuous monitoring, an action plan is established outlining how to minimise the potential credit loss. If necessary, a work-out team is set up to support the customer responsible unit.

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered as well as the adequacy of covenants and other risk mitigations. Pledge of collateral is a fundamental credit risk mitigation technique in the bank and collaterals are always sought, when reasonable and possible, to minimize the potential for credit losses. In every credit decision and review, the value of collaterals must be considered.

In corporate exposures, the main collateral types are real estate, floating charges and leasing objects. Collateral coverage should generally be higher for exposures of financially weaker customers than for those who are financially strong. Independent from the strength of collateral position, the repayment capacity is the starting point in credit assessment and assigning credit limits. Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation using credit default swaps is applied to a limited extent. Covenants in credit agreements are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

The collateral value shall always be based on the market value. The market value is defined as the estimated amount for which the asset or liability would exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. From this market value, a haircut is applied. The haircut is defined as a percentage by which the asset's market value is reduced ensuring a margin against loss. The margin reflects the adjustments needed to assess the cash proceeds when the collateral is liquidated in a forced

Maximum exposure to credit risk

		31 Dec 2019		31 Dec 2018	
EURm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to central banks and credit institutions	G14	11,627	6,110	15,287	3,689
Loans to the public	G14	247,395	77,514	236,497	73,833
Interest-bearing securities	G15, G16	33,269	38,813	36,951	46,841
Derivatives	G19	–	39,111	–	37,025
Off balance sheet items	G38, G39	91,776	200	89,495	175
Total		**384,067**	**161,748**	**378,230**	**161,563**

Allowances for credit risk

EURm	Note	31 Dec 2019	31 Dec 2018
Loans to central banks and credit institutions	G14	14	15
Loans to the public	G14	2,169	2,025
Interest-bearing securities measured at fair value through other comprehensive income or amortised cost	G15	1	2
Off balance sheet items	G33	144	121
Total		**2,328**	**2,163**

G2. Risk and Liquidity management, cont.

sale situation. A maximum collateral ratio is set for each collateral type.

The same principles of calculation must be used for all exposures. For High Risk customers, the foreclosure value may differ from the maximum collateral values and should be based on a realistic assessment for the particular asset at that time. Risk transfer to other creditworthy parties, through guarantees and insurance, shall be based on legally enforceable documentation.

Collateral distribution

Distribution of collateral has remained stable between 2019 and 2018, with the majority of the collateral stemming from residential and commercial real estate. The shares of financial collateral, receivables, and other physical collaterals have slightly decreased during 2019, while the share of commercial real estate has increased by 2% in 2019.

Collateral distribution

	31 Dec 2019	31 Dec 2018
Financial Collateral	0.8%	1.1%
Receivables	0.7%	0.9%
Residential Real Estate	73.2%	72.9%
Commercial Real Estate	18.7%	18.3%
Other Physical Collateral	6.6%	6.8%
Total	**100.0%**	**100.0%**

Assets taken over for protection of claims

The table below presents assets taken over distributed by asset type. Lands and buildings make up 87% of the total assets taken over end of December 2019. During 2019 the Assets have been brought down by 57%. The level of assets taken over is at a low level and has been so for several years.

Assets taken over for protection of claims[1]

EURm	31 Dec 2019	31 Dec 2018
Current assets, carrying amount:		
Land and buildings	8	19
Shares and other participations	0	0
Other assets	1	2
Total	**9**	**21**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets used as collateral for the loan are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest disposed when full recovery is reached.

Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table, IRB retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

Loan-to-value

	31 Dec 2019		31 Dec 2018	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	113.6	81	110.9	81
50–70%	20.3	14	19.6	14
70–80%	4.5	3	4.3	3
80–90%	1.2	1	1.2	1
>90%	0.9	1	0.6	1
Total	**140.5**	**100**	**136.6**	**100**

Individual and collective assessment of impairment

Requirements for impairment are set forth in IFRS 9, and are based on an expected loss model.

Impairment testing (individual and collective) applies to three forward looking and weighted scenarios. Assets tested for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. All assets are assessed individually for staging. Significant assets in stage 3 are tested for impairment individually. Assets in stage 1, stage 2 and insignificant assets in stage 3 are tested for impairment collectively.

Throughout the process of identifying and mitigating credit impairment, Nordea continuously reviews the quality of credit exposures. Weak and credit impaired exposures are closely monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity, and the possible need for provisions.

Nordea recognises only certain specific credit risk adjustments (SCRAs). SCRAs comprise individually and collectively assessed provisions. SCRAs during the year are referred to as loan losses, while SCRAs in the balance sheet are referred to as allowances and provisions.

Individual provisioning

A need for individual provisioning is recognised if, based on credit events and observable data, a negative impact is likely on the customer's expected future cash flow to the extent that full repayment is unlikely (pledged collaterals taken into account).

Exposures with individually assigned provisions are credit impaired. The size of the provision is equal to the estimated loss, which is the difference between the book value of the outstanding exposure and the discounted value of the expected future cash flow, including the value of pledged collateral.

Default

Customers with exposures that are past due more than 90 days, being in bankruptcy or considered unlikely to pay are regarded as defaulted and can be either servicing debt or non-servicing.

If a customer recovers from being in default, the customer is seen as cured. Typically, this situation occurs if the customer succeeds in creating a balance in financials. In order to be cured, the recovery should include the customer's total liabilities, an established satisfactory repayment plan and an assessment that the recovery is underway.

Collective provisioning

The collective model is executed quarterly and assessed for each legal unit/branch. One important driver for provisions is the trigger for the transferring of assets from stage 1 to stage 2. For assets recognised from 1 January 2018, changes to the lifetime Probability of Default (PD) are used as the trigger. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2. In stage 1, the provisions equal the 12 months expected loss. In stages 2 and 3, the provisions equal the lifetime expected loss. The output is complemented with an expert-based analysis process to ensure adequate provisioning. Defaulted customers without individual provisions have collective provisions.

G2. Risk and Liquidity management, cont.

Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting forbearance for a limited time period is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis, approved according to Powers to Act and followed by impairment testing. Forborne exposures can be performing or non-performing. Individual loan loss provisions are recognised if necessary.

Forbearance

EURm	31 Dec 2019	31 Dec 2018
Forborne loans	2,992	3,561
- of which defaulted	1,984	2,267
Allowances for individually assessed impaired and forborne loans	679	714
- of which defaulted	664	693

Key ratios	31 Dec 2019	31 Dec 2018
Forbearance ratio[1]	0.9%	1.1%
Forbearance coverage ratio[2]	23%	20%
- of which defaulted	33%	31%

1) Forborne loans/Loans before allowances.
2) Individual allowances/Forborne loans.

Sensitivities

One important factor in estimating expected credit losses in accordance with IFRS 9 is to assess what constitutes a significant increase in credit risk. To understand the sensitivities to these triggers, Nordea has calculated model-based provisions under two different scenarios:

	Scenario 1	Scenario 2
Retail portfolios		
Relative threshold	50%	150%
Absolute 12-month threshold	35 bp	55 bp
Absolute lifetime threshold	250 bp	350 bp
Notching[1]	1 less	1 more
Non-Retail portfolios		
Relative threshold	100%	200%
Absolute 12-month threshold	15 bp	25 bp
Absolute lifetime threshold	350 bp	450 bp
Notching[1]	1 less	1 more

1) For exposures with initial recognition before the transition to IFRS 9 (1 Jan 2018), stage classification is decided based on changes in rating grades. The trigger in scenario 1 is set at one notch less than in the model actually used and in scenario 2 the trigger is set at one notch more than in the model used.

The provisions would have increased by EUR 38m in scenario 1 and decreased by EUR 44m in scenario 2. For more information on the rating scale and average PDs, see table "Rating/scoring information on loans measured at amortised cost" below.

The provisions are sensitive to rating migration even if triggers are not reached. The table below shows the impact on provisions from a one notch downgrade on all exposures in the bank. It includes both the impact of the higher risk for all exposures as well as the impact of transferring exposures from stage 1 to stage 2 that reach the trigger. It also includes the impact from the exposures with one rating grade above default becoming default, which is estimated at EUR 141m (EUR 120m). This figure is based on calculations with the statistical model rather than individual estimates that would be the case in reality for material defaulted loans.

Sensitivities

	2019		2018	
EURm	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
Personal Banking	412	566	339	472
Business Banking	1,038	1,184	998	1,145
Large Corporates & Institutions	868	945	752	838
Other	10	20	74	84
Group	**2,328**	**2,715**	**2,163**	**2,539**

G2. Risk and Liquidity management, cont.

Forward looking information

Forward looking information is used both for assessing significant increase in credit risk and in the calculation of expected credit losses. Nordea estimates three macro-economic scenarios, a baseline together with an upside and a downside scenario.

The baseline macroeconomic and financial scenario is provided by Nordea Advisory & Analytics based on an Oxford Economics model. The macro economic forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historic relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years and for periods beyond, a long-term average is used.

The definition of the upside and downside scenarios are based on Oxford Economics' quarterly Global Risk Survey. In this survey respondents report what they see as the top upside and downside global economic risks over the next two years. Based on these answers Oxford Economics create a number of global economic scenarios, each simulating a potential materialisation of one of these top risk factors. Oxford Economics also assign a probability to each scenario, based on the Global Risk Survey. Nordea use these scenarios and probabilities from Oxford Economics when defining the upside and downside scenarios. For 2019, the following weights have been applied: base 60%, adverse 20% and favourable 20%. The model results are assessed and, if needed, adjusted by Nordea's country responsible macro and financial analysts, using judgement based on previous similar episodes to ensure consistency across countries and asset prices. Adjustments are for instance needed when certain industries are impacted, or when sanctions are placed on individual countries, but changes have not yet been reflected in rating migrations.

Checks of the model results are performed by reviewing quantitative data before and after reactions. As part of the process to ensure accurate and consistent data deliveries from Nordea's economists, the data is also subject to a number of statistical tests.

G2. Risk and Liquidity management, cont.

Scenarios and provisions

Denmark		2020	2021	2022	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment model based provisions, EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	2.1	2.1	2.1	237	20%				
	Unemployment, %	3.5	3.2	3.0						
	Change in household consumption, %	1.7	1.5	1.8						
	Change in house prices, %	2.3	3.8	3.4						
Base scenario	GDP growth, %	1.4	1.7	2.0	239	60%	240	123	454	817
	Unemployment, %	3.8	3.8	3.7						
	Change in household consumption, %	1.4	1.6	1.9						
	Change in house prices, %	2.0	2.6	3.0						
Adverse scenario	GDP growth, %	0.9	0.9	1.4	245	20%				
	Unemployment, %	3.9	4.1	4.3						
	Change in household consumption, %	1.1	1.3	1.4						
	Change in house prices, %	1.8	2.1	1.8						
Finland										
Favourable scenario	GDP growth, %	1.5	1.7	1.3	182	20%				
	Unemployment, %	6.4	6.3	6.4						
	Change in household consumption, %	1.9	1.2	1.0						
	Change in house prices, %	1.1	1.3	1.5						
Base scenario	GDP growth, %	1.1	1.1	0.9	185	60%	185	26	262	473
	Unemployment, %	6.6	6.7	6.8						
	Change in household consumption, %	1.4	1.0	1.0						
	Change in house prices, %	0.9	1.1	1.1						
Adverse scenario	GDP growth, %	0.8	0.5	0.4	187	20%				
	Unemployment, %	6.6	6.7	7.0						
	Change in household consumption, %	1.1	0.9	1.1						
	Change in house prices, %	1.0	0.8	0.3						

G2. Risk and Liquidity management, cont.

Scenarios and provisions, cont.

Norway		2020	2021	2022	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment model based provisions, EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	2.2	2.3	2.0	94	20%				
	Unemployment, %	3.3	3.0	2.7						
	Change in household consumption, %	2.6	1.8	1.8						
	Change in house prices, %	3.6	4.3	4.0						
Base scenario	GDP growth, %	2.0	1.8	1.7	97	60%	98	86	322	506
	Unemployment, %	3.4	3.4	3.3						
	Change in household consumption, %	2.3	2.0	1.8						
	Change in house prices, %	3.5	3.8	3.8						
Adverse scenario	GDP growth, %	1.3	1.0	1.3	104	20%				
	Unemployment, %	3.7	4.1	4.7						
	Change in household consumption, %	1.5	1.6	2.0						
	Change in house prices, %	2.3	0.0	1.7						
Sweden										
Favourable scenario	GDP growth, %	1.7	2.7	2.6	96	20%				
	Unemployment, %	6.7	6.3	5.7						
	Change in household consumption, %	1.8	2.6	2.1						
	Change in house prices, %	1.1	2.6	3.3						
Base scenario	GDP growth, %	1.4	1.9	2.3	97	60%	97	12	171	280
	Unemployment, %	6.9	6.7	6.3						
	Change in household consumption, %	1.4	2.0	2.2						
	Change in house prices, %	1.1	2.4	2.9						
Adverse scenario	GDP growth, %	1.1	1.3	1.7	98	20%				
	Unemployment, %	6.9	7.0	7.1						
	Change in household consumption, %	1.0	1.6	2.9						
	Change in house prices, %	1.0	1.8	2.9						
Non-Nordic							15	2	235	252
Total							**635**	**249**	**1,444**	**2,328**

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost and fair value to the public[1]

31 Dec 2019, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total	Of which lending at fair value
Financial institutions	2,992	2,055	1,996	7,731	14	644	15,428	2,418
Crops etc	3,410	171	21	90	0	7	3,698	2,738
Animal husbandry	2,358	111	9	79	0	0	2,558	1,916
Fishing and aquaculture	41	8	1,220	1	0	0	1,271	10
Paper, forest and mining	279	867	147	824	16	69	2,202	199
Oil, gas and offshore	451	74	848	246	0	320	1,940	1
Consumer staples (food and health care)	1,714	741	521	662	0	84	3,723	650
Media, leisure and telecom	1,235	893	550	1,387	2	0	4,068	961
Consumer durables	203	309	95	731	0	159	1,497	68
Retail trade	929	971	490	1,066	0	18	3,473	557
Land transportation and IT	883	1,308	681	929	19	100	3,920	417
Materials	266	459	236	680	231	5	1,877	58
Capital goods	617	1,583	151	648	128	135	3,262	89
Commercial & prof. services	3,462	1,137	3,184	3,342	0	274	11,400	1,236
Construction	1,312	1,173	3,051	976	0	60	6,572	851
Wholesale trade	1,753	1,130	474	1,533	7	52	4,950	225
Maritime (shipping)	396	246	4,864	106	0	2,113	7,726	121
Utilities and public services	1,224	1,868	1,036	3,560	84	56	7,829	3,054
Real estate commercial properties	6,893	4,211	7,524	7,018	3	707	26,356	5,815
Real estate residential properties	3,634	3,862	1,529	8,491	0	0	17,517	2,554
Other industries	1,165	0	100	94	0	0	1,358	1,051
Total Corporate	**35,219**	**23,179**	**28,728**	**40,194**	**501**	**4,804**	**132,625**	**24,986**
Housing loans	33,395	29,939	33,499	44,956	0	0	141,789	33,395
Collateralised lending	7,838	5,385	2,582	2,419	0	0	18,225	244
Non-Collateralised lending	1,087	3,168	578	2,317	0	0	7,151	0
Household	**42,321**	**38,492**	**36,659**	**49,692**	**0**	**0**	**167,164**	**33,639**
Public sector	**1,131**	**1,331**	**28**	**1,572**	**0**	**0**	**4,062**	**0**
Reversed repurchase agreements	**0**	**18,889**	**0**	**0**	**0**	**0**	**18,889**	**18,889**
Lending to the public by country	**78,671**	**81,891**	**65,415**	**91,458**	**501**	**4,804**	**322,740**	**77,514**
Excl. reversed repurchase agreements	**78,671**	**63,002**	**65,415**	**91,458**	**501**	**4,804**	**303,851**	**58,625**

1) Based on domicile of Nordea company granting the loans.

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost and fair value to the public[1]

31 Dec 2018, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total	Of which lending at fair value
Financial institutions	2,982	1,903	1,682	7,570	0	134	14,271	3,147
Crops etc	3,666	153	17	76	0	8	3,920	2,902
Animal husbandry	2,706	109	11	79	0	3	2,908	2,094
Fishing and aquaculture	32	8	1,130	7	0	0	1,176	9
Paper, forest and mining	297	961	175	930	36	85	2,484	227
Oil, gas and offshore	583	82	486	437	7	359	1,953	203
Consumer staples (food and health care)	1,310	723	465	673	1	62	3,234	655
Media, leisure and telecom	1,200	908	508	1,130	2	1	3,748	990
Consumer durables	205	353	79	671	4	162	1,473	77
Retail trade	1,092	988	394	955	0	35	3,465	587
Land transportation and IT	900	1,161	654	961	9	115	3,800	427
Materials	253	576	254	749	393	8	2,232	57
Capital goods	542	1,137	91	757	183	73	2,783	87
Commercial & prof. services	3,550	1,245	2,264	2,925	1	278	10,263	1,241
Construction	1,278	1,035	2,418	996	0	74	5,801	817
Wholesale trade	2,169	1,094	543	1,826	10	35	5,676	223
Maritime (shipping)	298	328	4,895	132	0	2,583	8,236	85
Utilities and public services	3,466	2,155	913	2,752	213	144	9,643	3,632
Real estate commercial properties	6,480	4,247	7,260	6,886	18	852	25,743	5,424
Real estate residential properties	3,371	3,716	1,810	8,524	0	0	17,420	2,367
Other industries	160	0	327	0	0	0	488	488
Total Corporate	**36,539**	**22,880**	**26,377**	**39,036**	**876**	**5,009**	**130,717**	**25,738**
Housing loans	31,354	29,268	27,894	43,581	0	130	132,227	31,354
Collateralised lending	8,012	5,356	1,685	2,294	0	55	17,402	30
Non-Collateralised lending	1,147	3,218	117	2,919	0	0	7,400	0
Household	**40,512**	**37,841**	**29,697**	**48,794**	**0**	**185**	**157,029**	**31,384**
Public sector	**1,514**	**843**	**44**	**1,447**	**0**	**0**	**3,848**	**0**
Reverse repurchase agreements	**0**	**16,711**	**0**	**0**	**0**	**0**	**16,711**	**16,711**
Lending to the public by country	**78,566**	**78,274**	**56,117**	**89,277**	**876**	**5,194**	**308,304**	**73,833**
Excl. reverse repurchase agreements	**78,566**	**61,564**	**56,117**	**89,277**	**876**	**5,194**	**291,594**	**57,122**

1) Based on domicile of Nordea company granting the loans.

Loans to the public measured at amortised cost, geographical breakdown[1]

	Gross			Allowances			
EURm, 31 Dec 2019	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Denmark	22,243	1,427	804	51	175	488	23,759
Finland	56,852	4,710	1,309	20	66	344	62,441
Norway	57,530	2,769	1,142	36	45	527	60,834
Sweden	79,460	1,426	429	16	35	187	81,077
Russia	1,005	1	44	1	0	40	1,009
US	1,835	14	4	2	1	0	1,850
Other	13,190	323	878	25	20	91	14,256
Total	**232,115**	**10,670**	**4,610**	**150**	**342**	**1,677**	**245,226**

1) Based on domicile of the customers.

G2. Risk and Liquidity management, cont.

Loans to the public measured at amortised cost, geographical breakdown[1]

	Gross			Allowances			
EURm, 31 Dec 2018	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Denmark	23,454	1,622	1,171	33	116	641	25,457
Finland	54,318	5,810	1,258	25	95	338	60,928
Norway	48,184	3,481	911	18	24	263	52,271
Sweden	76,274	2,141	247	12	18	60	78,572
Russia	1,356	38	56	18	0	39	1,394
US	1,547	84	6	1	1	0	1,634
Other	12,093	1,513	931	33	34	255	14,215
Total	**217,225**	**14,690**	**4,581**	**141**	**289**	**1,596**	**234,471**

1) Based on domicile of the customer.

Loans to the public measured at amortised cost, broken down by sector and industry

	Gross				Allowances				
EURm, 31 Dec 2019	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net
Financial institutions	12,668	302	127	13,097	9	20	58	87	13,010
Crops etc	862	85	54	1,001	2	10	30	41	960
Animal husbandry	499	69	193	760	2	10	108	119	642
Fishing and aquaculture	1,201	24	37	1,263	0	1	0	1	1,261
Paper, forest and mining	1,875	107	44	2,027	1	3	20	23	2,003
Oil, gas and offshore	1,474	17	747	2,238	1	0	298	299	1,939
Consumer staples (food and health care)	2,916	144	33	3,094	2	5	13	20	3,073
Media, leisure and telecom	2,925	170	54	3,149	2	6	33	42	3,107
Consumer durables	1,276	135	47	1,458	1	6	22	29	1,429
Retail trade	2,677	221	88	2,985	4	17	49	69	2,917
Land transportation and IT	3,167	303	74	3,544	2	9	29	40	3,504
Materials	1,704	78	117	1,899	4	5	71	80	1,819
Capital goods	2,896	251	110	3,256	1	9	73	84	3,173
Commercial & prof. services	9,646	355	273	10,274	8	15	86	109	10,164
Construction	5,294	399	119	5,812	5	12	74	91	5,721
Wholesale trade	4,261	429	94	4,784	4	20	36	59	4,725
Maritime (shipping)	7,000	175	706	7,881	24	22	230	276	7,605
Utilities and public services	4,701	60	34	4,795	2	1	16	19	4,775
REMI	34,457	932	224	35,614	15	14	81	110	35,504
Other	291	23	7	322	7	7	0	14	308
Total Corporate	**101,789**	**4,280**	**3,183**	**109,251**	**95**	**191**	**1,327**	**1,612**	**107,639**
Housing loans	103,768	4,047	630	108,446	10	13	29	52	108,393
Collateralised lending	16,569	1,221	444	18,233	26	48	186	260	17,973
Non-Collateralised lending	5,952	1,095	354	7,401	19	89	134	242	7,159
Household	**126,289**	**6,363**	**1,427**	**134,079**	**55**	**149**	**350**	**554**	**133,525**
Public sector	**4,038**	**27**	**0**	**4,065**	**0**	**2**	**0**	**2**	**4,062**
Lending to the public by country	**232,115**	**10,670**	**4,610**	**247,395**	**150**	**342**	**1,677**	**2,169**	**245,226**
Excl. reverse repurchase agreements	**232,115**	**10,670**	**4,610**	**247,395**	**150**	**342**	**1,677**	**2,169**	**245,226**

G2. Risk and Liquidity management, cont.

Loans to the public measured at amortised cost, broken down by sector and industry

	Gross				Allowances				
EURm, 31 Dec 2018	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net
Financial institutions	10,402	464	285	11,151	19	9	0	27	11,124
Crops etc	878	94	93	1,065	1	6	40	48	1,018
Animal husbandry	580	133	248	962	1	7	139	147	814
Fishing and aquaculture	1,142	23	3	1,168	0	0	0	0	1,167
Paper, forest and mining	2,115	150	49	2,314	8	4	45	57	2,269
Oil, gas and offshore	1,296	73	555	1,924	8	1	165	174	1,757
Consumer staples (food and health care)	2,407	147	57	2,612	1	4	28	33	2,578
Media, leisure and telecom	2,611	140	41	2,792	2	5	26	33	2,761
Consumer durables	1,288	94	37	1,419	1	3	19	22	1,398
Retail trade	2,503	333	142	2,978	3	13	84	100	2,881
Land transportation and IT	2,921	419	70	3,410	6	8	23	37	3,371
Materials	1,789	376	60	2,225	5	19	25	49	2,170
Capital goods	2,377	280	123	2,780	1	4	79	84	2,691
Commercial & prof. services	8,344	461	307	9,112	6	12	71	90	9,021
Construction	4,416	525	128	5,069	3	11	72	86	4,983
Wholesale trade	4,984	386	168	5,538	3	9	74	86	5,448
Maritime (shipping)	6,654	1,008	677	8,338	16	18	154	188	8,150
Utilities and public services	5,808	192	18	6,018	6	2	0	8	6,006
REMI	34,238	1,014	234	35,487	11	10	94	115	35,372
Other	0	148	67	215	3	6	206	216	0
Total Corporate	**97,004**	**6,254**	**3,298**	**106,696**	**103**	**151**	**1,344**	**1,598**	**104,978**
Housing loans	94,787	5,540	649	100,976	10	43	50	103	100,873
Collateralised lending	15,812	1,375	375	17,562	16	38	136	190	17,372
Non-Collateralised lending	6,079	1,196	258	7,533	11	56	65	133	7,400
Household	**116,678**	**8,110**	**1,282**	**126,071**	**37**	**137**	**252**	**425**	**125,645**
Public sector	**3,729**	**119**	**0**	**3,849**	**0**	**1**	**0**	**1**	**3,848**
Lending to the public by country	**217,411**	**14,484**	**4,581**	**236,615**	**141**	**289**	**1,596**	**2,025**	**234,471**
Excl. reverse repurchase agreements	**217,411**	**14,484**	**4,581**	**236,615**	**141**	**289**	**1,596**	**2,025**	**234,471**

G2. Risk and Liquidity management, cont.

Impaired loans (Stage 3) by country and industry

31 Dec 2019, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total amortised cost loans	Defaulted fair value loans
Financial institutions	92	16	5	14	0	0	127	9
Crops etc	52	2	0	0	0	0	54	79
Animal husbandry	178	13	1	1	0	0	193	214
Fishing and aquaculture	0	0	37	0	0	0	37	0
Paper, forest and mining	17	21	6	0	0	0	44	6
Oil, gas and offshore	0	0	307	79	0	360	747	0
Consumer staples (food and health care)	4	20	5	4	0	0	33	2
Media, leisure and telecom	4	35	3	11	0	0	54	0
Consumer durables	37	6	0	4	0	0	47	0
Retail trade	38	25	6	19	0	0	88	6
Land transportation and IT	8	25	33	4	0	3	74	1
Materials	2	67	6	42	0	0	117	6
Capital goods	20	74	1	15	0	0	110	2
Commercial & prof. services	29	23	62	79	0	80	273	2
Construction	21	66	23	10	0	0	119	3
Wholesale trade	44	28	18	5	0	0	94	1
Maritime (shipping)	49	6	406	0	0	245	706	0
Utilities and public services	1	2	28	2	0	0	34	0
REMI	60	103	58	2	0	0	224	86
Other industries	3	0	4	0	0	0	7	0
Total Corporate	**662**	**532**	**1,010**	**291**	**0**	**688**	**3,183**	**418**
Housing loans	0	440	134	56	0	0	630	304
Collateralised lending	188	182	67	7	0	0	444	0
Non-Collateralised lending	49	178	71	56	0	0	354	0
Household	**237**	**799**	**272**	**119**	**0**	**0**	**1,427**	**304**
Public sector	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reverse repurchase agreements	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lending to the public by country	**899**	**1,331**	**1,282**	**410**	**0**	**688**	**4,610**	**722**
Excl. reverse repurchase agreements	**899**	**1,331**	**1,282**	**410**	**0**	**688**	**4,610**	**722**

G2. Risk and Liquidity management, cont.

Impaired loans (Stage 3) by country and industry

31 Dec 2018, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total amortised cost loans	Defaulted fair value loans
Financial institutions	195	8	64	19	0	0	285	0
Crops etc	91	1	0	0	0	0	93	75
Animal husbandry	241	6	1	0	0	0	248	54
Fishing and aquaculture	0	0	2	0	0	0	3	0
Paper, forest and mining	21	25	2	1	0	0	49	5
Oil, gas and offshore	0	0	183	0	0	372	555	167
Consumer staples (food and health care)	6	46	2	4	0	0	57	17
Media, leisure and telecom	7	22	5	7	0	0	41	25
Consumer durables	23	10	0	3	0	0	37	2
Retail trade	93	24	8	17	0	0	142	15
Land transportation and IT	12	25	31	2	0	0	70	11
Materials	3	45	5	0	4	2	60	2
Capital goods	16	95	1	9	2	0	123	3
Commercial & prof. services	88	24	58	55	0	82	307	32
Construction	39	50	28	11	0	0	128	21
Wholesale trade	72	31	14	50	0	1	168	6
Maritime (shipping)	51	7	348	1	0	270	677	2
Utilities and public services	7	3	4	2	2	0	18	6
REMI	82	84	66	2	0	0	234	200
Other industries	2	0	0	0	0	0	2	0
Total Corporate	**1,048**	**508**	**822**	**184**	**9**	**728**	**3,298**	**645**
Housing loans	0	438	127	53	0	32	649	330
Collateralised lending	148	178	32	4	0	12	375	0
Non-Collateralised lending	34	162	8	54	0	0	258	0
Household	**182**	**778**	**167**	**111**	**0**	**44**	**1,282**	**330**
Public sector	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reverse repurchase agreements	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lending to the public by country	**1,230**	**1,286**	**989**	**295**	**9**	**771**	**4,581**	**975**
Excl. reverse repurchase agreements	**1,230**	**1,286**	**989**	**295**	**9**	**771**	**4,581**	**975**

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost

31 Dec 2019, EURm	Net loan losses[1]	Loan loss ratio, bps	Impaired loans Stage 3	Impairment ratio bps	Allowances total[1]	Provision-ing ratio,%	Allowances Stage 3[1]	Allowances Stage 1 and 2[1]	Loans measured at amor-tised cost
Financial institutions	27	21	127	97	104	83	81	24	13,010
Crops etc	16	171	54	550	30	56	23	7	960
Animal husbandry	23	359	193	2,454	144	75	126	18	642
Fishing and aquaculture	0	1	37	295	1	4	0	1	1,261
Paper, forest and mining	–3	–15	44	219	26	59	21	5	2,003
Oil, gas and offshore	129	664	747	3,335	301	40	300	2	1,939
Consumer staples (food and health care)	–3	–10	33	107	23	70	14	9	3,073
Media, leisure and telecom	18	57	54	171	45	83	34	11	3,107
Consumer durables	13	92	47	320	31	67	23	9	1,429
Retail trade	6	21	88	294	78	88	53	25	2,917
Land transportation and IT	16	46	74	208	43	58	29	14	3,504
Materials	–7	–38	117	615	81	70	72	9	1,819
Capital goods	6	18	110	337	86	78	72	14	3,173
Commercial & prof. services	35	34	273	266	119	44	90	29	10,164
Construction	13	23	119	205	97	81	75	21	5,721
Wholesale trade	4	9	94	197	66	70	38	28	4,725
Maritime (shipping)	62	81	706	895	284	40	233	50	7,605
Utilities and public services	7	14	34	72	1	4	1	0	4,775
REMI	7	2	224	63	117	52	82	34	35,504
Other	8	269	7	216	35	477	0	35	308
Total Corporate	**377**	**35**	**3,183**	**291**	**1,713**	**54**	**1,368**	**346**	**107,639**
Housing loans	–29	–3	630	58	36	6	9	26	108,393
Collateralised lending	48	27	444	243	294	66	216	78	17,973
Non-Collateralised lending	138	192	354	475	281	80	134	147	7,159
Household	**157**	**12**	**1,427**	**106**	**612**	**43**	**360**	**252**	**133,525**
Public sector	**1**	**3**	**0**	**0**	**3**	**–**	**0**	**3**	**4,062**
Reverse repurchase agreements	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lending to the public by country	**536**	**22**	**4,610**	**186**	**2,328**	**50**	**1,728**	**600**	**245,226**
Excl. reverse repurchase agreements	**536**	**22**	**4,610**	**186**	**2,328**	**50**	**1,728**	**600**	**245,226**

1) Including provisions for off-balance sheet exposures.

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost

31 Dec 2018, EURm	Net loan losses[1]	Loan loss ratio, bps	Impaired loans Stage 3	Impairment ratio bps	Allowances total[1]	Provisioning ratio, %	Allowances Stage 3[1]	Allowances Stage 1 and 2[1]	Loans measured at amortised cost
Financial institutions	43	39	285	252	172	60	139	32	11,124
Crops etc	15	147	93	885	34	37	33	1	1,018
Animal husbandry	30	369	248	2,544	162	65	153	9	814
Fishing and aquaculture	0	3	3	25	1	22	0	0	1,167
Paper, forest and mining	8	36	49	212	58	118	45	13	2,269
Oil, gas and offshore	37	209	555	2,872	176	32	167	9	1,757
Consumer staples (food and health care)	–15	–56	57	220	35	61	29	6	2,578
Media, leisure and telecom	1	2	41	147	34	83	26	8	2,761
Consumer durables	–14	–103	37	259	23	63	19	4	1,398
Retail trade	48	166	142	474	108	76	89	19	2,881
Land transportation and IT	0	–1	70	206	37	52	20	16	3,371
Materials	9	42	60	271	51	86	28	24	2,170
Capital goods	–8	–31	123	443	84	68	78	6	2,691
Commercial & prof. services	37	42	307	336	124	40	101	23	9,021
Construction	–12	–23	128	252	102	80	85	17	4,983
Wholesale trade	2	3	168	304	96	57	76	20	5,448
Maritime (shipping)	–36	–45	677	809	218	32	172	46	8,150
Utilities and public services	–13	–22	18	30	3	15	0	3	6,006
REMI	–16	–4	234	66	123	52	100	23	35,372
Other	–42		2	296	62		40	22	0
Total Corporate	**74**	**7**	**3,298**	**309**	**1,702**	**52**	**1,400**	**302**	**104,978**
Housing loans	28	3	649	64	109	17	54	56	100,873
Collateralised lending	–3	–2	375	213	225	60	168	57	17,372
Non-Collateralised lending	77	104	258	342	125	49	40	86	7,400
Household	**102**	**8**	**1,282**	**102**	**460**	**36**	**262**	**198**	**125,645**
Public sector	**–3**	**–7**	**0**	**0**	**1**	**0**	**0**	**1**	**3,848**
Reverse repurchase agreements	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lending to the public by country	**173**	**7**	**4,581**	**194**	**2,163**	**47**	**1,661**	**502**	**234,471**
Excl. reverse repurchase agreements	**173**	**7**	**4,581**	**194**	**2,163**	**47**	**1,661**	**502**	**234,471**

1) Including provisions for off-balance sheet exposures.

G2. Risk and Liquidity management, cont.

Credit portfolio

Including on- and off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 509bn (EUR 505bn last year). Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 462bn (EUR 468bn).

Credit risk is measured, monitored and segmented in different ways. On-balance lending consists of fair value lending and amortised cost lending and constitutes the major part of the credit portfolio. Amortised cost lending is the basis for impaired loans, allowances and loan losses. Credit risk in lending is measured and presented as the principal amount of on-balance sheet claims, i.e. loans to credit institutions and to the public, and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing.

Nordea's loans to the public increased by 4.7% to EUR 323bn during 2019 (EUR 308bn in 2018). The corporate portfolio increased approximately 1.5%, the household portfolio increased by 7.8% mostly related to Norway, where the acquisition of Gjensidige Bank had a significant impact. The overall credit quality is solid with strongly rated customers. Of the lending to the public portfolio, corporate customers accounted for 46.9% (47.8%), household customers for 51.8% (50.9%) and the public sector for 1.3% (1.3%). Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 18bn at the end of 2019 (EUR 19bn).

Impaired loans and ratios

	2019	2018
Gross impaired loans, Group, EURm	4,610	4,581
- of which servicing	2,311	2,097
- of which non-servicing	2,298	2,484
Impairment rate, (stage 3) gross, basis points	**178**	**182**
Impairment rate, (stage 3) net, basis points	**113**	**118**
Allowances in relation to loans, stage 1 and 2, basis points	**20**	**18**
Total allowance ratio (stage 1, 2 and 3), basis points	**84**	**81**
Allowances in relation to impaired loans (stage 3), %	**37**	**35**

Net loan losses and loan loss ratios

	2019	2018
Net loan losses, EURm	536	173
Net loan loss ratio, amortised cost, Group, basis points	22	7
- of which Stage 3	18	9
- of which Stage 1 & 2	4	–1
Net loan loss ratio, including fair value mortgage loans, Group, basis points	18	7
Net loan loss ratio, including fair value mortgage loans, Personal Banking, basis points	8	5
Net loan loss ratio, including fair value mortgage loans, Business Banking, basis points	17	7
Net loan loss ratio, including fair value mortgage loans, Large Corporates & Institutions, basis points	51	19

Loans to corporate customers

Loans to corporate customers at the end of 2019 amounted to EUR 152bn (EUR 147bn). The sector that increased the most in 2019 was Commercial & Prof. Services while Utilities and Public Services decreased the most. The contribution of the three largest industries (Real Estate, Financial Institutions and Industrial Commercial & Prof. Services) is approximately 47% of total corporate lending. Real Estate (commercial & residential) remains the largest industry in Nordea's lending portfolio, at EUR 43.9bn (EUR 43.2bn). The Real Estate (commercial & residential) portfolio predominantly consists of relatively large and financially strong companies, with 92% (91%) of the lending in rating grades 4– and higher. Loans to Maritime decreased to EUR 7.7bn (EUR 8.2bn) during the year. The Russian lending portfolio continued to decrease significantly during 2019 and now amounts to 0.5bn (EUR 0.9bn).

The distribution of loans to corporate customers by size of loans, seen in the table below, shows a high degree of diversification where approximately 65% (68%) of the corporate volume represents loans up to EUR 50m per customer.

Loans to corporate customers, by size of loans

	31 Dec 2019		31 Dec 2018	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	62.6	41	62.6	42
10–50	36.1	24	35.0	24
50–100	20.7	14	19.4	13
100–250	19.8	13	17.4	12
250–500	4.1	3	5.4	4
500–	8.2	5	7.6	5
Total	**151.5**	**100**	**147.4**	**100**

Loans to household customers

In 2019 lending to household customers increased by 6.5% to EUR 167bn (EUR 157bn). The increase was primarily driven by the acquisition of Gjensidige Bank in Norway, which had lending to the public of EUR 5.2bn at the time of acquisition. Mortgage lending increased to EUR 142bn (EUR 132bn) and consumer lending remained at EUR 25bn (EUR 25bn). The proportion of mortgage lending of total household lending increased to 85% (84%).

Geographical distribution

Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries account for 98% (98%). The portfolio is geographically well diversified with no market accounting for more than 30% of total lending. Other EU countries represent the largest part of lending outside the Nordic countries. At the end of 2019, lending in Russia was EUR 0.5bn (EUR 0.9bn).

Rating and scoring distribution

One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. retail exposures. The average credit quality was roughly unchanged in the corporate portfolio, while it improved slightly in the scoring portfolio in 2019. 19% of the number of corporate customers migrated upwards (21%) while 33% was down-rated (28%). Exposure-wise, 16% (20%) of the corporate customer exposure migrated upwards while 20% (23%) was down-rated. 87% (85%) of the corporate exposure was rated 4– or higher, with an average rating for the portfolio of 4+.

G2. Risk and Liquidity management, cont.

Rating/scoring information for loans measured at amortised cost

EURm Rating/scoring grade	Average PD (%)	Gross carrying amount, 31 Dec 2019 Stage 1	Stage 2	Stage 3[1]	Total	Allowances
7	0.00	8,922	23	–	8,945	2
6 / A	0.03	92,278	227	7	92,512	8
5 / B	0.13	56,651	883	46	57,580	29
4 / C	1.97	57,349	2,191	20	59,560	82
3 / D	18.42	13,593	3,198	58	16,849	124
2 / E	19.72	3,159	2,086	27	5,272	121
1 / F	22.89	1,152	1,439	73	2,664	97
Standardised / Unrated	2.06	9,333	1,484	184	11,001	51
0 (default)	100.00	278	167	4,195	4,640	1,669
Total		**242,715**	**11,698**	**4,610**	**259,023**	**2,183**

EURm Rating/scoring grade	Average PD (%)	Gross carrying amount, 31 Dec 2018 Stage 1	Stage 2	Stage 3[1]	Total	Allowances
7	0.01	9,958	116	0	10,074	2
6 / A	0.05	86,849	659	5	87,513	9
5 / B	0.19	54,017	1,696	6	55,719	51
4 / C	0.80	55,279	2,789	15	58,083	69
3 / D	5.46	12,318	4,581	40	16,939	100
2 / E	14.64	2,968	2,640	90	5,698	108
1 / F	34.96	1,058	1,531	72	2,661	92
Standardised / Unrated	0.24	10,029	319	95	10,443	56
0 (default)	100.00	211	186	4,258	4,655	1,553
Total		**232,687**	**14,517**	**4,581**	**251,785**	**2,040**

1) The stage classification and calculated provision for each exposure are based on the situation as per end of October 2019, while the exposure amount and rating grades are based on the situation as per end of December 2019. Some of the exposures in default according to the rating grade as per end of December were not in default as per end of October, and hence this is reflected in the stage classification.

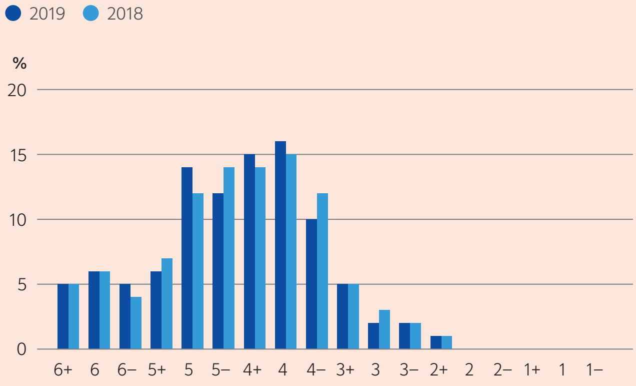
Rating/scoring information for off balance sheet items

EURm Rating/scoring grade	Nominal amount 31 Dec 2019 Stage 1	Stage 2	Stage 3	Total	Provisions
7	4,542	–	–	4,542	2
6 / A	21,905	11	–	21,916	4
5 / B	28,970	23	1	28,994	10
4 / C	24,357	1,625	3	25,985	20
3 / D	4,479	1,723	6	6,208	33
2 / E	384	496	5	885	16
1 / F	45	250	2	297	10
Standardised / Unrated	2,001	464	4	2,469	5
0 (default)	–	–	679	679	44
Total	**86,683**	**4,592**	**700**	**91,975**	**144**

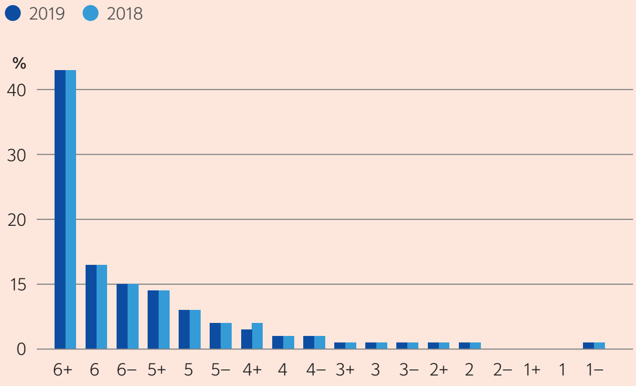
EURm Rating/scoring grade	Nominal amount 31 Dec 2018 Stage 1	Stage 2	Stage 3	Total	Provisions
7	4,503	–	–	4,503	0
6 / A	22,981	22	0	23,003	2
5 / B	29,365	160	0	29,525	14
4 / C	21,598	766	1	22,365	13
3 / D	3,481	1,861	7	5,349	19
2 / E	376	569	5	950	9
1 / F	72	234	2	308	7
Standardised / Unrated	2,343	452	3	2,798	2
0 (default)	–	0	694	694	55
Total	**84,719**	**4,064**	**712**	**89,495**	**121**

G2. Risk and Liquidity management, cont.

Rating distribution IRB Corporate customers



Risk grade distribution IRB Retail customers



Institutions and Retail customers on the other hand show a distribution that is biased towards the higher rating grades. 92% (92%) of the retail exposures is scored C– or higher, which indicates a probability of default of 1% or lower. Defaulted loans are not included in the rating/scoring distributions. The total effect on credit risk exposure amount (REA) from migration was an increase of approx. 0.47% during the full year 2019.

Loan classes
The loan portfolio consists of two classes; loans measured at amortised cost of EUR 247bn and loans measured at fair value of EUR 78bn. Loans measured at amortised cost are the basis used for impaired loans, allowances and loan losses.

Impaired loans (Stage 3)
Impaired loans gross in the Group increased slightly to EUR 4,610m (EUR 4,581m), corresponding to 178 basis points of total loans. 50% of impaired loans gross are servicing and 50% are non-servicing. Impaired loans net, after allowances for Stage 3 loans amount to EUR 2,924m, corresponding to 113 basis points of total loans. Allowances for Stage 3 loans amount to EUR 1,686m. Allowances for Stages 1&2 loans amount to EUR 497m. The ratio of allowances in relation to impaired loans is 37% and the allowance ratio for loans in Stages 1&2 is 20 basis points. The increase in impaired loans was mainly related to the Oil, Gas and Offshore industry and the Household sector. The portfolios with the largest impaired loan amounts were Household, Oil, Gas & Offshore and Commercial & Prof. Services.

Past due loans
Past due loans, 6 days or more, for corporate customers make up EUR 978m, and past due loans to household sum up to EUR 2,229m in 2019.

The table below shows loans past due 6 days or more, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, were at end of 2019 EUR 978m, down from EUR 1,235m one year ago, and past due loans for household customers increased to EUR 2,229m (EUR 1,636m).

	31 Dec 2019		31 Dec 2018	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	405	1,054	701	657
31–60 days	127	273	89	233
61–90 days	84	144	35	111
>90 days	362	758	410	635
Total	**978**	**2,229**	**1,235**	**1,636**
Past due (incl. impaired) loans divided by loans to the public after allowances, %	0.63	1.33	0.82	1.04

Net loan losses
Net loan losses increased to EUR 536m (from EUR 173m in 2018), corresponding to an annual net loan loss ratio including fair value mortgage loans of 18bps (up 11bps from 2018). The change in the level of net loan losses compared to 2018 primarily related to net loan losses of EUR 282m made in Q3 2019 after dialogue with the ECB on Asset Quality Review findings, reflecting weaker outlook for certain sectors, and to IFRS9 model updates.

Excluding these items affecting comparability, net loan losses for 2019 were EUR 253m, and 8 bps on total loan exposure, including fair value mortgages. Net loan losses increased in Personal Banking to EUR 122m (EUR 79m) and Business Banking to EUR 91m (EUR 24m) compared to last year while net loan losses decreased in Large Corporates & Institutions to EUR 40m (EUR 92m).

Of the net loan losses, EUR 157m relates to corporate customers (EUR 82m), and EUR 377m (EUR 102m) to household customers. Within the corporate portfolio the main net loan losses were in the industries Oil, Gas & Offshore and Maritime.

Counterparty credit risk
Counterparty credit risk is the risk that Nordea's counterpart in an FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. Current exposure net (after close-out netting and collateral reduction) represents EUR 7.1bn of which 29% was towards financial institutions. For information about financial instruments subject to master netting agreement, see Note G42.

G2. Risk and Liquidity management, cont.

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**15,258**	**30**	**0**	**15,288**	**217,160**	**14,691**	**4,646**	**236,497**	**232,418**	**14,721**	**4,646**	**251,785**
Origination and acquisition	2,088	0	–	2,088	59,495	1,000	422	60,917	61,583	1,000	422	63,005
Transfers between stage 1 and stage 2, (net)	–7	7	–	0	982	–982	–	0	975	–975	0	0
Transfers between stage 2 and stage 3, (net)	–	–	–	0	–	–213	213	0	0	–213	213	0
Transfers between stage 1 and stage 3, (net)	–	–	–	0	–357	–	357	0	–357	0	357	0
Repayments and disposals	–3,272	–16	–	–3,288	–52,422	–2,774	–613	–55,809	–55,694	–2,790	–613	–59,097
Write-offs	–	–	–	0	–	–	–437	–437	0	0	–437	–437
Other changes	–2,489	58	–	–2,431	8,150	–1,042	–4	7,104	5,661	–984	–4	4,673
Translation differences	–29	0	–	–29	–893	–9	25	–877	–922	–9	25	–906
Closing balance at 31 Dec 2019	**11,549**	**79**	**0**	**11,628**	**232,115**	**10,671**	**4,609**	**247,395**	**243,664**	**10,750**	**4,609**	**259,023**

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**11,161**	**88**	**6**	**11,255**	**218,421**	**14,040**	**5,397**	**237,858**	**229,582**	**14,128**	**5,403**	**249,113**
Origination and acquisition	932	6	–	938	37,466	1,058	491	39,015	38,398	1,064	491	39,953
Transfers between stage 1 and stage 2, (net)	4	–4	–	0	–279	288	–	9	–275	284	0	9
Transfers between stage 2 and stage 3, (net)	–	0	0	0	–	–245	285	40	0	–245	285	40
Transfers between stage 1 and stage 3, (net)	0	–	0	0	–49	–	83	34	–49	0	83	34
Repayments and disposals	–2,808	–7	–11	–2,826	–45,978	–3,336	–1,462	–50,776	–48,786	–3,343	–1,473	–53,602
Write-offs	–	–	–1	–1	–	–	–466	–466	0	0	–467	–467
Other changes	5,922	–53	6	5,875	9,611	2,946	324	12,881	15,533	2,893	330	18,756
Translation differences	47	0	–	47	–2,032	–60	–6	–2,098	–1,985	–60	–6	–2,051
Closing balance at 31 Dec 2018	**15,258**	**30**	**0**	**15,288**	**217,160**	**14,691**	**4,646**	**236,497**	**232,418**	**14,721**	**4,646**	**251,785**

G2. Risk and Liquidity management, cont.

Movements in allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**–5**	**–8**	**–3**	**–16**	**–141**	**–287**	**–1,596**	**–2,024**	**–146**	**–295**	**–1,599**	**–2,040**
Origination and acquisition	–1	0	–	–1	–31	–9	–1	–41	–32	–9	–1	–42
Transfers from stage 1 to stage 2	0	0	–	0	6	–73	–	–67	6	–73	0	–67
Transfers from stage 1 to stage 3	–	–	–	0	1	–	–57	–56	1	0	–57	–56
Transfers from stage 2 to stage 1	0	0	–	0	–15	57	–	42	–15	57	0	42
Transfers from stage 2 to stage 3	–	–	–	0	–	13	–159	–146	0	13	–159	–146
Transfers from stage 3 to stage 1	–	–	–	0	–10	–	14	4	–10	0	14	4
Transfers from stage 3 to stage 2	–	–	–	0	–	–19	24	5	0	–19	24	5
Changes in credit risk without stage transfer	1	0	–5	–4	23	–12	–214	–203	24	–10	–221	–207
Repayments and disposals	1	6	–	7	23	32	52	107	24	37	53	114
Write-off through decrease in allowance account	–	–	–	0	–	–	312	312	0	0	312	312
Changes due to update in the institution's methodology for estimation (net)	–	–	–	0	0	–40	–13	–53	0	–40	–13	–53
Other changes	–	–	–	0	–5	–5	–28	–38	–5	–5	–28	–38
Translation differences	0	0	–2	–2	0	1	–10	–9	0	0	–11	–11
Closing balance at 31 Dec 2019	**–4**	**–2**	**–10**	**–16**	**–149**	**–342**	**–1,676**	**–2,167**	**–153**	**–344**	**–1,686**	**–2,183**

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**–8**	**–17**	**–7**	**–32**	**–125**	**–343**	**–1,809**	**–2,277**	**–133**	**–360**	**–1,816**	**–2,309**
Origination and acquisition	–3	0	–	–3	–30	–21	–9	–60	–33	–21	–9	–63
Transfers from stage 1 to stage 2	0	–1	–	–1	7	–63	–	–56	7	–64	0	–57
Transfers from stage 1 to stage 3	–	–	–	0	0	–	–90	–90	0	0	–90	–90
Transfers from stage 2 to stage 1	0	5	–	5	–13	52	–	39	–13	57	0	44
Transfers from stage 2 to stage 3	–	–	–	0	–	16	–97	–81	0	16	–97	–81
Transfers from stage 3 to stage 1	0	–	2	2	–4	–	12	8	–4	0	14	10
Transfers from stage 3 to stage 2	–	–	–	0	–	–7	73	66	0	–7	73	66
Changes in credit risk without stage transfer	1	4	0	5	8	42	28	78	9	46	28	83
Repayments and disposals	5	1	2	8	16	36	34	86	21	37	36	94
Write-off through decrease in allowance account	–	–	–	0	–	–	280	280	0	0	280	280
Other changes	–	–	–	0	0	–	–22	–22	0	0	–22	–22
Translation differences	0	0	0	0	0	1	4	5	0	1	4	5
Closing balance at 31 Dec 2018	**–5**	**–8**	**–3**	**–16**	**–141**	**–287**	**–1,596**	**–2,024**	**–146**	**–295**	**–1,599**	**–2,040**

The tables shows the changes in exposure/allowances for each stage during the year. If an exposure moves into stage 2 from stage 1, there will be a reversal for stage 1 and an increase for stage 2.

G2. Risk and Liquidity management, cont.

Movements in provisions for off balance sheet items

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**18**	**41**	**62**	**121**
Origination and acquisition	5	2	0	7
Transfers from stage 1 to stage 2	0	21	–	21
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	2	–9	–	–7
Transfers from stage 2 to stage 3	–	0	3	3
Transfers from stage 3 to stage 1	0	–	–1	–1
Transfers from stage 3 to stage 2	–	0	–4	–4
Changes in credit risk without stage transfer	12	18	–21	9
Repayments and disposals	–4	–3	0	–7
Write-off through decrease in allowance account	–	–	–	0
Translation differences	0	0	0	0
Closing balance at 31 Dec 2019	**33**	**70**	**41**	**144**

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2018	**17**	**48**	**74**	**139**
Origination and acquisition	6	5	0	11
Transfers from stage 1 to stage 2	–1	12	–	11
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	2	–8	–	–6
Transfers from stage 2 to stage 3	–	–1	8	7
Transfers from stage 3 to stage 1	0	–	–2	–2
Transfers from stage 3 to stage 2	–	0	–2	–2
Changes in credit risk without stage transfer	–2	–10	–5	–17
Repayments and disposals	–4	–5	0	–9
Write-off through decrease in allowance account	–	–	–13	–13
Translation differences	–	–	–	0
Closing balance at 31 Dec 2018	**18**	**41**	**62**	**121**

G2. Risk and Liquidity management, cont.

Market risk

Market risk is the risk of loss in Nordea's positions in either the trading book or non-trading book as a result of changes in market rates and parameters that affect the market values or net interest income flows. Market risk exists irrespective of the accounting treatment of the positions.

The market risk appetite for the Group is expressed through risk appetite statements issued by the Board of Directors. The statements are defined for trading and banking books.

The 2nd LoD ensures that the risk appetite is appropriately translated through the Risk Committee into specific risk appetite limits for the Business Areas and Group Treasury and ALM (TALM).

As part of the overall risk appetite framework (RAF), holistic and bespoke stress tests are used to measure the market risk appetite and calibrate limits to monitor and control the full set of material market risk factors to which the bank is exposed.

Traded market risk

Traded market risk arises mainly from client-driven trading activities and related hedges in Nordea Markets which is part of Nordea Large Corporates & Institutions.

Nordea Markets takes market risks as part of its business model to support corporate and institutional clients through a range of fixed income, equity, foreign exchange and structured products. The market risks Nordea Markets is exposed to include interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodity risk and inflation risk.

Furthermore, Nordea is one of the major mortgage lenders in the Nordics and market makers in Nordic corporate and government bonds. Holding inventory is a consequence of providing secondary market liquidity. As a result, Nordea's business model naturally gives rise to a concentration in Nordic mortgage and corporate bonds as well as in local market currencies.

Non-traded market risk

Non-traded market risk principally arises from the core banking business of Nordea, related hedges and regulatory or other external requirements (e.g. liquid asset buffer).

TALM is responsible for the comprehensive risk management of all non-traded market risk exposures in the Group's balance sheet. For transparency and a clear division of responsibilities within TALM, the comprehensive banking book risk management is divided across several frameworks – each with a clear risk mandate and specific limits and controls.

The non-traded market risks that Nordea is exposed to are interest rate risk, credit spread risk, foreign exchange risk (both structural and non-structural) and equity risk.

Interest rate risk in the banking book (IRRBB) is the current or prospective risk to Nordea's capital and earnings arising from adverse movements in interest rates. Business Areas transfer their banking book exposures to TALM through a funds transfer pricing framework. The market risks are then managed centrally and include gap risk, spread risks, basis risks, credit spread risk, behavioural risk and non-linear risks. These risks are also delineated by currency.

Due to the lending structure in Nordea's home markets, most of the contractual interest rate exposures are floating rate. Consequently, wholesale funding is also swapped to floating rate. The resulting repricing gap risk is managed on an aggregated basis by currency and where applicable by legal entity (primarily the mortgage companies). The net outright interest rate risk stemming from the repricing gaps, together with the limited fixed interest rate risk, is hedged with interest rate swaps (IRS) and overnight index swaps (OIS).

Liquid assets are managed in accordance with the Liquidity Buffer and Pledge/Collateral frameworks. Most of the directional interest rate risk arising from bond holdings is hedged primarily with maturity matched IRS payer swaps and to a smaller degree with OIS payer swaps. Forward Rate Agreements and listed futures contracts are also used to hedge credit spread and interest rate fixing risks.

The tail hedging framework operates a running portfolio of tail hedges across listed equity futures and options, main credit indices and interest rate swaps and options. Due to the nature of the framework, asymmetrical hedging structures are natural building blocks of the tail hedging portfolio. Tail hedges run across Nordea's other banking book frameworks, including the liquid asset bond and derivative portfolios, the strategic equity investments and the structural risks.

Measurement of market risk

Nordea uses several quantitative risk measurement methods for traded market risk: Value-at-Risk (VaR), stress testing, sensitivity analysis, parametric methods and Monte Carlo simulation.

VaR is based on historical scenarios and is the primary market risk measurement metric, complemented by stress testing. Nordea calculates VaR using historical simulation. The current portfolio is revalued based on historical daily changes in market prices, rates and other market risk factors observed during the last 500 business days and translated to changes in the current market risk factors. Nordea uses absolute, relative and mixed translation methods for different risk categories. The revaluation of the current portfolio is performed for each position using either a linear approximation method or a full revaluation method, depending on the nature of the position.

Parametric methods are used to capture equity event risk including the impact of defaults on equity related positions (these risks are part of specific equity risk).

Monte Carlo simulation is used in the Incremental Risk Measure model and the Comprehensive Risk Measure model to capture the default and migration risks.

The Value-at-Risk, Stressed Value-at-Risk, Equity Event Risk, Incremental Risk Measure and the Comprehensive Risk Measure models were all approved by the bank's previous regulator, the Swedish FSA, for use in calculating market risk own funds requirements under the Internal Model Approach (IMA). The same models, with same calibration and settings, as used for regulatory capital requirements are used for internal risk management purposes.

The Standardised Approach is applied to risk exposure which is not covered by the IMA. It is used for calculating market risk exposures for commodity related products, specific risk for mortgage and government bonds, commercial papers, credit/rate hybrids and credit spread options, as well as for equity risk related to structured equity and Tier 1 and Tier 2 bonds.

Nordea Bank Abp is the only legal entity for which this model is in use. After the relocation to Finland in October 2018, Nordea is operating under a temporary tolerance decision from the ECB, allowing the bank to continue to use its IMA approved by the Swedish FSA. The ECB's temporary tolerance is conditioned on Nordea applying to the ECB for a new permanent IMA approval, which the bank is currently preparing for.

IRRBB is measured, monitored and managed using three key risk metrics:

- Economic Value (EV),
- Fair Value (FV), and
- Structural Interest Income Risk (SIIR).

The three different risk metrics are used to assess differing aspects of the manifestation of interest rate risk. These are described in more detail below.

Economic value (EV) of Equity stress tests consider the

G2. Risk and Liquidity management, cont.

change in the economic value of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independently of accounting classification and ignoring credit spreads and commercial margins. The model assumes a run-off balance sheet and includes behavioural modelling for non-maturing deposits and prepayments. Changes in the Economic Value of Equity of the banking book are measured using the 6 standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS) plus a range of internal parallel shocks. The exposure limit under EV is measured against the worst outcome out of the six Basel scenarios measured. The EV Basel scenarios are estimated daily for management information purposes, but fully calculated and monitored monthly against the risk appetite limits. The fair value risk stress measure considers the potential revaluation risk relating to positions held under fair value accounting classifications. Fair value sensitivities in the banking book are monitored against five severe but plausible market stress scenarios. The scenarios are calibrated to reflect severe events designed to test specific exposures that are or may be held under the approved mandate. The risk is measured daily, and a risk appetite limit is set against the worst outcome of the five scenarios. The FV scenarios are applied to both the banking book and trading book portfolios, and the Board risk appetite limit considers the combined impact across both. The FV stress metric is monitored daily.

The earnings risk metric measures the change in net interest income relative to a base scenario, creating a Structural Interest Income Risk (SIIR) value over a one-year horizon. The model uses a constant balance sheet assumption, implied forward rates and behavioural modelling for the non-maturing deposits and prepayments. Similarly to EV, SIIR is measured using the six standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS) for management information, plus a range of internal parallel shocks. The SIIR risk appetite limit is set against a +/– 50bps parallel shock. The SIIR earnings metric is monitored monthly.

The measurement of IRRBB is dependent on key assumptions applied in the models. The most material assumptions relate to the modelling of embedded behavioural options in both assets and liabilities. The behavioural option held by Nordea's lending customers to execute early loan prepayments is estimated using prepayment models. On the liability side, Nordea has an option to change deposit rates, and customers have an option to withdraw non-maturing deposits (NMD) at any given day. Both embedded options are modelled using NMD models. Both assumptions are calculated based on historical average by core asset and liability class features. Assets and liabilities are grouped according to key metrics including product type, geography and customer segment. Assumptions are based on historically observed values. Regular back-testing and model monitoring are performed for both prepayment models and NMD models to ensure that the models remain accurate.

The Pillar 2 IRRBB capital allocations consist of a Fair Value Risk component and an Earnings Risk component. The Fair Value Risk component covers the impact on the bank's equity due to adverse movements in the MtM values of positions accounted for at Fair Value through Profit and Loss (FVTPL) or Fair Value through other comprehensive income (FVOCI). The Earnings Risk component covers the impact of rate changes on future earnings capacity, and the resulting implications for internal capital buffer levels.

Nordea is exposed to structural FX risk defined as the mismatch between the currency composition of its common equity tier 1 (CET1) and risk exposure amounts. CET1 is largely denominated in euro with the only significant non-euro equity amounts stemming from mortgage subsidiaries and Nordea Bank Russia. Changes in FX rates can therefore negatively impact Nordea's CET1 ratio.

Market risk analysis

The market risk for the Nordea trading book is presented in the table below.

The Market risk measured by VaR showed an average utilisation of EUR 14.8m in 2019 (average in 2018 was EUR 13m) and was primarily driven by interest rate VaR. Stressed VaR showed an average utilisation of EUR 46.6m which is higher compared to 2018 (average in 2018 was EUR 33m) and primarily driven by interest rate stressed VaR with additional contributions from credit spread stressed VaR. The highs in VaR were reached in Q3 and Q4 while highs in stressed VaR were reached in Q1 and Q4. VaR and stressed VaR are primarily driven by market risk in Northern European and Nordic countries.

The Incremental Risk Charge (IRC) at the end of 2019 was significantly lower than

Market risk figures for the trading book[1]

EURm	31 Dec 2019	2019 high	2019 low	2019 avg	31 Dec 2018
Total VaR	21.1	22.5	10.1	14.8	18.3
Interest rate risk	18.1	20.6	8.4	14.0	16.4
Equity risk	6.1	9.6	1.4	3.4	2.5
Credit spread risk	4.3	10.5	3.1	5.1	6.5
Foreign exchange risk	1.6	6.3	0.7	2.9	1.9
Inflation risk	1.8	2.8	1.4	2.0	2.2
Diversification effect	34.1	58.1	34.1	45.7	37.9
Total Stressed VaR	66.8	86.1	27.9	46.6	61.9
Incremental Risk Charge (IRC)	21.3	41.2	7.3	16.1	34.8
Comprehensive Risk Charge (CRC)	16.5	29.0	9.3	19.6	28.7

1) Equity Event Risk, which equalled EUR 0.2m at end of 2019.

Market risk for the banking book figures

EURm	31 Dec 2019	2019 high	2019 low	2019 avg	31 Dec 2018
Total VaR	33.5	57.8	26.5	42.1	37.5

G2. Risk and Liquidity management, cont.

at the end of 2018. The decrease was driven by a reduction in both default and migration exposure. The lowest exposure occurred during Q3 2019, while IRC peaked in Q1 2019. The average IRC decreased by EUR 8.7m compared to the previous year, especially driven by a consistently lower default component.

Comprehensive Risk Charge (CRC) at the end of 2019 was lower than at the end of 2018 driven by buy-backs and spread tightening. The lowest exposure occurred during Q4 2019, while CRC peaked during Q1 2019. Average CRC for 2019 dropped by EUR 5.6m compared to 2018.

The VaR for Banking Book has reduced slightly over the year, driven by higher concentration on high rated government bonds and a small reduction in mortgage bond exposure over the year. Overall Banking Book market risk is within appetite and under control.

The fair value of illiquid alternative investments was EUR 852.6m at the end of 2019 (EUR 644.9m at the end of 2018), of which private equity funds EUR 338.9m, hedge funds EUR 1.4m, credit funds EUR 253.3m and seed-money investments EUR 258.9m. All four types of investments are spread over a number of funds.

Structural Interest Income Risk (SIIR)/EV

At the end of the year, the worst loss out of the six Basel scenarios for SIIR was driven by the Steepener Basel scenario, where the loss was EUR 1,030m (against the worst loss in 2018 of EUR 1,176m, also taken from the Steepener shock scenario). These figures imply that net interest income would decrease if short term interest rates fall while long rates rise.

The most severe impact from the Basel scenarios on EV is from the Flattener shock scenario, where the loss was EUR 263.9m at end of year 2019.

Other market risks / Pension risk

Pension risk (including market and longevity risks) arises from Nordea-sponsored defined benefit pension schemes for past and current employees. The ability of the pension schemes to meet the projected pension payments is maintained through investments and ongoing scheme contributions.

Pension risks can manifest through increases in the value of liabilities or through falls in the values of assets. These risks are regularly reported and monitored and include consideration of sub components of market risk such as interest rate, inflation, credit spread, real estate and equity risk. To minimise the risks to Nordea, limits are imposed on potential losses under severe but plausible stress events and by limits on capital drawdown. In addition, regular reviews of the schemes strategic asset allocation are undertaken to ensure the investment approach reflects Nordea's risk appetite. See note G34 for more information.

Operational risk

Nordea defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

Operational risks are inherent in all of Nordea's businesses and operations. Consequently, managers throughout Nordea are accountable for the operational risks related to their mandate and for managing these risks within risk limits and risk appetite in accordance with the operational risk management framework.

Group Operational Risk (GOR) within Group Risk and Compliance (GRC) constitutes the second line of defence (2nd LoD) risk control function for operational risk and is responsible for developing and maintaining the overall operational risk management framework as well as for monitoring and controlling the operational risk management of the first line of defence (1st LoD). GOR monitors and controls that operational risks are appropriately identified, assessed and mitigated, follows-up risk exposures towards risk appetite and assesses the adequacy and effectiveness of the operational risk management framework and the implementation of the frameworks.

The focus areas of the monitoring and control work performed by GOR are decided during an annual planning process that includes business areas, key risk areas and operational risk processes. GOR is responsible for preparing and submitting regular risk reports on all material risk exposures including risk appetite limit utilisation and incidents to the Chief Risk Officer (CRO), who thereafter reports to the Chief Executive Officer (CEO) in Group Leadership Team (GLT), the Group Board and relevant committees.

The Risk Appetite Statement (RAS) for operational risk is expressed in terms of:

- residual risk level in breach of risk appetite and requirements for mitigating actions for risks; and
- total loss amount from incidents and management of incidents.

Management of operational risk

Management of operational risk includes all activities aimed at identifying, assessing and measuring, responding and mitigating, controlling and monitoring and reporting on risks. The risk management is supported by various processes including e.g. the Risk and Control Self-Assessment, Change Risk Management and Approval, Incident Management, Scenario Analysis, Business Continuity and Crisis Management, Information Security Management, Third Party Risk Management and Significant Operating Processes.

Some of these processes are described below and additional details on processes for managing and controlling operational risks are included in the Capital and Risk Management Report.

Risk and Control Self-Assessment

The Risk and Control Self-Assessment (RCSA) process provides a risk-based view of operational and compliance risks across Nordea. The process improves risk awareness and enables effective assessment, control, and mitigation of identified risks. For risks identified in the RCSA process, the level of risk and the controls in place to mitigate the risks are assessed. If mitigating actions are required to reduce the risk exposure, these are identified and implemented.

Change Risk Management and Approval framework

The objective of the Change Risk Management and Approval (CRMA) framework is to ensure that there is a full understanding of both financial and non-financial risks when executing changes. Associated risks shall be adequately managed consistent with Nordea's risk strategy, risk appetite and corresponding risk limits before a change is approved, executed or implemented.

Changes in scope of the CRMA framework include e.g. new or significant changes to products, services, or IT systems.

Incident Management

The objective of Incident Management is to ensure appropriate handling of detected incidents in order to minimise the impact on Nordea and its customers, to prevent reoccurrence, and to reduce the impact of future incidents. In addition, the Incident Management shall enable timely, accurate and complete information for internal and external reporting and capital modelling, and secure timely notification to relevant supervisory authorities.

G2. Risk and Liquidity management, cont.

Business Continuity and Crisis Management
The objective of the Business Continuity and Crisis Management is to protect Nordea's employees, customers, stakeholders and assets by ensuring that Nordea builds, maintains, and tests the ability to continue and recover prioritised activities and assets, should an extraordinary event or crisis occur. Crisis Management shall ensure that extraordinary events or crisis situations are identified, escalated and managed to minimize impact.

Financial Reporting Risk
Financial reporting risk is defined as the risk of misstatements in external financial reporting and regulatory capital reporting. The risk arises from erroneous interpretation and implementation of accounting standards and regulation, the use of judgement in reporting, as well as from inadequate governance and control frameworks around valuation and financial reporting. The framework for managing financial reporting risk is designated as the Accounting Key Controls (AKC), framework, based on the the Committee of Sponsoring Organizations of the Treadway Commission (COSO), framework, which provides the structure and guidance for designing, operating and evaluating the system of internal control over financial reporting across the group. The AKC framework is the mechanism through which management expresses its various assertions over its financial statements. GRC control function for financial reporting risk is responsible for the independent monitoring, assessment and oversight of the risks and the group's implementation of the AKC framework, and reports to Board Audit Committee on a quarterly basis.

Compliance Risk
Nordea defines compliance risk as the risk of failure to comply with applicable laws, regulations, standards, supervisory requirements and related internal rules governing Nordea's activities in any jurisdiction where Nordea operates.

Nordea's Code of Conduct and corporate values underpin Nordea's culture and set the parameters for how Nordea's employees should conduct themselves. All Nordea's employees are required to complete annual training in the Code of Conduct to ensure proper awareness and knowledge of the ethical principles.

In 2019, Nordea continued the development to ensure that Nordea's culture and behaviours are consistent with Nordea's values and that Nordea delivers fair outcomes for its customers throughout the entire stage of the customer lifecycle. The quality of investment advice is monitored continuously to ensure customer protection and recent outcomes indicating improvement. The improved results are driven by the changes made in the advisory tool, instructions and training of advisors. It is also important to manage conflicts of interest in relation to products and services. In 2019, enhancements have been implemented in regular product reviews and the approval process. The complaints handling framework has in the recent years been developed and the process is renewed with clear and regular reporting, a strong feedback culture, root cause analysis and mitigating activities.

Nordea's Raising Your Concern (RYC or "whistleblowing") process ensures that Nordea employees, customers and external stakeholders have the right to and feel safe when speaking up if they witness or suspect misconduct or unethical behaviour. The RYC process encompasses ways to report a suspected breach of ethical standards, or breach of internal or external rules. Concerns can be raised openly, confidentially or anonymously by individuals ("whistle-blow"). The RYC process also outlines rules and procedures for how RYC investigations are conducted.

Nordea further strengthened the financial crime defences in 2019. Significant compliance enhancements have been achieved within the areas of: i) governance, ii) IT support of customer due diligence processes, iii) participation in the development of a Nordic KYC Utility (a cross-bank initiative to centrally collect customer due diligence data), iv) transaction monitoring and sanction screening capabilities by e.g. upgrading systems, introducing additional automated processes and improving timeliness of suspicious activity reporting, v) updating Nordea's policies in light of changes in regulation, and vi) strengthening of Nordea's Anti-Bribery and Corruption programme.

Managers throughout Nordea are accountable for the compliance risks related to their mandate and for managing these in accordance with the compliance risk management framework.

Group Compliance (GC) within Group Risk and Compliance (GRC) constitutes the independent compliance function and is responsible for developing and maintaining the risk management framework for compliance risks and for guiding the business in their implementation of and adherence to the framework.

Compliance activities are presented in the form of an annual compliance oversight plan to the Chief Executive Officer (CEO) and the Board of Directors (BoD). The annual compliance oversight plan represents a comprehensive approach to the compliance activities of Nordea, combining GC's overall approach to key risk areas. The plan is supported by granular plans in each Business Area, Group Function, Consolidated Group Subsidiaries and Nordea Bank Abp branches and for each risk area.

GC is responsible for regular reporting to the BoD, the CEO in Group Leadership Team (GLT), branch management and relevant committees, at least quarterly.

The Risk Appetite Statement (RAS) for compliance risk is expressed in terms of the residual risk level in breach of risk appetite and requirements for mitigating actions for risks. The RAS for conduct risk includes metrics regarding the Code of Conduct as well as customer outcomes and market integrity.

Details on key processes for managing and controlling compliance risks are included in the Capital and Risk Management Report.

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. Supervisory and governmental authorities that administer and enforce those regimes make regular inquiries and conduct investigations with regards to Nordea's compliance in many areas, such as investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law and governance and control. The outcome and timing of these inquiries and investigations is unclear and pending, and accordingly, it cannot be excluded that these inquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigations.

In June 2015, the Danish Financial Supervisory Authority investigated how Nordea Bank Denmark A/S had followed the regulations regarding AML. The outcome has resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the police for further handling and possible sanctions. As previously stated, Nordea expects to be fined in Denmark for our weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters.

There is a risk that the outcome of possible fines from authorities could be higher (or potentially lower) than the current provision and that this could also impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, we will maintain the level of provision for ongoing AML related matters while also continuing the dialogue with the Danish Authorities regarding their allegations for historical AML weaknesses.

G2. Risk and Liquidity management, cont.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Amongst other Nordea established in 2015 the Financial Crime Change Programme and has strengthened the organization significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Business Ethics and Values Committee and a culture transformation program to embed stronger ethical standards into our corporate culture. In addition, the group is investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

The Danish tax authorities have raised a claim for damages against Nordea of approximately DKK 900m relating to Nordea's assistance to a foreign bank in connection with the said bank's reclaim of dividend tax on behalf of one of its customers. It is our assessment that Nordea is not liable, and Nordea disputes the claim.

Life insurance risk and market risks in the Life & Pensions operations

The life insurance business of Nordea Life & Pensions (NLP) consists of a range of different life & health products, from endowments with duration of a few years to very long-term pension savings contracts, with durations of more than 40 years. Market return products (unit- linked products) clearly dominate NLP's business. Traditional products (participating savings and life insurance products) and health insurance take minor roles in NLP's business profile.

The main risks that NLP is exposed to are market risks and life & health insurance risks.

Market risks at NLP arise from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices or interest rates. Within market risk, the interest rate risk, equity risk, credit spread risk and currency risk are the most relevant risks.

Market risks are measured and monitored through exposure calculations and adequate limit setting. In addition, NLP regularly performs stress tests and macroeconomic scenario analyses to assess the need for future capitalization. The results of stress tests and scenario analysis are monitored against limits specified in the internal policies.

Market risk is mitigated by applying hedging and asset allocation strategies.

Life & health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality, longevity, disability and surrender/ lapse rates. The risks are measured and monitored through calculations of the Solvency II capital requirements. To assess the resilience of the business to sudden changes in the lapse rate, regular sensitivity tests are performed at NLP group and local entity level.

Life & health insurance risk is mitigated using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and setting up adequate provisions for risks.

Liquidity risk management

During 2019, Nordea continued to benefit from its prudent liquidity risk management, in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea had access to all relevant financial markets and was able to actively use all of its funding programmes. Nordea issued approximately EUR 19.2bn in long-term debt (excluding subordinated debt and covered bonds issued by Nordea Kredit Realkreditaktieselskab) of which approx. EUR 13bn included covered bonds issued in Sweden, Finland and Norway. Throughout 2019, Nordea remained compliant with the requirement in EBA Delegated Act Liquidity Coverage Ratio (LCR) in all currencies on a combined basis.

Liquidity risk definition and identification

Liquidity risk is the risk that Nordea is unable to service its cash flow obligations when they fall due; or unable to meet its cash flow obligations without incurring significant additional funding costs. Nordea is exposed to liquidity risk in its lending, investment, funding, off-balance sheet exposures and other activities which result in a negative cash flow mismatch. Cash flow mismatches can occur at the end of a day or intraday.

Management principles and control

Liquidity risk at Nordea is managed across three Lines of Defence:

The First Line of Defence comprises Group Treasury & Asset Liability Management (TALM) and the Business Areas. TALM is responsible for the day to day management of the Group's liquidity positions, liquidity buffers, external and internal funding including the mobilisation of cash around the Group, and Funds Transfer Pricing (FTP).

The Second Line of Defence, Group Risk and Compliance, is responsible for providing independent oversight of and challenge to the first line of defence.

The Third Line of Defence includes Group Internal Audit (GIA), which is responsible for providing independent oversight of the first – and second lines of defence.

The Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk metrics. The most central metric is the Liquidity Stress Horizon, which defines the risk appetite by setting a minimum survival of 90 days under institution-specific and market-wide stress scenarios with limited mitigation actions.

A framework of limits and monitoring metrics is in place to ensure Nordea stays within various risk parameters including the risk appetite.

A Funds Transfer Pricing (FTP) framework is in place that recognises that liquidity is a scarce and costly resource. By quantifying and allocating the liquidity and funding costs and benefits to the respective business areas, behaviours and strategic decisions are appropriately incentivised.

Liquidity risk management strategy

Nordea's liquidity management strategy is based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify its sources of funding and seeks to establish and maintain relationships with investors in order to ensure market access. A broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and the variety of funding programmes. The funding programmes are both short-term (US – and European commercial paper, and Certificates of Deposits) and long-term (covered bonds, European medium-term notes, medium term notes) and cover a range of currencies.

Trust is fundamental in the funding market; therefore, Nordea periodically publishes information on the liquidity situation of the Group. Furthermore, Nordea regularly performs stress testing of the liquidity risk position and has put in place business contingency plans for liquidity crisis management.

G2. Risk and Liquidity management, cont.

Liquidity risk measurement

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The liquidity buffer consists of central bank eligible, high credit quality and liquid securities and central bank cash that can be readily sold or used as collateral in funding operations.

Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. Liquidity risk is limited by the Board of Directors via Internal Liquidity Coverage and Liquidity Stress Horizon metrics stipulating that the liquidity buffer needs to be sufficient to cover peak cumulative stressed outflows experienced over the first 90 days of a combined stress event, whereby Nordea is subject to a market-wide stress similar to what many banks experienced in 2007–08; and an idiosyncratic stress corresponding to a three-notch credit rating downgrade. These metrics form the basis for Nordea's liquidity risk appetite, which is reviewed and approved by the Board at least annually.

Furthermore, short-term funding risk is measured via the Liquidity Coverage Ratio (LCR) and a funding gap risk metric. The funding gap risk metric expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined.

Structural liquidity risk of Nordea is measured via many metrics of which the Net Stable Funding Ratio (NSFR) and the internally defined Net Balance of Stable Funding (NBSF) are very important. Furthermore, the loan to deposit ratio is closely monitored together with the wholesale funding refinancing profile and rating agency metrics.

Liquidity risk analysis

Nordea continues to have a strong and prudent liquidity risk profile with a strong funding base. As of year-end 2019, the total volume utilised under short-term programmes was EUR 44.3bn (EUR 46.8bn) with an average maturity of 0.3 (0.3) years. The total volume under long-term programmes was EUR 159.3bn (EUR 152.8bn) with an average maturity being 6.3 (6.0) years. Nordea's funding sources are presented in a table below.

The liquidity risk position remained at a low level throughout 2019. The Liquidity Stress Horizon was 504 days as of year-end 2019 (533 days as of year-end 2018) with a yearly average of 642 days (332 days) – the Group limit is not below 90 days.

The yearly average of the funding gap risk was EUR +29.7bn (EUR +17.7bn in 2018) against a limit of EUR –15bn. Nordea's liquidity buffer ranged between EUR 88.1bn and 108.2bn throughout 2019 (EUR 86.9bn and 110.1bn) with an average liquidity buffer of EUR 97.2bn (EUR 97.8bn).

The combined LCR according to EBA Delegated Act rules for the Nordea Group was at the end of 2019 166% (185%) with a yearly average of 188% (184%). At the end of 2019 the LCR in EUR was 236% (257%) and in USD 146% (214%), with yearly averages of 201% (190%) and 187% (183%), respectively. At the end of 2019 Nordea's NSFR was 108.6% according to CRR2.

Net balance of stable funding

EURbn	31 Dec 2019	31 Dec 2018
Stable liabilities and equity		
Tier 1 and Tier 2 capital	31	32
Secured/unsecured borrowing >1Y	124	126
Stable retail deposits	68	65
Less stable retail deposits	17	16
Wholesale deposits <1Y	71	72
Total Stable Liabilities	**311**	**311**

Net balance of stable funding, cont.

Stable assets	31 Dec 2019	31 Dec 2018
Wholesale and retail loans >1Y	238	240
Long term lending to banks and financial companies	1	1
Other illiquid assets	25	26
Total Stable Assets	**264**	**266**
Off-balance-sheet items	**2**	**2**
Net balance of stable funding (NBSF)	**44**	**43**

Funding sources, 31 December 2019

Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
Shorter than 3 months	Euribor etc.	0.1	31,456
Longer than 3 months	Euribor etc.	0.5	848
Deposits and borrowings from the public			
Deposits on demand	Administrative	0.0	149,012
Other deposits	Euribor etc.	0.2	19,712
Debt securities in issue			
Certificates of deposits	Euribor etc.	0.4	22,094
Commercial papers	Euribor etc.	0.2	22,192
Mortgage covered bond loans	Fixed rate, market-based	7.7	115,346
Other bond loans	Fixed rate, market-based	2.6	34,094
Derivatives			42,047
Other non-interest-bearing items			57,452
Subordinated debt			
Tier 2 subordinated bond loans	Fixed rate, market-based	4.8	7,410
Additional Tier 1 subordinated bond loans (undated)	Fixed rate, market-based		2,409
Equity			31,528
Total			**535,602**
Liabilities to policyholders			19,246
Total, including life insurance operations			**554,848**

Net Stable Funding Ratio (NSFR), 31 December 2019

	EURbn
Available stable funding	290,5
Required stable funding	267,6
Net stable funding	22,9
Net Stable Funding Ratio (NSFR)[1]	**108.6%**

1) According to CRR2 regulation.

G3. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. At Nordea, the CODM has been defined as Group Leadership Team (former Group Executive Management). The main differences compared to the section "Business areas" in this report are that the information to CODM is prepared using plan exchange rates and that different allocation principles between operating segments have been applied.

Basis of segmentation

Financial results are presented for the four main business areas Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management, with further breakdown into operating segments where relevant, and for the operating segment Group Finance. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations, as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Compared with the 2018 Annual Report there is a change in the presentation of the business area Personal Banking. Personal Banking is only presented on a Nordic level and has no further break-down by country in order to align with other segments. The business area Commercial & Business Banking has changed name to Business Banking and the business area Wholesale Banking has changed name to Large Corporates & Institutions. The changes are reflected in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note G3. Comparative figures have been restated accordingly.

Reportable Operating segments

Personal Banking serves Nordea's household customers in the Nordic markets, through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets.

Business Banking and Business Banking Direct work with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The business area also consists of Transaction Banking, which include Cards, Trade Finance and Cash Management, and Nordea Finance. These units services both personal and corporate customers across the Nordea Group.

Large Corporates & Institutions provides banking and other financial solutions to large Nordic and international corporates as well as institutional and public companies. The division Corporate & Investment Banking is a customer oriented organisation serving the largest globally operating corporates. The division Financial Institutions Group & International Banks is responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. Nordea Bank Russia offers a full range of banking services to corporate customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas.

Asset & Wealth Management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The Asset Management division is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions that is not allocated to the main business areas.

The main objective of Group Finance is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Finance originates from Group Treasury & ALM (TALM).

G3. Segment reporting, cont.

Income statement 2019

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other Operating segments[3]	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,166	1,352	863	54	33	0	4,468	–150	4,318
Net fee and commission income	1,184	615	454	1,430	–4	3	3,682	–671	3,011
Net result from items at fair value	173	210	308	112	151	12	966	58	1,024
Profit from associated undertakings accounted for under the equity method	0	2	0	33	0	18	53	–3	50
Other income	2	20	1	14	7	138	182	50	232
Total operating income	**3,525**	**2,199**	**1,626**	**1,643**	**187**	**171**	**9,351**	**–716**	**8,635**
- of which internal transactions[1]	–678	–275	–464	–22	1,454	–15	0	–	–
Staff costs	–631	–422	–356	–402	–127	–191	–2,129	–888	–3,017
Other expenses	–1,308	–710	–564	–321	92	–117	–2,928	1,289	–1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets	–63	–19	–14	–12	–3	–751	–862	–468	–1,330
Total operating expenses	**–2,002**	**–1,151**	**–934**	**–735**	**–38**	**–1,059**	**–5,919**	**–67**	**–5,986**
Profit before loan losses	**1,523**	**1,048**	**692**	**908**	**149**	**–888**	**3,432**	**–783**	**2,649**
Net loan losses	–135	–140	–255	–1	0	2	–529	–7	–536
Operating profit	**1,388**	**908**	**437**	**907**	**149**	**–886**	**2,903**	**–790**	**2,113**
Income tax expense	–333	–218	–105	–218	–34	215	–693	122	–571
Net profit for the year	**1,055**	**690**	**332**	**689**	**115**	**–671**	**2,210**	**–668**	**1,542**
Balance sheet 31 Dec 2019, EURbn									
Loans to the public[2]	154	83	51	8	–	1	297	26	323
Deposits and borrowings from the public[2]	73	42	35	10	–	1	161	8	169

Income statement 2018

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other Operating segments[3]	Total operating segments[3]	Recon-ciliation	Total Group
Net interest income	2,116	1,320	920	69	40	14	4,479	12	4,491
Net fee and commission income	1,176	578	472	1,411	–19	0	3,618	–625	2,993
Net result from items at fair value	167	297	412	167	73	26	1,142	–54	1,088
Profit from associated undertakings accounted for under the equity method	0	9	0	13	8	91	121	3	124
Other income	6	21	1	21	1	126	176	300	476
Total operating income	**3,465**	**2,225**	**1,805**	**1,681**	**103**	**257**	**9,536**	**–364**	**9,172**
- of which internal transactions[1]	–518	–236	–469	–15	1,251	–13	0	–	–
Staff costs	–635	–427	–393	–460	–128	–24	–2,067	–931	–2,998
Other expenses	–1,279	–757	–544	–316	140	–14	–2,770	1,204	–1,566
Depreciation, amortisation and impairment charges of tangible and intangible assets	–51	–15	–9	–9	–3	0	–87	–395	–482
Total operating expenses	**–1,965**	**–1,199**	**–946**	**–785**	**9**	**–38**	**–4,924**	**–122**	**–5,046**
Profit before loan losses	**1,500**	**1,026**	**859**	**896**	**112**	**219**	**4,612**	**–486**	**4,126**
Net loan losses	–79	–24	–92	–6	0	21	–180	7	–173
Operating profit	**1,421**	**1,002**	**767**	**890**	**112**	**240**	**4,432**	**–479**	**3,953**
Income tax expense	–341	–240	–184	–205	–24	–58	–1,052	180	–872
Net profit for the year	**1,080**	**762**	**583**	**685**	**88**	**182**	**3,380**	**–299**	**3,081**
Balance sheet 31 Dec 2018, EURbn									
Loans to the public[2]	144	81	49	7	–	1	282	26	308
Deposits and borrowings from the public[2]	68	41	35	9	–	1	154	11	165

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

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

3) Items effecting comparability are generally included in Other Operating segments.

G3. Segment reporting, cont.

Break-down of Business Banking

Income statement, EURm	Business Banking 2019	Business Banking 2018	Business Banking Direct 2019	Business Banking Direct 2018	Business Banking Other[1] 2019	Business Banking Other[1] 2018	Total Business Banking 2019	Total Business Banking 2018
Net interest income	1,135	1,096	220	209	–3	15	1,352	1,320
Net fee and commission income	475	459	172	164	–32	–45	615	578
Net result from items at fair value	176	289	33	17	1	–9	210	297
Profit from associated undertakings accounted for under the equity method	–2	5	0	0	4	4	2	9
Other income	0	1	1	0	19	20	20	21
Total operating income	**1,784**	**1,850**	**426**	**390**	**–11**	**–15**	**2,199**	**2,225**
- of which internal transactions	–280	–233	5	–4	0	1	–275	–236
Staff costs	–170	–173	–49	–51	–203	–203	–422	–427
Other expenses	–649	–681	–203	–216	142	140	–710	–757
Depreciation, amortisation and impairment charges of tangible and intangible assets	–4	–5	–1	–2	–14	–8	–19	–15
Total operating expenses	**–823**	**–859**	**–253**	**–269**	**–75**	**–71**	**–1,151**	**–1,199**
Profit before loan losses	**961**	**991**	**173**	**121**	**–86**	**–86**	**1,048**	**1,026**
Net loan losses	–120	–14	–10	–3	–10	–7	–140	–24
Operating profit	**841**	**977**	**163**	**118**	**–96**	**–93**	**908**	**1,002**
Income tax expense	–202	–234	–39	–29	23	23	–218	–240
Net profit for the year	**639**	**743**	**124**	**89**	**–73**	**–70**	**690**	**762**
Balance sheet 31 Dec, EURbn								
Loans to the public	72	70	11	11	–	–	83	81
Deposits and borrowings from the public	31	30	11	11	–	–	42	41

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

G3. Segment reporting, cont.

Break-down of Large Corporates & Institutions

Income statement, EURm	Corporate & Investment Banking 2019	Corporate & Investment Banking 2018	Financial Institutions Group & International Banks 2019	Financial Institutions Group & International Banks 2018	Banking Russia 2019	Banking Russia 2018	Capital Markets unallocated 2019	Capital Markets unallocated 2018	Large Corporates & Institutions Other[1] 2019	Large Corporates & Institutions Other[1] 2018	Total Large Corporates & Institutions 2019	Total Large Corporates & Institutions 2018
Net interest income	814	845	33	33	42	57	–6	1	–20	–16	863	920
Net fee and commission income	376	396	149	132	8	11	–79	–66	0	–1	454	472
Net result from items at fair value	141	146	146	139	12	8	9	119	0	0	308	412
Profit from associated undertakings accounted for under the equity method	–	–	–	–	–	–	–	–	–	–	–	–
Other income	0	0	0	0	1	0	1	1	–1	0	1	1
Total operating income	**1,331**	**1,387**	**328**	**304**	**63**	**76**	**–75**	**55**	**–21**	**–17**	**1,626**	**1,805**
- of which internal transactions	–342	–306	–31	–42	–50	–54	–34	–56	–7	–11	–464	–469
Staff costs	–74	–98	–10	–10	–18	–21	–201	–214	–53	–50	–356	–393
Other expenses	–412	–407	–231	–208	–14	–19	68	86	25	4	–564	–544
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–3	–2	0	0	–11	–7	–14	–9
Total operating expenses	**–486**	**–505**	**–241**	**–218**	**–35**	**–42**	**–133**	**–128**	**–39**	**–53**	**–934**	**–946**
Profit before loan losses	**845**	**882**	**87**	**86**	**28**	**34**	**–208**	**–73**	**–60**	**–70**	**692**	**859**
Net loan losses	–307	–43	–1	–1	53	–48	0	0	0	0	–255	–92
Operating profit	**538**	**839**	**86**	**85**	**81**	**–14**	**–208**	**–73**	**–60**	**–70**	**437**	**767**
Income tax expense	–129	–201	–21	–20	–19	3	50	18	14	16	–105	–184
Net profit for the year	**409**	**638**	**65**	**65**	**62**	**–11**	**–158**	**–55**	**–46**	**–54**	**332**	**583**
Balance sheet 31 Dec, EURbn												
Loans to the public	48	45	2	2	1	2	–	–	–	–	51	49
Deposits and borrowings from the public	24	24	10	10	1	1	–	–	–	–	35	35

1) Large Corporates & Institutions Other includes the areas International Divisions and COO.

Break-down of Asset & Wealth Management

Income statement, EURm	Private Banking 2019	Private Banking 2018	Asset Management 2019	Asset Management 2018	Life & Pensions unallocated 2019	Life & Pensions unallocated 2018	Asset & Wealth Management Other[1] 2019	Asset & Wealth Management Other[1] 2018	Total Asset & Wealth Management 2019	Total Asset & Wealth Management 2018
Net interest income	58	77	–2	–3	0	0	–2	–5	54	69
Net fee and commission income	447	444	920	899	310	318	–247	–250	1,430	1,411
Net result from items at fair value	34	32	–2	9	79	127	1	–1	112	167
Profit from associated undertakings accounted for under the equity method	–	–	–	–	33	13	–	–	33	13
Other income	0	5	7	9	0	11	7	–4	14	21
Total operating income	**539**	**558**	**923**	**914**	**422**	**469**	**–241**	**–260**	**1,643**	**1,681**
- of which internal transactions	–19	–12	1	1	0	0	–4	–4	–22	–15
Staff costs	–116	–162	–175	–164	–64	–85	–47	–49	–402	–460
Other expenses	–222	–233	–90	–124	–131	–61	122	102	–321	–316
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	–1	–4	0	–3	–6	–5	–2	–12	–9
Total operating expenses	**–338**	**–396**	**–269**	**–288**	**–198**	**–152**	**70**	**51**	**–735**	**–785**
Profit before loan losses	**201**	**162**	**654**	**626**	**224**	**317**	**–171**	**–209**	**908**	**896**
Net loan losses	–1	–6	–	–	–	–	–	–	–1	–6
Operating profit	**200**	**156**	**654**	**626**	**224**	**317**	**–171**	**–209**	**907**	**890**
Income tax expense	–48	–36	–157	–144	–54	–73	41	48	–218	–205
Net profit for the year	**152**	**120**	**497**	**482**	**170**	**244**	**–130**	**–161**	**689**	**685**
Balance sheet 31 Dec, EURbn										
Loans to the public	8	7	–	–	–	–	–	–	8	7
Deposits and borrowings from the public	10	9	–	–	–	–	–	–	10	9

1) Asset & Wealth Management Other includes the areas Savings and COO.

G3. Segment reporting, cont.

Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2019	2018	2019	2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Total Operating segments	9,351	9,536	2,903	4,432	297	282	161	154
Group functions[1]	–7	25	–222	–141	–	–	–	–
Unallocated items	27	235	–85	140	29	28	9	12
Eliminations	–8	–7	–	–	–	–	–	–
Differences in accounting policies[2]	–728	–617	–483	–478	–3	–2	–1	–1
Total	**8,635**	**9,172**	**2,113**	**3,953**	**323**	**308**	**169**	**165**

1) Consists of Group Business Risk Management, Group People, Group Legal, Group Internal Audit, Chief of staff office, Group Business Support and Group Risk & Compliance.
2) Impact from different plan exchange rates and internal allocation principles used in the segment reporting.

Total operating income split on product groups

EURm	2019	2018
Banking products	5,642	5,811
Capital Markets products	927	931
Savings products & Asset management	1,455	1,440
Life & Pensions	418	468
Other	193	522
Total	**8,635**	**9,172**

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds are a bundled product in which the fund company invests in stocks, bonds, derivatives or other standardised products on behalf of the funds shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advice is a service provided to support customers investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2019	2018	31 Dec 2019	31 Dec 2018
Sweden	2,232	2,665	139	144
Finland	1,726	1,731	127	133
Norway	1,684	1,660	97	86
Denmark	2,447	2,493	177	168
Other	546	623	15	20
Total	**8,635**	**9,172**	**555**	**551**

Nordea's main geographical markets comprise the Nordic countries. Revenues and assets are distributed to geographical areas based on the location of customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G4. Net interest income

Interest income

EURm	2019	2018
Interest income calculated using the effective interest rate method[1]	6,399	5,978
Other interest income	1,350	1,447
Negative yield on financial assets	–309	–172
Interest expense	–3,334	–2,902
Negative yield on financial liabilities	212	140
Net interest income	**4,318**	**4,491**

1) Of which contingent leasing income amounts to EUR 78m (EUR 70m). Contingent leasing income at Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases, there will be an offsetting impact from lower funding expenses. Interest income on the net investment in finance leases amounts to EUR 155m (EUR 147m).

G4. Net interest income, cont.

Interest income calculated using the effective interest rate method

EURm	2019	2018
Loans to credit institutions	589	529
Loans to the public	5,345	5,066
Interest-bearing securities	254	274
Yield fees and interest on hedges of assets	211	109
Interest income calculated using the effective interest rate method	**6,399**	**5,978**

Other interest income

EURm	2019	2018
Loans at fair value to the public	1,177	793
Interest-bearing securities measured at fair value	181	210
Yield fees and other interest income on fair value assets	–8	444
Other interest income	**1,350**	**1,447**

Interest expense

EURm	2019	2018
Deposits by credit institutions	–328	–336
Deposits and borrowings from the public	–523	–457
Debt securities in issue	–2,729	–2,585
Subordinated liabilities	–417	–335
Other interest expenses[1]	663	811
Interest expense	**–3,334**	**–2,902**

1) The net interest income from derivatives, measured at fair value, related to Nordea´s funding. This can have both a positive and negative impact on other interest expenses, for further information see Note G1 "Accounting policies".

Interest from categories of financial instruments

EURm	2019	2018
Financial assets at fair value through other comprehensive income	214	253
Financial assets at amortised cost	5,929	5,675
Financial assets at fair value through profit or loss (related to hedging instruments)	–7	–85
Financial assets at fair value through profit or loss	1,304	1,410
Financial liabilities at amortised cost	–3,129	–2,879
Financial liabilities at fair value through profit or loss	7	117
Net Interest Income	**4,318**	**4,491**

Interest on impaired loans amounted to an insignificant portion of interest income.

G5. Net fee and commission income

EURm	2019	2018
Asset management commissions	1,455	1,440
- of which income	1,748	1,741
- of which expense	–293	–301
Life & Pension	251	258
- of which income	259	290
- of which expense	–8	–32
Deposit Products	23	23
- of which income	23	23
Brokerage, securities issues and corporate finance	157	173
- of which income	368	280
- of which expense	–211	–107
Custody and issuer services	41	49
- of which income	74	90
- of which expense	–33	–41
Payments	307	302
- of which income	413	419
- of which expense	–106	–117
Cards	220	218
- of which income	350	341
- of which expense	–130	–123
Lending Products	429	399
- of which income	458	425
- of which expense	–29	–26
Guarantees	111	116
- of which income	131	133
- of which expense	–20	–17
Other	17	15
- of which income	107	104
- of which expense	–90	–89
Total	**3,011**	**2,993**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 390m (EUR 383m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 2,375m (EUR 2,311m). The corresponding amount for fee expenses is EUR –8m (EUR –32m).

G5. Net fee and commission income, cont.

Break down by Business Areas

EURm, 2019	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & Elimination	Nordea Group
Asset management commissions	179	33	5	1,238	0	0	1,455
Life & Pension	59	27	5	160	0	0	251
Deposit Products	9	13	1	0	0	0	23
Brokerage, securities issues and corporate finance	23	29	75	33	0	–3	157
Custody and issuer services	6	5	36	3	–7	–2	41
Payments	83	160	69	1	1	–7	307
Cards	149	48	13	1	0	9	220
Lending Products	139	133	154	3	0	0	429
Guarantees	9	36	66	0	0	0	111
Other	16	10	20	–23	1	–7	17
Total	**672**	**494**	**444**	**1,416**	**–5**	**–10**	**3,011**

EURm, 2018	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & Elimination	Nordea Group
Asset management commissions	179	37	11	1,213	0	0	1,440
Life & Pension	60	24	4	170	0	0	258
Deposit Products	10	11	2	0	0	0	23
Brokerage, securities issues and corporate finance	25	20	102	31	–2	–3	173
Custody and issuer services	8	7	36	9	–10	–1	49
Payments	89	164	53	–1	1	–4	302
Cards	170	35	12	1	0	0	218
Lending Products	117	101	179	1	0	1	399
Guarantees	7	40	71	0	0	–2	116
Other	21	18	3	–15	–4	–8	15
Total	**686**	**457**	**473**	**1,409**	**–15**	**–17**	**2,993**

G6. Net result from items at fair value

EURm	2019	2018
Equity related instruments	734	226
Interest related instruments and foreign exchange gains/losses	110	684
Other financial instruments (including credit and commodities)	103	55
Life insurance[1,2]	77	123
Total	**1,024**	**1,088**

1) Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.
2) Premium income amounts to EUR 394m (EUR 840m).

Break-down of life insurance

EURm	2019	2018
Equity related instruments	1,571	–515
Interest related instruments and foreign exchange gains/losses	283	–65
Investment properties	123	125
Change in technical provisions	–1,794	20
Change in collective bonus potential	–139	512
Insurance risk income	66	91
Insurance risk expense	–33	–45
Total	**77**	**123**

Net result from categories of financial instruments

EURm	2019	2018
Financial assets at fair value through other comprehensive income	90	–45
Financial assets designated at fair value through profit or loss	199	–41
Financial liabilities designated at fair value through profit or loss	–5,167	1,385
Financial assets and liabilities mandatorily at fair value through profit or loss[1]	7,651	–1,885
Financial assets at amortised cost[2]	206	104
Financial liabilities at amortised cost	–732	315
Foreign exchange gains/losses excluding currency hedges	94	512
Non-financial assets and liabilities	–1,317	743
Total	**1,024**	**1,088**

1) Of which amortised deferred day one profit amounts to EUR 41m (EUR 39m).
2) Gain or loss recognised in the income statement arising from derecognition of financial assets measured at amortised cost amounts to EUR 65m (EUR 53m) of which EUR 65m (EUR 53m) is gains and EUR 0m (EUR 0m) is losses. The reason for derecognition is that the assets have been prepaid by the customer or sold.

G7. Other operating income

EURm	2019	2018
Divestments of shares[1]	138	385
Income from real estate	3	2
Sale of tangible and intangible assets	9	9
Other	82	80
Total	**232**	**476**

1) 2019: Gain related to sale of LR Realkredit EUR 138m. 2018: Gain related to sale of Nordea Liv & Pension Denmark EUR 262m, gain related to divestment of UC EUR 87m and sale of Ejendomme EUR 36m.

G8. Staff costs

EURm	2019	2018
Salaries and remuneration (specification below)[1]	−2,370	−2,361
Pension costs (specification below)	−269	−292
Social security contributions	−452	−434
Other staff costs[2]	74	89
Total	**−3,017**	**−2,998**
Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	−19	−22
- Performance-related compensation	−7	−11
Total	**−26**	**−33**
To other employees	−2,344	−2,328
Total	**−2,370**	**−2,361**

1) Of which allocation to profit sharing 2019 EUR 10m (EUR 57m), consisting of a new allocation of EUR 22m (EUR 46m) and an adjustment related to prior years of EUR 12m (EUR 10m).
2) Including capitalisation of IT project with EUR 166m (EUR 190m).
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Leadership Team in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are also included. Executives amount to 137 (130) individuals.

Pension costs[1]

EURm	2019	2018
Defined benefits plans (Note G34)[2]	−37	−43
Defined contribution plans	−232	−249
Total	**−269**	**−292**

1) Pension cost for executives, as defined in footnote 3 above, amounts to EUR 4m (EUR 3m) and pension obligations to EUR 8m (EUR 13m).
2) Excluding social security contributions. Including social security contributions EUR 46m (EUR 54m).

G8. Staff costs, cont.

Remuneration for the Board of Directors, the CEO and Group Leadership Team

Board remuneration

The Annual General Meeting (AGM) 2019 decided on annual remuneration for the Board of Directors (the Board), for the Chairman amounting to EUR 300,000, for the Deputy Chairman EUR 145,000 and for other members to EUR 95,000.

In addition, the annual remuneration paid for board committee work on the Board Operations and Sustainability Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 60,000 for the committee chairmen and EUR 30,000 for the other members. Remuneration for board committee work on the Board Remuneration Committee amounts to EUR 42,000 for the committee chairman and EUR 26,000 for the other members.

Separate remuneration is not paid to members who are employees of the Nordea Group.

Nordea covers or reimburses all direct expenses for the members of the Board of Directors, including travel, logistics and accommodation, related to board work.

There are no commitments for severance pay, pension or other remuneration for the members of the Board at 31 December 2019.

Remuneration to the Board of Directors[1]

EUR	2019	2018
Chairman of the Board:		
Torbjörn Magnusson[6]	267,000	–
Björn Wahlroos[4]	80,088	320,045
Vice Chairman of the Board:		
Kari Jordan[5]	128,250	–
Lars G Nordström[4]	42,725	180,323
Other Board members[2]:		
Pernille Erenbjerg	146,638	121,434
Nigel Hinshelwood	181,300	120,818
Petra von Hoeken[5]	116,250	–
Robin Lawther	134,750	127,879
Torbjörn Magnusson[6]	30,388	91,552
John Maltby[5]	116,250	–
Sarah Russell	151,400	140,467
Silvija Seres[4]	30,388	121,435
Kari Stadigh[3]	–	34,566
Birger Steen	173,900	140,467
Maria Varsellona	124,138	121,434
Lars Wollung[3]	–	29,882
Total	**1,723,465**	**1,550,302**

1) Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. Any benefits are included at taxable values.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2018.
4) Resigned as member of the Board as from the AGM 2019.
5) New member of the Board as from the AGM 2019.
6) Elected as Chairman of the Board as from the AGM 2019

G8. Staff costs, cont.

Remuneration to the Chief Executive Officer (CEO) and Group Leadership Team (GLT)

	Fixed salary[1]		GLT Executive Incentive Programme[2]		Benefits[1]		Total	
EUR	2019	2018	2019	2018	2019	2018	2019	2018
Chief Executive Officer:								
Frank Vang-Jensen[3]	408,314	–	158,416	–	7,844	–	574,574	–
Casper von Koskull[4]	958,339	1,334,678	229,145	691,000	50,509	92,571	1,237,993	2,118,249
Interim Deputy Managing Director:								
Jussi Koskinen[5]	131,729	–	59,905	–	4,414	–	196,048	–
Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen[6]	877,633	1,258,392	214,972	775,699	43,921	58,399	1,136,526	2,092,490
Group Leadership Team:								
9 (9) individuals excluding CEO and Interim Deputy Managing Director[7]	5,232,982	5,600,291	1,454,983	3,298,847	86,786	86,987	6,774,751	8,986,125
Total	**7,608,997**	**8,193,361**	**2,117,421**	**4,765,546**	**193,474**	**237,957**	**9,919,892**	**13,196,864**
Former Chief Executive Officer:								
Casper von Koskull	417,852	–	109,470	–	18,649	–	545,971	–
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	302,702	–	–	–	833	–	303,535	–
Total[8]	**8,329,551**	**8,193,361**	**2,226,891**	**4,765,546**	**212,956**	**237,957**	**10,769,398**	**13,196,864**

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable. Benefits are included at taxable values after salary deductions (if any).
2) Up until 2012 the CEO and members of GLT were offered a Variable Salary Part (VSP) and a share-based Long Term Incentive Programme (LTIP). Since 2013, an Executive Incentive Programme (formerly GEM EIP, now GLT EIP) was offered. The outcome from GLT EIP 2019 has been expensed in full in 2019 but will be paid out over a five-year deferral period with forfeiture clauses compliant to remuneration regulations. Part of the GLT EIP 2019 deferred outcome is delivered in Nordea shares (excluding dividends), with a post-deferral one-year retention period.
3) The annual fixed base salary of Frank Vang-Jensen as CEO was EUR 1,250,000 in 2019. Benefits included primarily car benefits, amounting to EUR 7,293. Frank Vang-Jensen took up the position as CEO on 5 September 2019.
4) The annual fixed base salary to Casper von Koskull as CEO was EUR 1,354,462 in 2019. Benefits included primarily housing benefits and tax consultation, amounting to EUR 45,370. Casper von Koskull stepped down as CEO on 5 September 2019.
5) The annual fixed base salary to Jussi Koskinen as Interim Deputy Managing Director was EUR 450,000 in 2019. Benefits included primarily car benefits, amounting to EUR 4,059. Jussi Koskinen took up the position as Interim Deputy Managing Director on 10 September 2019.
6) The annual fixed base salary to Torsten Hagen Jørgensen as Group COO and Deputy CEO was DKK 8,560,000 (EUR 1,146,516) in 2019. In addition, car and holiday allowance paid amount to DKK 608,053 (EUR 81,442). Benefits included primarily housing benefits, amounting to EUR 41,846. Torsten Hagen Jørgensen stepped down as Group COO and Deputy CEO by 10 September 2019.
7) Remuneration to other GLT members is included for the period they have been appointed and eligible for GLT EIP 2019. Two GLT members left Nordea during 2019, one on 8 May 2019 and one on 10 September 2019. Two new GLT members were appointed on 17 December 2019.
8) Severance pay committed during 2019 to the five executives leaving Nordea amounts to EUR 2,427,212, of which EUR 0 is to the former CEO. Total remuneration to be paid in 2020 during the notice period to the five executives after leaving Nordea amounts to EUR 3,547,455, of which EUR 1,540,425 is to the former CEO and includes fixed salary, pension cost and benefits. These provisions are not included in the above table.

Long Term Incentive Programmes (LTIP) 2012

LTIP 2012 was fully expensed in May 2015. All shares in LTIP 2012 are fully vested and consequently not conditional. 60% of the vested shares were deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2012 starting May 2015. See also the separate Remuneration section on page 56 for more details. The numbers of outstanding shares are presented as of 31 December 2019.

No current GLT members have outstanding LTIP shares.

Number of outstanding shares	LTIP 2012
Former Chief Executive Officers (former CEOs):	
Christian Clausen	15,075
Casper von Koskull	10,620
Former Group Chief Operating Officer and Deputy Chief Executive Officer (former Group COO and Deputy CEO):	
Torsten Hagen Jørgensen	9,848
Total	**35,543**

Salary and benefits

The BRC prepares alterations in salary levels and outcome of the GLT Executive Incentive Programme (GLT EIP) as well as other changes in the remuneration package for the Chief Executive Officer (CEO), the Interim Deputy Managing Director and the other members of Group Leadership Team (GLT), for resolution by the Board.

GLT EIP 2019, which is based on specific targets, could be a maximum of 100% of fixed base salary. In accordance with remuneration regulations 40% of the GLT EIP 2019 will be paid out in 2020, 30% will be deferred to 2023 and 30% to 2025. In line with regulatory requirements, 50% of the GLT EIP 2019 outcome is delivered in Nordea shares, which are subject to retention for 12 months when the deferral period ends.

Benefits included primarily car benefits, tax consultation and housing.

Members of the GLT are indemnified for legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations from third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board of Directors decides otherwise on a case-by-case basis. The indemnity is secondary to any other insurance coverage.

Chief Executive Officer (CEO) from 5 September 2019

Frank Vang-Jensen was appointed CEO on 5 September 2019. Remuneration for the CEO consists of three components:

G8. Staff costs, cont.

Fixed salary, the GLT Executive Incentive Programme (GLT EIP) and benefits.

The annual fixed base salary for the CEO was decided to be EUR 1,250,000 as of 5 September 2019.

The GLT EIP 2019 was based on specific targets and could amount to a maximum of 100% of fixed base salary. For 2019, as CEO, the outcome of the GLT EIP amounted to EUR 158,416.

The benefits for 2019 amounted to EUR 7,844 and include primarily car benefits.

Total earned remuneration for 2019, as CEO, based on the three components (excluding pension) amounted to EUR 574,574.

Chief Executive Officer (CEO) until 5 September 2019

Casper von Koskull was appointed CEO on 1 November 2015 and stepped down on 5 September 2019. Remuneration until 5 September 2019 for the CEO consisted of three components: Fixed salary, the GLT Executive Incentive Programme (GLT EIP) and benefits.

The annual fixed base salary as CEO was decided to be EUR 1,354,462 as from 1 January 2019.

The GLT EIP 2019 was based on specific targets and can amount to a maximum of 100% of fixed base salary. For 2019 the outcome of the GLT EIP amounted to EUR 229,145. The outcome is pro-rata reflecting the period until 5 September 2019.

The benefits for 2019 amounted to EUR 50,509 and included primarily housing benefits and tax consultation.

The total earned remuneration for 2019, as CEO, based on the three components (excluding pension) amounted to EUR 1,237,993.

The CEO took part in past LTIPs until 2012. For more information on LTIP see the separate section on remuneration in the Board of Directors' report and above.

Interim Deputy Managing Director from 10 September 2019

Jussi Koskinen was appointed Interim Deputy Managing Director on 10 September 2019. Remuneration for the Interim Deputy Managing Director consisted of three components: Fixed salary, the GLT Executive Incentive Programme (GLT EIP) and benefits.

The annual fixed base salary, as Interim Deputy Managing Director, was EUR 450,000 including holiday allowance as of 10 September 2019.

The GLT EIP 2019 was based on specific targets and can amount to a maximum of 100% of fixed base salary. For 2019 the outcome of the GLT EIP amounted to EUR 59,905.

The benefits for 2019 amounted to EUR 4,414 and included primarily car benefits.

The total earned remuneration for 2019, as Interim Deputy Managing Director, based on the three components (excluding pension) amounted to EUR 196,048.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO) until 10 September 2019

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO on 1 November 2015 and stepped down on 10 September 2019. Remuneration for the Group COO and Deputy CEO consisted of three components: Fixed salary, the GLT EIP and benefits.

The annual fixed base salary as Group COO and Deputy CEO for 2019 was decided to be DKK 8,560,000 (EUR 1,146,516).

The GLT EIP 2019 was based on specific targets and can amount to a maximum of 100% of fixed base salary. For 2019 the outcome of the GLT EIP amounted to EUR 214,972. The outcome is pro-rata reflecting the period until 10 September 2019.

The benefits for 2019 amounted to EUR 43,921 and included primarily housing benefits.

The total earned remuneration for 2019, as Group COO and Deputy CEO, based on the three components (excluding pension) amounted to EUR 1,136,526.

The Group COO and Deputy CEO took part in past LTIPs until 2012. For more information on the LTIPs, see the separate section on remuneration in the Board of Directors' report and above.

Former Chief Executive Officer (former CEO) from 5 September 2019

Remuneration for the former CEO consisted of three components: Fixed salary, the GLT Executive Incentive Programme (GLT EIP) and benefits. Total earned remuneration for 2019, as Former CEO, based on the three components (excluding pension) amounted to EUR 545,971.

Former Group Chief Operating Officer and Deputy Chief Executive Officer (former Group COO and Deputy CEO) from 10 September 2019

Remuneration for the former Group COO and deputy CEO consisted of three components: Fixed salary, the GLT Executive Incentive Programme (GLT EIP) and benefits. Total earned remuneration for 2019, as former Group COO and Deputy CEO, based on the three components (excluding pension) amounted to EUR 303,535

Pension

Chief Executive Officer (CEO) from 5 September 2019

The CEO is covered by a defined contribution plan from 5 September 2019. The pension contribution was 30% of the fixed base salary.

Chief Executive Officer (CEO) until 5 September 2019

During the period 1 January 2019 to 5 September 2019 the CEO was covered by the Finnish statutory pension scheme and in addition had a defined contribution plan corresponding to 8.5% of fixed salary. According to the statutory pension rules the part of the GLT EIP 2019 outcome paid or retained in 2020 is included in pensionable income.

Interim Deputy Managing Director from 10 September 2019

The Interim Deputy Managing Director is covered by the Finnish statutory pension scheme. According to the statutory pension rules the part of the GLT EIP 2019 outcome paid or retained in 2020 is included in pensionable income.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO) until 10 September 2019

The Group COO and Deputy CEO had a defined contribution plan. The pension contribution was 30% of fixed base salary.

Former Chief Executive Officer (former CEO) from 5 September 2019

During the period 5 September 2019 to 31 December 2019 the former CEO was covered by the Finnish statutory pension scheme and in addition had a defined contribution plan corresponding to 8.5% of fixed salary.

G8. Staff costs, cont.

Former Group Chief Operating Officer and Deputy Chief Executive Officer (former Group COO and Deputy CEO) from 10 September 2019
During the notice period the former Group COO and Deputy CEO had a defined contribution plan. The pension contribution was 30% of fixed base salary.

Group Leadership Team (GLT)
The pension agreements for the other seven GLT members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

As of 31 December 2019, three members had pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution was in total 30% of fixed salary.

One member had a defined contribution plan in accordance with local practices in Denmark. The pension contribution is in total 30% of fixed base salary.

One member was covered by the Finnish statutory pension scheme and in addition had a defined contribution plan corresponding to 8.5% of fixed salary.

Two members do not have a pension agreement with Nordea.

Pension expense and pension obligation

	2019		2018	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Chief Executive Officer (CEO):				
Frank Vang-Jensen	122,494	–	–	–
Casper von Koskull	74,620	–	313,663	357,936
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen	238,857	–	344,546	–
Group Leadership Team (GLT):				
9 (9) individuals excluding CEO and Interim Deputy Managing Director[3]	905,302	1,004,303	872,073	777,583
Board members:[4]				
Lars G Nordström	–	–	–	312,465
Total	**1,341,273**	**1,004,303**	**1,530,282**	**1,447,984**
Former Chairman of the Board, former CEOs and Deputy CEOs:				
Vesa Vainio[5]	–	5,118,594	–	4,844,682
Lars G Nordström	–	313,010	–	–
Casper von Koskull[6]	35,026	399,536	–	–
Torsten Hagen Jørgensen[7]	96,893	–	–	–
Total	**1,473,192**	**6,835,443**	**1,530,282**	**6,292,666**

1) The pension expense is related to pension premiums paid under defined contribution agreements and pension rights earned during the year under defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 1,436,414 (EUR 1,471,537) relates to defined contribution agreements. Contributions to the Finnish statutory pension schemes are reported as part of the social charges and thus excluded from the above disclosure.
2) The pension obligation (value of defined benefit pension plan liabilities) is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter-annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, so that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.
3) Members of GLT included for the period they are appointed. The pension obligation is the value of pension liabilities toward three Swedish GLT members on 31 December 2019.
4) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.
5) The pension obligation is mainly due to defined benefit pension rights earned at, and funded by, banks forming Nordea. The increase compared to 2018 is mainly due to lower interest rates applied in the valuation.
6) The pension obligation is in accordance with the collective pension agreement BTP2 in Sweden and earned from 5 September to 31 December 2019.
7) The pension contribution is in accordance with the agreed terms and conditions for the period from 10 September to 31 December 2019.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has severance pay equal to 12 months' salary, to be reduced by any salary he receives from other employment during these 12 months.

The Interim Deputy Managing Director and seven GLT members have a notice period of six months and Nordea a notice period of 12 months. Severance pay of up to 12 months' salary is provided to be reduced by any salary the executive receives from other employment during the severance pay period.

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 56. Additional disclosures for all Nordea employees will be published in a separate report on www.nordea.com no later than one week before the Annual General Meeting on 25 March 2020.

G8. Staff costs, cont.

Loans to key management personnel

Loans to key management personnel, as defined in Note G1 section 28, amount to EUR 2m (EUR 5m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 30 basis points. In Denmark the employee interest rate for loans is variable and was 2.25% at 31 December 2019. In Norway the employee interest rate for loans is variable and was 2.30% at 31 December 2019. In Sweden the employee interest rate on fixed and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 50 Swedish price base amounts both on fixed and variable interest rate loans. For interest on loans above the defined caps, the same terms apply as for premium customers. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Long Term Incentive Programmes

LTIP 2012 was fully expensed in May 2015. All shares in LTIP 2012 are fully vested and consequently not conditional. 60% of the vested shares were deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2012 starting May 2015. See also the separate Remuneration section on page 56 for more details. The numbers of outstanding shares are presented as of 31 December 2019.

Long Term Incentive Programmes

	2019			2018		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the year	69,305	207,915	69,305	147,251	441,753	147,251
Granted[1]	6,925	20,775	6,925	11,576	34,728	11,576
Forfeited	–	–	–	–	–	–
Allotted	–38,115	–114,345	–38,115	–89,522	–268,566	–89,522
Outstanding at end of year[2]	**38,115**	**114,345**	**38,115**	**69,305**	**207,915**	**69,305**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	40,794	68,160	18,357	75,642	126,385	34,038
Granted[1]	4,072	6,803	1,832	5,946	9,935	2,676
Forfeited	–	–	–	–	–	–
Allotted	–44,866	–74,963	–20,189	–40,794	–68,160	–18,357
Outstanding at end of year[2]	**0**	**0**	**0**	**40,794**	**68,160**	**18,357**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	0	0	0	19,193	20,275	8,634
Forfeited	–	–	–	–	–	–
Allotted	–	–	–	–19,193	–20,275	–8,634
Outstanding at end of year[2]	**0**	**0**	**0**	**0**	**0**	**0**
- of which currently exercisable	–	–	–	–	–	–

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

Share-based payment transactions

From 2019, Nordea operates deferrals in financial instruments on parts of variable remuneration for certain employee categories. Parts of variable remuneration are deferred for delivery after three years or deferred for delivery in equal instalments over a three to five year period. Once financial instruments are no longer in deferral, a retention period for certain employee categories is applied. Since 2011 and until 2018, Nordea operated share-linked deferrals as well as retention on parts of variable remuneration through the use indexation with Nordea's Total Shareholder Return (TSR) for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition, in 2013 Nordea introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to recruit, motivate and retain selected people leaders and key employees outside of GLT, and aims to reward strong performance. The aim is also to further stimulate these people whose efforts have direct impact on Nordea's result, profitability and long term value growth. The EIP rewards performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. The EIP for 2019 shall be paid in the form of cash and financial instruments and be subject to deferral, forfeiture clauses and retention in line with relevant remuneration regulations. Deferred EIP awards are normally delivered pro-rata during the deferral period. There are no vesting conditions for the programme, but forfeitures and clawbacks are possible under certain conditions. Participation in the programme is offered to up to 400 selected people leaders and key employees,

G8. Staff costs, cont.

except for members of GLT who were instead offered a GLT EIP (further information about the GLT EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. The EIP is offered instead of Nordea's LTIP and VSP for the employees invited. The allocation of the EIP 2019 is decided during spring 2020. A provision of EUR 20m excl. social costs is made 2019 for the cash settled part. The same amount was recognised as an expense in the income statement for the equity settled part and as an increase in equity in the balance sheet.

The table below only includes deferred amounts indexed with Nordea TSR. The EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals	
EURm	2019	2018
Opening balance	89	109
Deferred/earned during the year	40	45
TSR indexation during the year	–11	–15
Payments during the year	–44	–49
Translation differences	–	–1
Closing balance	**74**	**89**

Gender distribution

In the parent company's Board of Directors, of the AGM elected Board members, 50% (50%) were men and 50% (50%) were women. In the Board of Directors of the Nordea Group companies, 68% (70%) were men and 32% (30%) were women. The corresponding numbers for other executives were 74% (72%) men and 26% (28%) women. Internal Boards consist mainly of management in Nordea, the employee representatives excluded.

Average number of employees, Full-time equivalents

	Total		Men		Women	
	2019	2018	2019	2018	2019	2018
Denmark	7,904	8,505	4,560	4,826	3,344	3,679
Sweden	6,712	7,055	3,294	3,494	3,418	3,561
Finland	6,368	6,459	2,448	2,404	3,920	4,055
Norway	2,952	2,962	1,599	1,598	1,353	1,364
Poland	4,006	2,980	2,274	1,636	1,732	1,344
Russia	335	396	123	148	212	248
Estonia	432	253	142	78	290	175
Luxembourg	254	434	141	245	113	189
United States	116	116	56	56	60	60
Singapore	64	75	28	32	36	43
United Kingdom	54	58	31	35	23	23
Germany	45	44	27	26	18	18
China	29	29	12	12	17	17
Switzerland	5	10	4	5	1	5
Italy	10	9	7	6	3	3
Spain	6	5	3	3	3	2
Brazil	0	2	0	2	–	–
France	3	3	3	3	–	–
Chile	3	–	2	–	1	–
Belgium	2	–	2	–	–	–
Total average	**29,300**	**29,395**	**14,756**	**14,609**	**14,544**	**14,786**
Total number of employees (FTEs), end of period	**29,000**	**28,990**				

G9. Other expenses

EURm	2019	2018
Information technology	–530	–484
Marketing and representation	–59	–60
Postage, transportation, telephone and office expenses	–66	–83
Rents, premises and real estate	–150	–312
Resolution fee	–211	–167
Other	–623	–460
Total	**–1,639**	**–1,566**

Auditors' fees

EURm	2019	2018
PricewaterhouseCoopers		
Auditing assignments	–9	–10
Audit-related services[1]	–1	–1
Tax advisory services	–	0
Other assignments[1]	–1	–1
Total	**–11**	**–12**

1) Of which Audit-related services EUR 0.1m (EUR 0.1m) and Other assignments EUR 0.4m (EUR 0.5m) to PricewaterhouseCoopers Oy.

G10. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2019	2018
Depreciation/amortisation		
Properties and equipment	–275	–113
Intangible assets	–283	–194
Total	**–558**	**–307**
Impairment charges		
Properties and equipment	–27	–
Intangible assets	–745	–175
Total	**–772**	**–175**
Total	**–1,330**	**–482**

G11. Net loan losses

EURm, 2019	Loans to central banks and credit institutions[2]	Loans to the public[2]	Interest-bearing securities	Off balance sheet items[3]	Total
Net loan losses, stage 1	2	–6	1	–15	–18
Net loan losses, stage 2	6	–46	0	–29	–69
Net loan losses, non-defaulted	**8**	**–52**	**1**	**–44**	**–87**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	1	–48	–	–1	–48
Realised loan losses	–	–443	–	–9	–452
Decrease of provisions to cover realised loan losses	–	312	–	9	321
Recoveries on previous realised loan losses	1	46	–	–	47
Reimbursement right	–	–	–	3	3
New/increase in provisions	–	–555	–	–16	–571
Reversals of provisions	–	223	–	28	251
Net loan losses, defaulted	**2**	**–465**	**0**	**14**	**–449**
Net loan losses	**10**	**–517**	**1**	**–30**	**–536**

EURm, 2018	Loans to central banks and credit institutions[2]	Loans to the public[2]	Interest-bearing securities	Off balance sheet items[3]	Total
Net loan losses, stage 1	3	–14	0	–5	–16
Net loan losses, stage 2	10	51	0	–10	51
Net loan losses, non-defaulted	**13**	**37**	**0**	**–15**	**35**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	3	–47	–	–1	–45
Realised loan losses	–1	–465	–	–13	–479
Decrease of provisions to cover realised loan losses	–	280	–	13	293
Recoveries on previous realised loan losses	2	42	–	–	44
New/increase in provisions	–	–494	–	–60	–554
Reversals of provisions	0	456	–	77	533
Net loan losses, defaulted	**4**	**–228**	**–**	**16**	**–208**
Net loan losses	**17**	**–191**	**0**	**1**	**–173**

1) Includes individually identified assets for which the provision has been calculated based on statistical models.
2) Provisions included in Note G14 "Loans and impairment".
3) Provisions included in G33 "Provisions".

G12. Taxes

Income tax expense

EURm	2019	2018
Current tax	–1,051	–891
Deferred tax	480	19
Total	**–571**	**–872**

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Finland as follows:

EURm	2019	2018
Profit before tax	2,113	3,953
Tax calculated at a tax rate of 20.0%	–423	–791
Effect of different tax rates in other countries	–61	–197
Interest on subordinated debt	–24	–18
Income from associated undertakings	–18	22
Tax-exempt income	53	158
Non-deductible expenses	–46	–30
Adjustments relating to prior years	–26	17
Utilisation and origination of unrecognised tax assets	–57	0
Change of tax rate	–2	10
Effect of outside basis differences	49	0
Not creditable foreign taxes	–16	–43
Tax charge	**–571**	**–872**
Average effective tax rate	27%	22%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Deferred tax related to:				
Tax losses carry-forward	118	105	–	–
Loans to the public	74	36	387	363
Derivatives	126	2	28	355
Intangible assets	0	3	94	63
Investment properties	0	–	4	34
Retirement benefit assets/obligations	126	39	46	30
Liabilities/provisions	160	66	56	32
Foreign tax credits	225	101	193	–
Other	11	7	26	24
Netting between deferred tax assets and liabilities	–353	–195	–353	–195
Total	**487**	**164**	**481**	**706**

The Nordea Group has EUR 487m (EUR 164m) deferred tax assets on the balance sheet at the end of 2019. The recognition of deferred tax assets is based on an assessment of the probability and amount of future taxable profits and on future reversals of existing taxable temporary differences, which include estimation uncertainty. The estimation uncertainties that are assessed to pose significant risks of resulting in material adjustments to the carrying amount of deferred tax assets are described below.

The balance includes a gross asset of EUR 104m recognised in relation to Danish tax losses of Nordea Bank Abp. These losses can be carried forward with no expiry. Management expects the tax losses to be utilised within the next three to four years based on estimated taxable profits available under currently applied capitalisation policies for tax purposes, and sooner if the company opts out from recognising expenses for tax purposes in excess of expenses under accounting rules. Furthermore, Nordea Bank Abp's head office in Finland has recognised a EUR 225m deferred tax asset in relation to unused foreign tax credits that management expects to be utilised within the expiry period of five years. This expectation is based on estimated future taxable profits from foreign operations, reversal of temporary differences and upfront taxation in Finland of certain types of income compared to relevant branch jurisdictions.

Additionally, the Group has unrecognised deferred tax assets of EUR 54m (EUR 87m) in relation to tax loss carry forwards in various entities as well as EUR 334m (EUR 141m) in relation to unused foreign tax credits in Nordea Bank Abp, Nordea Investment Management AB and Nordea Funds Ltd. Unrecognised deferred tax assets relating to tax losses may be recovered in the event of extraordinary taxable income arising in the relevant entities. Unrecognised deferred tax assets relating to foreign tax credits may be recovered in the event of unexpected timing of taxation or tax base between head office and branches.

EURm	31 Dec 2019	31 Dec 2018
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expiry date	54	87
Unused tax credits	334	141
Total	**388**	**228**

G13. Earnings per share

	2019	2018
Earnings:		
Profit attributable to shareholders of Nordea Bank Abp, EURm	1,519	3,070
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–15	–14
Weighted average number of basic shares outstanding	**4,035**	**4,036**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	0	1
Weighted average number of diluted shares outstanding	**4,035**	**4,037**
Basic earnings per share, EUR	0.38	0.76
Diluted earnings per share, EUR	0.38	0.76

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 "Accounting policies" section 23.

G14. Loans and impairment

EURm	31 Dec 2019	31 Dec 2018
Loans measured at fair value through profit and loss	83,624	77,521
Loans measured at amortised cost, not impaired (stage 1 and 2)	254,412	247,204
Impaired loans (stage 3)	4,610	4,581
- of which servicing	2,312	2,097
- of which non-servicing	2,298	2,484
Loans before allowances	**342,646**	**329,306**
- of which central banks and credit institutions	17,737	18,977
Allowances for impaired loans (stage 3)	–1,686	–1,599
- of which servicing	–783	–720
- of which non-servicing	–903	–879
Allowances for not impaired loans (stage 1 and 2)	–497	–441
Allowances	**–2,183**	**–2,040**
- of which central banks and credit institutions	–14	–15
Loans, carrying amount	**340,463**	**327,266**

Nordea has granted EUR 148bn (EUR 138bn) in mortgage credits. No intermediary credits or public sector credits have been granted.

G15. Interest-bearing securities

EURm	31 Dec 2019	31 Dec 2018
State, municipalities and other public bodies	15,528	18,756
Mortgage institutions	25,447	28,077
Other credit institutions	13,372	24,736
Corporates	8,282	4,601
Other	2,301	52
Total	**64,930**	**76,222**

Provisions for credit risks amount to EUR 1m (EUR 2m).

G16. Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2019	31 Dec 2018
Interest-bearing securities	7,151	7,568
Total	**7,151**	**7,568**

For information on transferred assets and reverse repos, see Note G42 "Financial instruments set off on balance or subject to netting agreements".

G17. Shares

EURm	31 Dec 2019	31 Dec 2018
Shares	3,285	4,407
Fund units, equity related	7,557	5,679
Fund units, interest related	3,342	2,366
Total	**14,184**	**12,452**

G18. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2019	31 Dec 2018
Assets		
Interest-bearing securities	1,363	1,284
Shares	29,049	23,076
Properties	307	158
Other assets	80	65
Total	**30,799**	**24,583**
Liabilities		
Pooled schemes	4,377	3,964
Unit-linked investment contracts	27,482	21,689
Total	**31,859**	**25,653**

The Life Group and Nordea Denmark, branch of Nordea Bank Abp, have assets and liabilities included on their balance sheet for which customers bear the risk. Since the assets and liabilities legally belong to the entities, which also carries risks and rewards, these assets and liabilities are included on the Group's balance sheet.

G19. Derivatives and hedge accounting

Nordea enters into derivatives for trading and risk management purposes. Nordea may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	Fair value		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Derivatives not used for hedge accounting	36,784	40,298	6,534,534
Fair value hedges[1]	1,269	1,422	180,547
Cash flow hedges[1]	1,019	120	22,253
Net investment hedges	39	207	7,358
Total derivatives	**39,111**	**42,047**	**6,744,692**

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Derivatives not used for hedge accounting	33,915	38,624	6,571,710
Fair value hedges[1]	1,959	402	160,440
Cash flow hedges[1]	1,143	437	20,795
Net investment hedges	8	84	8,544
Total derivatives	**37,025**	**39,547**	**6,761,489**

1) Some cross currency interest rate swaps are used both as fair value hedges and cash flow hedges. The nominal amount of these instruments have been split on the rows fair value hedges and cash flow hedges in the table above based on the relative fair value of these hedging instruments. The total nominal amount of cross currency interest rate swaps was EUR 24,296m on 31 December 2019.

Derivatives not used for hedge accounting

	Fair value		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	20,077	19,354	3,521,834
FRAs	7	28	1,353,157
Futures and forwards	13	13	126,999
Options	5,308	5,984	378,691
Total	**25,405**	**25,379**	**5,380,681**
Equity derivatives			
Equity swaps	68	93	6,399
Futures and forwards	1	35	1,018
Options	221	459	10,325
Total	**290**	**587**	**17,742**
Foreign exchange derivatives			
Currency and interest rate swaps	5,735	7,890	417,689
Currency forwards	4,242	5,290	555,046
Options	96	106	16,938
Total	**10,073**	**13,286**	**989,673**
Other derivatives			
Credit default swaps (CDS)	1,011	1,026	140,992
Commodity derivatives	0	0	5,284
Other derivatives	5	20	162
Total	**1,016**	**1,046**	**146,438**
Total derivatives not used for hedge accounting	**36,784**	**40,298**	**6,534,534**

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	17,438	17,476	3,824,871
FRAs	26	8	1,036,172
Futures and forwards	25	27	137,399
Options	5,252	6,025	371,954
Total	**22,741**	**23,536**	**5,370,396**
Equity derivatives			
Equity swaps	192	138	10,886
Futures and forwards	4	2	1,255
Options	303	638	15,273
Total	**499**	**778**	**27,414**
Foreign exchange derivatives			
Currency and interest rate swaps	5,214	9,076	397,180
Currency forwards	4,807	4,360	625,264
Options	108	116	19,879
Other	0	0	0
Total	**10,129**	**13,552**	**1,042,323**
Other derivatives			
Credit default swaps (CDS)	536	756	130,921
Commodity derivatives	0	0	92
Other derivatives	10	2	564
Total	**546**	**758**	**131,577**
Total derivatives not used for hedge accounting	**33,915**	**38,624**	**6,571,710**

G19. Derivatives and hedge accounting, cont.

Risk management

Nordea manages its identified market risks according to the risk management framework and strategy described in the Market risk section in Note G2 "Risk and Liquidity management".

Nordea classifies its exposures to market risk into either trading (the Trading Book) or non-trading (the Banking Book) portfolios that are managed separately.

The Trading Book consists of all positions in financial instruments held by Nordea either with trading intent, or in order to hedge positions held with trading intent. Positions held with trading intent are those held intentionally for short-term resale or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices, or from other price or interest rate variations.

The Banking Book comprises all positions not held in the Trading Book. All hedges qualifying for hedge accounting are performed in the Banking Book. The hedging instruments and risks hedged are further described below per risk and hedge accounting type.

Interest rate risk

Nordea's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on Nordea's margins, profit or loss and equity. Interest risk arises from mismatch of interest from interest-bearing liabilities and assets such as deposits, issued debt securities and loan portfolio.

As part of Nordea's risk management strategy, the Board has established limits on the non-trading interest rate gaps for the interest rate sensitivities. These limits are consistent with Nordea's risk appetite and Nordea aligns its hedge accounting objectives to keep exposures within those limits. Nordea's policy is to monitor positions on a daily basis. For further information on measurement of risks, see the Market risk section in Note G2 "Risk and Liquidity management".

For hedge accounting relationships related to interest rate risk, the hedged item is the benchmark rate. The hedging ratio is one-to-one and is established by matching the notional of the derivatives against the principal of the hedged item. The hedging ratio is established by matching the notional of the derivatives against the principal of the hedged item.

The benchmark rate is determined as a change in present value of the future cash flows using benchmark rate discount curves. The benchmark rate is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

In order to reduce or eliminate changes in the fair value of financial assets and financial liabilities due to movements in interest rates, Nordea enters into fair value hedge relationships as described in Note G1, section 10. Nordea uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and loans and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e. notional amount, maturity, payment and reset dates).

The below table presents the accumulated fair value adjustments arising from continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

Hedged items

	Interest rate risk	
EURm	2019	2018
Fair value hedges		
Carrying amount of hedged assets[1]	63,864	46,773
- of which accumulated amount of fair value hedge adjustment[3]	217	169
Carrying amount of hedged liabilties[2]	107,001	81,424
- of which accumulated amount of fair value hedge adjustment[3]	2,018	1,273

1) Presented on the balance sheet rows Loans to central banks, Loans to credit institutions, Loans to the public, Interest-bearing securities and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
2) Presented on the balance sheet rows Deposits by credit institution, Deposits and borrowings from the public, Debt securities in issue and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
3) Of which all relate to continuing portfolio hedges of interest rate risk.

The following table provides information about the hedging instruments included in the line item Derivatives on the balance sheet:

Hedging instruments

	Fair value		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	1,269	1,422	180,547

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	1,959	402	160,440

The below table presents the changes in the fair value of the hedged items and the changes in fair value of the hedging instruments used as the basis for recognising ineffectiveness. These changes are recognised on the row "Net result from items at fair value" in the income statement.

Hedge ineffectiveness

	Interest rate risk	
EURm	2019	2018
Fair value hedges		
Changes in fair value of hedging instruments	707	–237
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–688	194
Hedge ineffectiveness recognised in the income statement[1,2]	19	–43

1) Recognised on the row "Net result from items at fair value".
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedges

For Nordea's cash flow hedge accounting relationships, the hedged risk is the variability in future interest cash flows due to changes in market interest rates. In order to reduce or eliminate variability in future interest payments, Nordea primarily uses interest rate swaps as hedging instruments according to Nordea's policies and risk management strategy described in Note G1, section 10, and in the Market risk section in Note G2 "Risk and Liquidity management".

There is an economic relationship between the hedged

G19. Derivatives and hedge accounting, cont.

items and the hedging instruments as the terms of the interest rate swaps match the terms of the future interest cash flows (i.e. notional amount and expected payment date).

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing interest rate risk including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedging instruments

	Fair value		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	304	0	10,767

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	6	0	190

The below table specifies the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year.

Hedge ineffectiveness

	Interest rate risk	
EURm	2019	2018
Cash flow hedges		
Changes in fair value of hedging instruments	14	16
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–14	–16
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	14	16

1) Recognised on the row "Net result from items at fair value".
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedge reserve

	Interest rate risk	
EURm	2019	2018
Balance at 1 Jan	5	–3
Cash flow hedges:		
Valuation gains/losses during the year	14	16
Tax on valuation gains/losses during the year	–3	–3
Transferred to the income statement during the year	–6	–6
Tax on transfers to the income statement during the year	1	1
Other comprehensive income, net of tax	6	8
Total comprehensive income	6	8
Balance at 31 Dec	**11**	**5**
of which relates to continuing hedges for which hedge accounting is applied	11	5
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

G19. Derivatives and hedge accounting, cont.

The maturity profile of Nordea's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) follows below:

Maturity profile of the nominal amount of hedging instruments

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	7,408	60,400	73,983	38,425	180,216
Total	**–**	**7,408**	**60,400**	**73,983**	**38,425**	**180,216**

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	5,024	19,030	108,380	25,517	157,951
Total	**–**	**5,024**	**19,030**	**108,380**	**25,517**	**157,951**

Average rate of instruments hedging interest rate risk

The average interest rate on the fixed leg of instruments hedging interest rate risk per 31 December 2019 is 0.78%.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk (FX risk) from trading activities is limited through a VaR limit while FX risk from structural exposures as described below is limited through a stress loss limit for the CET1-ratio impact from FX fluctuations in a severe but plausible stress scenario (see the Market risk section in Note G2 "Risk and Liquidity management").

Nordea's issuance of credits and borrowing can be denominated in the currency of the borrower or investor. Borrowing, investing and lending are not always executed in the same currency, thus exposing Nordea to a foreign exchange risk. Differences in exposures to individual currencies that exist between different transactions are predominantly matched by entering into cross currency interest rate swaps. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

In addition to the above, Nordea also has exposure to structural foreign currency risk through its foreign operations that have a functional currency other than Nordea's presentation currency, EUR (i.e. a translation risk). Fluctuation of the spot exchange rates will cause Nordea's reported net investment in foreign operations to vary and the CET1-ratio to fluctuate from the currency mismatch between equity and Risk Exposure Amounts (REA). Nordea applies hedge accounting when it hedges its investments in fully consolidated foreign operations whose functional currency is not EUR.

For hedge accounting relationships related to currency risk, the hedged item is a foreign currency component. The hedging ratio is one-to-one and is established by matching the notional of the derivatives against the principal of the hedged item.

The currency component is determined as the change in present value of the future cash flows using foreign exchange curves. The foreign currency component is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Cash flow and net investment hedges

The below tables provide information about the hedging instruments as well as the outcome of the cash flow and net investment hedges addressing currency risks including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

The below table specifies the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year.

Hedging instruments

	Fair value		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	715	120	11,486
Net investment hedges			
Foreign exchange risk	39	207	7,358
Total derivatives used for hedge accounting	**754**	**327**	**18,844**

	Fair value		
31 Dec 2018, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	1,137	437	20,605
Net investment hedges			
Foreign exchange risk	8	84	8,544
Total derivatives used for hedge accounting	**1,145**	**521**	**29,149**

G19. Derivatives and hedge accounting, cont.

Hedge ineffectiveness

EURm	Foreign exchange risk 2019	Foreign exchange risk 2018
Cash flow hedges		
Changes in fair value of hedging instruments	138	704
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–138	–704
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	138	704
Net investment hedges		
Changes in fair value of hedging instruments	–62	67
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	62	–67
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	–62	67

1) Recognised on the row Net result from items at fair value.
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedge reserve

EURm	Foreign exchange risk 2019	Foreign exchange risk 2018
Balance at 1 Jan	–17	–43
Cash flow hedges:		
Valuation gains/losses during the year	138	704
Tax on valuation gains/losses during the year	–28	–156
Transferred to the income statement during the year	–164	–670
Tax on transfers to the income statement during the year	34	148
Other comprehensive income, net of tax	–20	26
Total comprehensive income	–20	26
Balance at 31 Dec	**–37**	**–17**
of which relates to continuing hedges for which hedge accounting is applied	–37	–17
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

Maturity profile of the nominal amount of hedging instruments

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	255	5,318	13,482	10,887	29,942
Total	–	**255**	**5,318**	**13,482**	**10,887**	**29,942**

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	2,663	11,886	13,707	3,572	31,828
Total	–	**2,663**	**11,886**	**13,707**	**3,572**	**31,828**

G19. Derivatives and hedge accounting, cont.

Average rates of instruments hedging foreign exchange risk

The average forward exchange rates of instruments hedging foreign exchange risk per 31 December 2019 are presented in the table below.

31 Dec 2019	NOK	SEK	USD	RUB
EUR	10.08	10.68	1.10	71.53

The IBOR reform

The IBOR transition is a global reform with significant impact on the financial industry. It will affect a large variety of financial services and thus individuals, companies and institutions. The transition will influence products, market liquidity, risk management, data and technology infrastructure as well as financials and the balance sheet. IBORs are embedded in a vast range of financial instruments including loans, mortgages, bonds, trading product and derivative contracts.

Current expectations are that some IBORs will be replaced, while others may continue to exist but with a reformed methodology. There is currently uncertainty as to the timing and the methods of transition for the different IBORs and whether some existing benchmarks will continue to be supported. EONIA (for EUR) as well as LIBOR for e.g. USD, GBP and CHF will cease to exist after 2021, while EURIBOR and the Nordic IBORs at the moment are expected to be published beyond 2021 in reformed formats. The uncertainties are expected to remain until the relevant contracts are all transitioned into new IBORs.

Nordea has established an IBOR Transition Programme sponsored by the CFO and Group Treasurer to prepare and coordinate Group-wide efforts to manage the operational impacts and financial risks caused by the transition from existing IBOR rates to alternative near risk-free rates. An IBOR Transition Office is responsible for the Group-wide coordination of transition activities and reports to a Steering Committee with participation from senior management in Business Areas and Group Functions to ensure a centralised Nordea strategy and senior management steering and oversight. Business Areas and Group Functions are responsible for, and drive, the execution of changes required for a successful transition to alternative near risk-free rates.

As explained in Note G1, Nordea has early adopted the amendments to IFRS 7 and IAS 39 and is applying the relief for the year-end reporting. In the table below, nominal amounts of the hedging derivatives in scope for the relief are disclosed.

Hedging derivatives with floating leg

31 Dec 2019, EURm	Total nominal amounts
CIBOR	9,122
STIBOR	17,810
NIBOR	12,767
EURIBOR	56,964
LIBOR	24,694
Other	22
Total	**121,379**

G20. Investments in associated undertakings and joint ventures

EURm	31 Dec 2019	31 Dec 2018
Acquisition value at beginning of year	1,603	1,237
Acquisitions during the year	362	335
Sales during the year	–1,414	–3
Share in earnings[1]	69	122
Dividend received	–19	–23
Reclassifications	–	–28
Translation differences	–8	–37
Acquisition value at end of year	**593**	**1,603**
Accumulated impairment charges at beginning of year	**–2**	**–2**
Impairment charges during the year	–19	–
Accumulated impairment charges at end of year	**–21**	**–2**
Total	**572**	**1,601**

1) See table Share in earnings.

Share in earnings

EURm	31 Dec 2019	31 Dec 2018
Profit from companies accounted for under the equity method	69	124
Portfolio hedge, Eksportfinans ASA	–	–2
Share in earnings	**69**	**122**

Nordea's share of the associated undertakings' aggregated balance sheets and income statements (excluding Luminor, see below) can be summarised as follows:

EURm	31 Dec 2019	31 Dec 2018
Total assets	4,259	2,054
Net profit for the year	45	21
Other comprehensive income	1	0
Total comprehensive income	46	21

Nordea has issued contingent liabilities of EUR 0m (EUR 26m) on behalf of associated undertakings.

Nordea has one material associate, Luminor Holding AS. The company is the result of the merger of Nordea's and DnB's businesses in the Baltics. In 2018, the investment was classified as a joint venture as Nordea held 50.0% of the voting rights. In 2019, Nordea sold shares in Luminor and as at 31 December 2019, Nordea owns 19.9% of the shares in Luminor.

As communicated in connection with the announcement of the deal on 13 September 2018, Nordea and Blackstone have additionally entered into a forward sale agreement for the sale of Nordea's remaining 20 per cent stake. The forward sale is subject to certain conditions but is expected to complete over the next three financial years.

Luminor is included in the consolidated accounts of Nordea via the equity method. Luminor applies IFRS in its consolidated accounts and the balance sheet and income statements below are based on IFRS. The disclosed figures show the entire Luminor Group, not just Nordea's share. The full-year figures for 2019 were not available when this report was published.

G20. Investments in associated undertakings and joint ventures, cont.

Balance sheet Luminor Group

EURm	30 Sep 2019	31 Dec 2018
Assets		
Cash and balances with central banks	2,400	3,275
Loans to central banks and credit institutions	175	204
Loans to the public	10,760	11,451
Interest-bearing securities	222	167
Derivatives	74	46
Other assets	160	167
Total assets	**13,791**	**15,310**

EURm	30 Sep 2019	31 Dec 2018
Liabilities and equity		
Deposits by credit institutions	1,331	3,939
Deposits and borrowings from the public	9,923	9,073
Debt securities in issue	658	350
Derivatives	58	43
Other liabilities	186	106
Equity	1,635	1,799
Total liabilities and equity	**13,791**	**15,310**

Income statement Luminor Group

	9 months	12 months
EURm	2019	2018
Interest income	228	309
Interest expense	–39	–39
Net commission income	59	83
Net result from items at fair value	19	32
Other income	12	4
Total operating income	**279**	**389**
Staff costs	–87	–114
Other administrative expenses	–115	–115
Depreciation and amortisation	–10	–14
Net loan losses	–12	–4
Operating profit	**55**	**142**
Income tax expense	–5	–14
Net profit for the year	**50**	**128**
Other comprehensive income	2	2
Total comprehensive income	**52**	**130**

Reconciliation of the carrying amount in Luminor

EURm	31 Dec 2019	31 Dec 2018
Nordea's share of equity in Luminor	327	1,013
Transaction costs	–	23
Other	–	1
Carrying amount of the holding in Luminor	**327**	**1,037**

G20. Investments in associated undertakings and joint ventures, cont.

Associated undertakings

31 Dec 2019	Registration number	Domicile	Carrying amount 2019, EURm	Carrying amount 2018, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	153	161	23
Eiendomsverdi AS	881971682	Oslo	15	13	25
Suomen Luotto-osuuskunta	0201646-0	Helsinki	2	2	27
LR Realkredit A/S	26045304	Copenhagen	–	7	39
Nordea Liv & Pension, livforsikringsselskab A/S	24260577	Ballerup	–	326	30
E-nettet Holding A/S	28308019	Copenhagen	3	3	20
Mandrague Capital Partners AB	556854-2780	Stockholm	14	5	40
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	8	7	33
NF Fleet Oy	2006935-5	Espoo	9	9	20
NF Fleet AB	556692-3271	Stockholm	6	6	20
NF Fleet A/S	29185263	Copenhagen	4	4	20
NF Fleet AS	988906808	Oslo	3	3	20
Bankomat AB	556817-9716	Stockholm	8	7	20
Visa Sweden	801020-5097	Stockholm	–	6	–
Luminor Holding AS	14723133	Estonia	327	–	20
P27Nordic Payments Platform AB	559198-9610	Stockholm	11	–	17
Mondido Payments AB	556960-7129	Stockholm	4	–	14
Nordic KYC Utility AB	559210-0779	Stockholm	2	–	17
Subaio ApS	37766585	Aalborg	1	–	25
Other			2	5	
Total			**572**	**564**	

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2019[1]	31 Dec 2018[2]
Total assets	–	345
Net profit for the year	–	–4
Other comprehensive income	–	0
Total comprehensive income	**–**	**–4**

1) Relacom filed for bankruptcy on 3 January 2020 and is excluded from the disclosure.
2) Estimate based on situation as of Q3 2018.

Joint ventures

	Registration number	Domicile	Carrying amount 2019, EURm	Carrying amount 2018, EURm	Voting power of holding %	Ownership %	Average number of FTE
Luminor Group AB[1]	559072-8316	Stockholm	–	1,037	–	–	–
Relacom Management AB[2]	556746-3103	Stockholm	–	–	61	61	3,000
Total			**–**	**1,037**			
Total associated undertakings and joint ventures			**572**	**1,601**			

1) Luminor Group has been reclassified as an associate in 2019, see above.
2) The joint control is based on a shareholders' agreement setting out that decisions about all relevant activities in the entity are made jointly. The company filed for bankruptcy on 3 January 2020.

For information about investments in group undertakings and companies in which Nordea has unlimited responsibility, see Note P21 "Investments in group undertakings".

G21. Intangible assets

Cash-generating units, EURm	Goodwill[1] 31 Dec 2019	Computer software 31 Dec 2019	Total 31 Dec 2019	Goodwill[1] 31 Dec 2018	Computer software 31 Dec 2018	Total 31 Dec 2018
Corporate & Investment Banking Denmark	–	47	47	–	87	87
Corporate & Investment Banking Finland	–	50	50	–	117	117
Corporate & Investment Banking Norway	173	69	242	172	87	259
Corporate & Investment Banking Sweden	–	63	63	–	88	88
Financial Institutions Group and International Banks	–	18	18	–	22	22
Business Banking Denmark	141	97	238	141	130	271
Business Banking Finland	–	138	138	–	183	183
Business Banking Norway	519	66	585	462	90	552
Business Banking Sweden	81	116	197	82	175	257
Business Banking Direct	–	23	23	–	30	30
Personal Banking Denmark	447	152	599	447	249	696
Personal Banking Finland	–	189	189	–	231	231
Personal Banking Norway	486	115	601	388	147	535
Personal Banking Sweden	122	324	446	124	389	513
Private Banking Denmark	–	14	14	–	16	16
Private Banking Finland	–	16	16	–	18	18
Private Banking Norway	–	6	6	–	7	7
Private Banking Sweden	–	9	9	–	10	10
Asset Management	–	79	79	–	91	91
Total	**1,969**	**1,591**	**3,560**	**1,816**	**2,167**	**3,983**
Other intangible assets	–	–	135	–	–	52
Total intangible assets	**1,969**	**1,591**	**3,695**	**1,816**	**2,167**	**4,035**

1) Excluding goodwill in associated undertakings.

Movements in goodwill, EURm	31 Dec 2019	31 Dec 2018
Acquisition value at beginning of year	1,958	1,995
Acquisitions during the year	150	–
Translation differences	2	–37
Acquisition value at end of year	**2,110**	**1,958**
Accumulated impairment charges at beginning of year	–142	–1
Impairment charges during the year	–	–141
Translation differences	1	0
Accumulated impairment charges at end of year	**–141**	**–142**
Total	**1,969**	**1,816**

Movements in computer software, EURm	31 Dec 2019	31 Dec 2018
Acquisition value at beginning of year	2,788	2,377
Acquisitions during the year	437	534
Sales/disposals during the year	–441	–78
Transfers/reclassifications during the year	14	0
Translation differences	–16	–45
Acquisition value at end of year	**2,782**	**2,788**
Accumulated amortisation at beginning of year	–548	–417
Amortisation according to plan for the year	–246	–162
Accumulated amortisation on sales/disposals during the year	197	20
Transfers/reclassifications during the year	–10	0
Translation differences	1	11
Accumulated amortisation at end of year	**–606**	**–548**
Accumulated impairment charges at beginning of year	–73	–43
Accumulated impairment charges on sales/disposals during the year	244	–
Impairment charges during the year	–742	–32
Translation differences	–14	2
Accumulated impairment charges at end of year	**–585**	**–73**
Total	**1,591**	**2,167**

G21 . Intangible assets, cont.

Impairment testing of goodwill and computer software

A cash-generating unit, defined as the operating segment, is the basis for the impairment test. The impairment test is performed for each cash-generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

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

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

	Discount rate[1]		Growth rate	
%	2019	2018	2019	2018
Sweden	6.4	6.6	1.8	2.0
Denmark	6.2	5.9	1.3	1.3
Finland	6.9	5.9	1.3	1.3
Norway	7.9	6.4	1.8	1.8
Russia	–	9.2	–	0.0

1) Post–tax.

The impairment tests conducted in 2019 did not indicate any need for goodwill impairment. See also Note G1 "Accounting policies", section 4 for more information. An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such a change would not result in any impairment.

The new Group business plan, including new financial targets, updated business plans per business area, and the further consolidation to a global IT platform, in the third quarter, triggered a full impairment test of Nordea's capitalised IT systems and an assessment of future restructuring needs. It was concluded that impairment of IT systems was required due to that the expected lifetime of some IT systems being significantly shorter than previously expected, hence inability to realise full benefits, and in some cases due to decisions to stop the current development or use of the functionality.

The impairment recognised as a result of this test amounted to EUR 735m and was recognised in Group Responsibility, which is included in Other Operating segments in the segment reporting in Note G3. The carrying amounts after impairment for the IT assets are disclosed per CGU in the table above, based on the receiving entity.

G22. Properties and equipment

	31 Dec 2019			31 Dec 2018
EURm	Owned	Right of use assets	Total	Owned
Equipment	447	19	466	506
Land and buildings	49	1,487	1,536	40
Total	**496**	**1,506**	**2,002**	**546**
Equipment				
Acquisition value at beginning of year	1,340	–	1,340	1,331
Adjustments to opening balance	2	8	10	–
Acquisitions during the year	67	19	86	51
Sales/disposals during the year	–32	–1	–33	–20
Transfers/reclassifications	–19	–	–19	0
Translation differences	0	0	0	–22
Acquisition value at end of year	**1,358**	**26**	**1,384**	**1,340**
Accumulated depreciation at beginning of year	–829	–	–829	–742
Adjustments to opening balance	–2	–	–2	–
Accumulated depreciation on sales/disposals during the year	18	0	18	15
Transfers/reclassifications	18	–	18	0
Depreciation according to plan for the year	–99	–7	–106	–113
Translation differences	–1	0	–1	11
Accumulated depreciation at end of year	**–895**	**–7**	**–902**	**–829**
Accumulated impairment charges at beginning of year	–5	–	–5	–5
Impairment charges during the year	–11	–	–11	0
Translation differences	0	–	0	0
Accumulated impairment charges at end of year	**–16**	**–**	**–16**	**–5**
Total	**447**	**19**	**466**	**506**
Land and buildings				
Acquisition value at beginning of year	44	–	44	48
Adjustments to opening balance	–	1,515	1,515	–
Acquisitions during the year	3	167	170	–
Sales/disposals during the year	0	–16	–16	–4
Reclassifications	8	–	8	–
Translation differences	0	1	1	0
Acquisition value at end of year	**55**	**1,667**	**1,722**	**44**
Accumulated depreciation at beginning of year	–3	–	–3	–5
Adjustments to opening balance	–	–2	–2	–
Accumulated depreciation on sales/disposals during the year	0	6	6	2
Depreciation according to plan for the year	–2	–167	–169	0
Translation differences	0	–1	–1	0
Accumulated depreciation at end of year	**–5**	**–164**	**–169**	**–3**
Accumulated impairment charges at beginning of year	–1	–	–1	–1
Impairment charges during the year	–	–16	–16	–
Translation differences	0	0	0	–
Accumulated impairment charges at end of year	**–1**	**–16**	**–17**	**–1**
Total	**49**	**1,487**	**1,536**	**40**

G23. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables on the lessee included in "Loans to the public" (see Note G14) in an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

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

EURm	31 Dec 2019	31 Dec 2018
Gross investments	6,803	6,436
Less unearned finance income	–797	–786
Net investments in finance leases	**6,006**	**5,650**
Less unguaranteed residual values accruing to the benefit of the lessor	–3	–34
Present value of future minimum lease payments receivable	**6,003**	**5,616**
Accumulated allowance for uncollectible minimum lease payments receivable	–11	–8

In Finance lease contracts the residual value risk is carried by the vendor or by the lessee according to the terms of the contract.

As of 31 December 2019 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2019	
EURm	Gross investment	Net investment
2020	1,924	1,636
2021	1,687	1,445
2022	1,419	1,256
2023	700	649
2024	455	434
Later years	618	586
Total	**6,803**	**6,006**

Operating leases

Assets subject to operating leases mainly comprise machinery and equipment. On the balance sheet they are reported as "Properties and equipment".

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

EURm	31 Dec 2019
2020	1
2021	0
2022	0
2023	–
2024	–
Later years	–
Total	**1**

Nordea as a lessee

EURm	2019	2018
Expense related to short-term leases	–12	–
Expense related to low-value leases	–1	–
Expense related to variable payments	–31	–
Leasing expenses during the year	–	–218
Interest expense during the year	–12	–
Sublease income	3	4
Total cash outflow on leases	–196	–

Other lease disclosures

See Note G22 "Properties and equipment" for further information related to Right of use assets.

See Note G44 "Maturity analysis for assets and liabilities" for further information on the maturity profile.

There are no significant lease commitments for leases that have not yet commenced.

Nordea operates in leased premises. The premises are mainly divided into head office contracts, banking branches and other contracts. The head office contracts in the different Nordic countries generally have a fixed lease term, of 10–25 years. Usually these contracts have either continuation options or they are automatically continued unless separately terminated at the end of the lease term.

Banking branch contracts generally either have fixed lease terms of 1–10 years or are without an end date with the right to terminate. The termination clauses are generally 6–24 months. The main principle is that the premises contracts do not contain purchase options. The company car contracts generally have a fixed lease term of less than 5 years.

G24. Investment properties

EURm	31 Dec 2019	31 Dec 2018
Carrying amount at beginning of year	1,607	1,448
Acquisitions during the year	102	131
Sales/disposals during the year	–157	–15
Fair value adjustments	42	57
Transfers/reclassifications during the year	–10	0
Translation differences	1	–14
Carrying amount at end of year	**1,585**	**1,607**

Amounts recognised in the income statement[1]

EURm	2019	2018
Fair value adjustments[2]	74	62
Rental income	69	85
Direct operating expenses that generate rental income	–18	–21
Direct operating expenses that did not generate rental income	–1	–1
Total	**124**	**125**

1) Included in "Net result from items at fair value".
2) Including also fair value adjustments on investment properties presented as "Assets in pooled schemes and unit-linked investments contracts" on the balance sheet.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see Note G41 "Assets and liabilities at fair value".

G25. Other assets

EURm	31 Dec 2019	31 Dec 2018
Claims on securities settlement proceeds	1,366	2,832
Cash/margin receivables	9,978	10,161
Other	1,199	1,756
Total	**12,543**	**14,749**

G26. Prepaid expenses and accrued income

EURm	31 Dec 2019	31 Dec 2018
Accrued interest income	354	272
Other accrued income	372	324
Prepaid expenses	339	717
Total	**1,065**	**1,313**

G27. Deposits by credit institutions

EURm	31 Dec 2019	31 Dec 2018
Central banks	11,409	16,456
Banks	17,570	21,579
Other credit institutions	3,325	4,384
Total	**32,304**	**42,419**

G28. Deposits and borrowings from the public

EURm	31 Dec 2019	31 Dec 2018
Deposits[1]	166,426	160,228
Repurchase agreements	2,299	4,730
Total	**168,725**	**164,958**

1) Deposits related to individual pension savings (IPS) are also included.

G29. Liabilities to policyholders

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investment contracts.

Insurance contracts consist of Life insurance provisions and other insurance-related items.

EURm	31 Dec 2019	31 Dec 2018
Traditional life insurance provisions	6,304	6,187
- of which guaranteed provisions	6,222	6,110
- of which non-guaranteed provisions	82	77
Collective bonus potential	2,113	1,937
Unit-linked insurance provisions	6,978	6,375
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	6,978	6,375
Insurance claims provision	461	433
Provisions, Health & personal accident	72	69
Total Insurance contracts	**15,928**	**15,001**
Investment contracts	3,318	3,229
- of which guaranteed provisions	3,318	3,229
- of which non-guaranteed provisions	–	–
Total	**19,246**	**18,230**

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies methodology on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies. See also Note G1 section 19.

G29. Liabilities to policyholders, cont.

31 Dec 2019, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**6,187**	**1,937**	**6,375**	**433**	**69**	**3,229**	**18,230**
Gross premiums written	87	–	441	–	–	156	684
Transfers	40	–	–43	–	–	–56	–59
Addition of interest/investment return	273	–	1,740	–	–	540	2,553
Claims and benefits	–280	–	–806	28	–	–234	–1,292
Expense loading including addition of expense bonus	–25	–	–41	–	–	–28	–94
Change in provisions/bonus potential	–298	200	98	–	3	–	3
Other	272	–	–790	–	–	–249	–767
Translation differences	48	–24	4	–	–	–40	–12
Provisions/bonus potentials, end of year	**6,304**	**2,113**	**6,978**	**461**	**72**	**3,318**	**19,246**
Provision relating to bonus schemes/ discretionary participation feature:	98%					69%	

31 Dec 2018, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Gross premiums written	94	–	340	–	–	132	566
Transfers	34	–	–34	–	–	–	0
Addition of interest/investment return	261	–	336	–	–	–97	500
Claims and benefits	–292	–	–606	12	–3	–262	–1,151
Expense loading including addition of expense bonus	–25	–	–44	–	–	–28	–97
Change in provisions/bonus potential	144	–265	122	–	–1	–	0
Other	–242	–	–656	–	–	109	–789
Translation differences	–51	–47	–5	–1	–1	–106	–211
Provisions/bonus potentials, end of year	**6,187**	**1,937**	**6,375**	**433**	**69**	**3,229**	**18,230**
Provision relating to bonus schemes/ discretionary participation feature:	99%					71%	

Insurance risks

Insurance risk is described in Note G2 "Risk and Liquidity management". Additional quantitative information is found below.

Life insurance risk and market risks in the Life insurance operations, Sensitivities

	31 Dec 2019		31 Dec 2018	
Sensitivities, EURm	Effect on policyholders' liabilities[1]	Effect on Nordea's equity[2]	Effect on policyholders' liabilities[1]	Effect on Nordea's equity[2]
Mortality – increase in life span of 1 year	23.0	–17.7	23.2	–17.9
Mortality – decrease in life span of 1 year	–0.1	0.1	–0.4	0.3
Disability – 10% increase	8.3	–6.5	8.9	–6.9
Disability – 10% decrease	–5.7	4.4	–6.3	4.9
50 bp increase in interest rates	–286.0	6.7	–287.3	–5.6
50 bp decrease in interest rates	287.3	–6.7	288.7	5.6
12% decrease in all share prices	–828.7	–0.1	–680.8	–0.8
8% decrease in property value	–114.8	–0.5	–115.9	–0.8
8% loss on counterparts	–0.5	0.0	–1.5	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decreases.

G29. Liabilities to policyholders, cont.

Liabilities to policyholders by guarantee levels (technical interest rate)

31 Dec 2019, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,060	1,426	2,827	2,228	2,170	889	16,600

31 Dec 2018, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	6,447	1,367	2,772	2,181	2,175	849	15,791

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guaranties	Yes
Unit-linked	Mortality	Yes
	Disability	Yes
	Return guaranties	No
Health and personal accident	Mortality	No
	Disability	Yes
	Return guaranties	No
Financial contract	Mortality	No
	Disability	No
	Return guaranties	Yes

G30. Debt securities in issue

EURm	31 Dec 2019	31 Dec 2018
Certificates of deposit	22,094	29,693
Commercial papers	22,192	17,078
Covered bonds	115,361	107,936
Senior Non Preferred bonds	2,732	2,440
Other bonds	31,307	33,227
Other	40	48
Total	**193,726**	**190,422**

G31. Other liabilities

EURm	31 Dec 2019	31 Dec 2018
Liabilities on securities settlement proceeds	921	1,617
Sold, not held, securities	9,111	12,495
Accounts payable	151	152
Cash/margin payables	4,675	4,289
Lease liabilities	1,225	–
Other	3,785	4,762
Total	**19,868**	**23,315**

G32. Accrued expenses and prepaid income

EURm	31 Dec 2019	31 Dec 2018
Accrued interest	1	5
Other accrued expenses	1,261	1,423
Prepaid income	214	268
Total	**1,476**	**1,696**

G33. Provisions

EURm	31 Dec 2019	31 Dec 2018
Restructuring	304	193
Guarantees/commitments	144	121
Other	122	7
- of which AML related matters	95	–
Total	**570**	**321**

Provisions for restructuring costs have been utilised in the amount of EUR 117m in 2019, and an increase of EUR 246m has been accounted for. The restructuring provision is related to the new Group business plan, including new financial targets. Approximately EUR 200m of the EUR 304m is expected to be utilised in 2020. However, like for any other provision, there is uncertainty surrounding timing and amount. The uncertainty is expected to decrease as the plans are executed.

Loan loss provisions on off-balance sheet items amount to EUR 144m (EUR 121m).

More information on these provisions can be found in Note G2 "Risk and Liquidity management".

Excluding AML related matters, other provisions relate mainly to maintenance obligations in head office premises.

	Restructuring		Other	
EURm	2019	2018	2019	2018
At beginning of year	193	225	7	13
New provisions made	246	103	124	5
Provisions utilised	–117	–123	–5	–8
Reversals	0	–9	–4	–3
Reclassifications	–16	0	0	0
Translation differences	–2	–3	0	0
At end of year	**304**	**193**	**122**	**7**

G34. Retirement benefit obligations

EURm	31 Dec 2019	31 Dec 2018
Retirement benefit assets	173	246
Retirement benefit obligations	439	398
Net liability (–)/asset (+)	**–266**	**–152**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 ensures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislation, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service-based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants; new employees are offered DCPs.

DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation.

In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway, plan assets are also held by a separate pension fund.

In Finland, Nordea provides additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation.

Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full, with a predefined surplus or alternatively safeguarded by a credit insurance contract (Sweden only). Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are performed to monitor the likely level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), inflation, salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions.

Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on different actuarial assumptions.

Assumptions[1]

	Swe	Nor	Fin	Den	UK
2019					
Discount rate[2]	1.39%	2.20%	0.60%	0.76%	1.82%
Salary increase	2.75%	2.75%	1.75%	2.25%[3]	–
Inflation	1.75%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
2018					
Discount rate[2]	2.17%	2.82%	1.58%	1.80%	2.56%
Salary increase	3.00%	2.75%	1.75%	2.25%[3]	–
Inflation	2.00%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 2019 have an impact on the liability calculation by year-end 2019, while the assumptions disclosed for 2018 are used for calculating the pension expense in 2019.
2) More information on the discount rate can be found in Note G1 "Accounting policies", section 24. The sensitivities to changes in the discount rate are provided below.
3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.
4) With CMI_2018 projections for 2019 calculations and CMI_2017 projections for 2018 calculations.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den	UK
Discount rate - Increase 50bps	–11.1%	–8.1%	–6.4%	–5.1%	–9.0%
Discount rate - Decrease 50bps	12.9%	9.0%	7.1%	5.5%	10.3%
Salary increase - Increase 50bps	3.8%	0.3%	0.4%	4.9%	–
Salary increase - Decrease 50bps	–2.8%	–0.3%	–0.4%	–4.6%	–
Inflation - Increase 50bps	11.1%	8.0%	5.3%	–	1.7%
Inflation - Decrease 50bps	–9.8%	–7.7%	–4.9%	–	–1.6%
Mortality - Increase 1 year	5.1%	3.7%	4.8%	6.3%	4.8%
Mortality - Decrease 1 year	–5.1%	–4.9%	–4.7%	–6.0%	–4.6%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach because the actuarial assumptions are usually correlated. However, it enables isolating one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. The sensitivity analysis includes the impact on the liabilities held for future SWT (special wage tax) or SSC (social security contributions) in Sweden and Norway, respectively.

As all pensions in Denmark are salary-indexed, inflation has no impact on the DBO in Denmark.

G34. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2019	Nor 2019	Fin 2019	Den 2019	UK 2019	Total 2019	Total 2018
Obligations	1,993	796	791	102	108	3,790	3,494
Plan assets	1,710	710	845	126	133	3,524	3,342
Net liability(–)/asset(+)	**–283**	**–86**	**54**	**24**	**25**	**–266**	**–152**
- of which retirement benefit assets	1	61	59	27	25	173	246
- of which retirement benefit liabilities	284	147	5	3	–	439	398

Movements in the obligation

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,840	744	722	96	92	3,494
Current service cost	28	4	3	–	–	35
Interest cost	38	21	10	2	3	74
Pensions paid	–68	–37	–39	–6	–4	–154
Past service cost and settlements	4	–7	2	–	–	–1
Remeasurement from changes in demographic assumptions	–	–	0	–1	–1	–2
Remeasurement from changes in financial assumptions	210	71	95	9	14	399
Remeasurement from experience adjustments	–33	–13	–2	2	–	–46
Translation differences	–35	9	–	0	4	–22
Change in provision for SWT/SSC[1]	9	4	–	–	–	13
Closing balance	**1,993**	**796**	**791**	**102**	**108**	**3,790**
- of which relates to the active population	26%	11%	13%	–	–	19%
2018, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Opening balance	1,704	764	776	101	109	3,454
Current service cost	28	4	4	–	–	36
Interest cost	40	19	9	2	3	73
Pensions paid	–68	–31	–43	–6	–17	–165
Past service cost and settlements	–1	9	–6	–	1	3
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	171	–24	–15	–2	–3	127
Remeasurement from experience adjustments	–3	12	–3	–	1	7
Translation differences	–65	–4	–	0	–1	–70
Change in provision for SWT/SSC[1]	34	–5	–	–	–	29
Closing balance	**1,840**	**744**	**722**	**96**	**92**	**3,494**
- of which relates to the active population	27%	14%	14%	–	–	20%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 20 (18) years in Sweden, 15 (14) years in Norway, 14 (12) years in Finland, 11 (11) years in Denmark and 20 (22) years in the UK based on discounted cash flows. The fact of all DBPs now being closed to new entrants gives a lower duration. The increase in average duration during the year is due to changed assumptions.

G34. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,604	681	824	122	111	3,342
Interest income (calculated using the discount rate)	34	19	13	2	3	71
Pensions paid	0	–19	–39	–6	–4	–68
Contributions by employer	–	4	–31	2	–	–25
Remeasurement (actual return less interest income)	105	18	78	6	17	224
Translation differences	–33	7	–	0	6	–20
Closing balance	**1,710**	**710**	**845**	**126**	**133**	**3,524**

2018, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,634	666	865	127	131	3,423
Interest income (calculated using the discount rate)	38	17	11	2	3	71
Pensions paid	–	–19	–43	–6	–17	–85
Settlement	–	–	–2	–	–	–2
Contributions by employer	–	4	0	3	–	7
Remeasurement (actual return less interest income)	–5	20	–7	–3	–6	–1
Translation differences	–63	–7	0	–1	0	–71
Closing balance	**1,604**	**681**	**824**	**122**	**111**	**3,342**

Asset composition

The combined return on assets in 2019 was 8.8% (2.0%). The year was characterised by strong returns across all asset classes, primarily in equities and spread bonds. At the end of the year, the equity exposure in Nordea´s pension funds/foundations represented 19% (24%) of total assets.

The Group expects to contribute EUR 3m to its defined benefit plans in 2020.

Asset composition in funded schemes

%	Swe 2019	Nor 2019	Fin 2019	Den 2019	UK 2019	Total 2019	Total 2018
Bonds	83%	68%	59%	85%	84%	74%	66%
- sovereign	43%	43%	30%	53%	84%	41%	36%
- covered bonds	23%	19%	9%	32%	0%	18%	18%
- corporate bonds	17%	6%	20%	0%	0%	15%	12%
- issued by Nordea entities	*2%*	*4%*	–	–	–	*2%*	*1%*
- with quoted market price in an active market	*83%*	*68%*	*59%*	*85%*	*84%*	*74%*	*66%*
Equity	16%	17%	25%	15%	16%	19%	24%
- domestic	4%	4%	7%	15%	5%	5%	6%
- European	4%	4%	6%	0%	2%	4%	6%
- US	4%	5%	6%	0%	6%	5%	7%
- emerging	4%	4%	6%	0%	3%	4%	5%
- Nordea shares	–	–	–	–	–	*0%*	*0%*
- with quoted market price in an active market	*16%*	*17%*	*26%*	*15%*	*16%*	*19%*	*24%*
Real estate[1]	0%	15%	15%	0%	0%	6%	7%
- occupied by Nordea	–	–	*5%*	–	–	*1%*	*1%*
Cash and cash equivalents	1%	0%	1%	0%	0%	1%	3%

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

G34. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 46m (EUR 54m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G8 "Staff costs").

Recognised in the income statement

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	28	4	3	–	–	35
Net interest	4	2	–3	0	0	3
Past service cost and settlements	4	–7	2	–	–	–1
SWT/SSC[1]	9	0	–	–	–	9
Pension cost on defined benefit plans (expense+/ income–)	**45**	**–1**	2	0	**0**	**46**
2018, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Current service cost	28	4	4	–	–	36
Net interest	2	2	–2	0	0	2
Past service cost and settlements	–1	9	–4	–	1	5
SWT/SSC[1]	8	3	–	–	–	11
Pension cost on defined benefit plans (expense+/ income–)	**37**	**18**	–2	0	**1**	**54**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost in 2018, excluding past service cost and related SWT and SSC, the pension cost remained unchanged in 2019.

Recognised in other comprehensive income

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	–	0	–1	–1	–2
Remeasurement from changes in financial assumptions	210	71	95	9	14	399
Remeasurement from experience adjustments	–33	–13	–2	2	–	–46
Remeasurement of plan assets (actual return less interest income)	–105	–18	–78	–6	–17	–224
SWT/SSC[1]	17	8	–	–	–	25
Pension cost on defined benefit plans (expense+/income–)	**89**	**48**	**15**	**4**	**–4**	**152**
2018, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Remeasurement from changes in demographic assumptions	–	–	–	1	–1	0
Remeasurement from changes in financial assumptions	171	–24	–15	–2	–3	127
Remeasurement from experience adjustments	–3	12	–3	–	1	7
Remeasurement of plan assets (actual return less interest income)	5	–20	7	3	6	1
SWT/SSC[1]	44	–6	–	–	–	38
Pension cost on defined benefit plans (expense+/income–)	**217**	**–38**	**–11**	**2**	**3**	**173**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

G34. Retirement benefit obligations, cont.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Furthermore, the scheme allows employees to continue working while receiving AFP without this affecting their pension rights. The plan is founded on the basis of a tripartite cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense for the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms pay to the plan is determined to be sufficient to cover on-going pension expenses and provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2019 was 2.5% of employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The premium is calculated based on the average wages and average base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2019 amount to EUR 3m. Payments into the plan in 2019 covered 2,500 employees. The premium rate for 2020 will be 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premiums in 2020 amount to EUR 3m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. Consequently, the employer members have joint responsibility for two thirds of the pensions payable to employees who at any given time, meet the requirements for AFP. Any deficit or surplus on windup of the plan or the withdrawal of entities from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 7m (EUR 6m) at the end of the year. These obligations are largely covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2019 were EUR 0m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G8 "Staff costs".

G35. Subordinated liabilities

EURm	31 Dec 2019	31 Dec 2018
Additional Tier 1	2,409	2,384
Tier 2	7,410	6,771
Total	**9,819**	**9,155**

G36. Assets pledged as security for own liabilities

EURm	31 Dec 2019	31 Dec 2018
Assets pledged for own liabilities		
Securities etc[1]	24,458	23,465
Loans to the public	146,615	144,707
Other assets pledged	12,922	3,727
Total	**183,995**	**171,899**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	12,178	13,062
Deposits and borrowings from the public	5,569	2,402
Derivatives	4,676	–
Debt securities in issue	113,283	107,647
Other liabilities and commitments	2,464	2,587
Total	**138,170**	**125,698**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G43 "Transferred assets and obtained collaterals".

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other asset pledged relate to certificates of deposits pledged by Nordea to comply with authority requirements.

G37. Other assets pledged

Other assets pledged are mainly related to securities, which include interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions in the amount of EUR 3,919m (EUR 4,788m). The terms and conditions require day to day securities and relate to intraday/over night liquidity. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities, is also accounted for under this item.

G38. Contingent liabilities

EURm	31 Dec 2019	31 Dec 2018
Guarantees		
- Loan guarantees	2,791	2,434
- Other guarantees	13,855	13,949
Documentary credits	1,146	1,433
Other contingent liabilities	0	3
Total	**17,792**	**17,819**

In its normal business, Nordea issues various forms of guarantees in favour of its customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export-related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank's services and support Nordea's customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received. The table above includes all issued guarantees, also those for which the possibility of an outflow of resources is considered remote.

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity of managing directors or board members in group undertakings of Nordea Bank Abp.

Nordea Bank Abp has indemnified the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations from third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board of Directors decides otherwise on a case-by-case basis. The indemnity is secondary to any other insurance coverage.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G8 "Staff costs".

Claims in civil lawsuits and possible fines

Within the framework of its normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak anti-money laundering processes and procedures in the past. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea cannot exclude the possibility of fines, which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. See also Note G2 "Risk and Liquidity management" and Note G33 "Provisions".

G39. Commitments

EURm	31 Dec 2019	31 Dec 2018
Unutilised overdraft facilities	28,871	29,626
Loan commitments	46,459	43,661
Future payment obligations	222	100
Other commitments	1,511	1,092
Total	**77,063**	**74,479**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on the settlement date. Nordea has as per 31 December 2019 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On the settlement date these reverse repurchase agreements will, as far as possible, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2019. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information on credit commitments, see Note G1 "Accounting policies", section 26, about derivatives, see Note G19 "Derivatives and Hedge accounting" and about reverse repurchase agreements, see Note G43 "Transferred assets and obtained collaterals".

Nordea has in addition entered into an agreement to acquire SG Finans for an agreed purchase price of EUR 575m, contingent on customary regulatory approvals. See the Board of Directors' report for additional details.

G40. Classification of financial instruments

Assets

31 Dec 2019, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)			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	35,509	–	–	–	–	–	35,509
Loans to central banks	5,889	3,318	–	–	–	–	9,207
Loans to credit institutions	5,724	2,792	–	–	–	–	8,516
Loans to the public	245,226	77,514	–	–	–	–	322,740
Interest-bearing securities	3,489	28,460	4,088	–	28,893	–	64,930
Financial instruments pledged as collateral	–	6,265	–	–	886	–	7,151
Shares	–	14,184	–	–	–	–	14,184
Assets in pooled schemes and unit-linked investment contracts	–	30,324	169	–	–	306	30,799
Derivatives	–	36,784	–	2,327	–	–	39,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	217	–	–	–	–	–	217
Investments in associated undertakings and joint ventures	–	–	–	–	–	572	572
Intangible assets	–	–	–	–	–	3,695	3,695
Properties and equipment	–	–	–	–	–	2,002	2,002
Investment properties	–	–	–	–	–	1,585	1,585
Deferred tax assets	–	–	–	–	–	487	487
Current tax assets	–	–	–	–	–	362	362
Retirement benefit assets	–	–	–	–	–	173	173
Other assets	1,079	10,778	–	–	–	686	12,543
Prepaid expenses and accrued income	693	–	–	–	–	372	1,065
Total	**297,826**	**210,419**	**4,257**	**2,327**	**29,779**	**10,240**	**554,848**

Liabilities

31 Dec 2019, EURm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL)			Non-financial liabilities	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)	Derivatives used for hedging		
Deposits by credit institutions	23,330	8,974	–	–	–	32,304
Deposits and borrowings from the public	164,027	4,698	–	–	–	168,725
Deposits in pooled schemes and unit-linked investment contracts	–	–	31,859	–	–	31,859
Liabilities to policyholders	–	–	3,318	–	15,928	19,246
Debt securities in issue	135,223	–	58,503	–	–	193,726
Derivatives	–	40,298	–	1,749	–	42,047
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,018	–	–	–	–	2,018
Current tax liabilities	–	–	–	–	742	742
Other liabilities[1]	4,634	14,153	–	–	1,081	19,868
Accrued expenses and prepaid income	215	–	–	–	1,261	1,476
Deferred tax liabilities	–	–	–	–	481	481
Provisions	–	–	–	–	570	570
Retirement benefit liabilities	–	–	–	–	439	439
Subordinated liabilities	9,819	–	–	–	–	9,819
Total	**339,266**	**68,123**	**93,680**	**1,749**	**20,502**	**523,320**

1) Of which lease liabilities classified into the category Amortised cost EUR 1,225m.

G40. Classification of financial instruments, cont.

Assets

31 Dec 2018, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)			Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/ joint ventures	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)	Derivatives used for hedging			
Cash and balances with central banks	41,578	–	–	–	–	–	41,578
Loans to central banks	6,446	1,196	–	–	–	–	7,642
Loans to credit institutions	8,827	2,493	–	–	–	–	11,320
Loans to the public	234,471	73,833	–	–	–	–	308,304
Interest-bearing securities	3,384	32,682	7,134	–	33,022	–	76,222
Financial instruments pledged as collateral	–	7,026	–	–	542	–	7,568
Shares	–	12,452	–	–	–	–	12,452
Assets in pooled schemes and unit-linked investment contracts	–	24,272	153	–	–	158	24,583
Derivatives	–	33,915	–	3,110	–	–	37,025
Fair value changes of the hedged items in portfolio hedge of interest rate risk	169	–	–	–	–	–	169
Investments in associated undertakings and joint ventures	–	–	–	–	–	1,601	1,601
Intangible assets	–	–	–	–	–	4,035	4,035
Properties and equipment	–	–	–	–	–	546	546
Investment properties	–	–	–	–	–	1,607	1,607
Deferred tax assets	–	–	–	–	–	164	164
Current tax assets	–	–	–	–	–	284	284
Retirement benefit assets	–	–	–	–	–	246	246
Other assets	955	12,473	–	–	–	1,321	14,749
Prepaid expenses and accrued income	989	–	–	–	–	324	1,313
Total	**296,819**	**200,342**	**7,287**	**3,110**	**33,564**	**10,286**	**551,408**

Liabilities

31 Dec 2018, EURm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL)			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**

G40. Classification of financial instruments, cont.

Financial assets designated at fair value through profit or loss

EURm	2019	2018
Carrying amount per end of year	4,257	7,287
Maximum exposure to credit risk per end of year	4,257	7,287
Nominal amount of credit derivatives used to mitigate the maximum exposure to credit risk per end of the year	–	–
Changes in fair value due to changes in own credit risk, during the year	–	–
Changes in fair value due to changes in own credit risk, accumulated	–	–
Change in fair value of related credit derivatives, during the year	–	–
Change in fair value of related credit derivatives, accumulated	–	–

Assets designated at fair value through profit or loss (fair value option) consist of all assets in Nordea Life and Pension held under investment contracts, EUR 4,088m (EUR 7,134m). Also, assets in pooled schemes and unit-linked investment contracts in Life, EUR 169m (EUR 153m), are designated at fair value through profit or loss. For more information see Note G1 section 13. Nordea does not disclose the effect of changes in credit risk on the fair values of these assets and the fair value change in related credit derivatives; as such, changes in value will directly result in essentially the same change in the carrying amount of the corresponding liabilities to policyholders. There is thus no significant impact on the income statement or equity due to changes in credit risk of these assets in Life.

Financial liabilities designated at fair value through profit or loss consist of issued bonds in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 55,766m (EUR 51,616m), issued structured bonds in Markets operation, EUR 2,737m (EUR 3,162m), deposits linked to the investment return of separate assets, EUR 4,377m (EUR 3,964m) and investment contracts and pooled schemes in Life, EUR 30,800m (EUR 24,923m). For issued structured bonds in Markets, changes in fair value due to changes in own credit risk are recognised in other comprehensive income and Nordea calculates the change in own credit spread based on the change in Nordea's funding spread by assuming the liquidity premium for the issuance to be constant over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on issuance date and actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk. The value of the investment contracts in Life and asset linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

Changes in fair value due to changes in own credit risk of bonds issued in Nordea Kredit Realkreditaktieselskab, are calculated by determining the amount of changes in its fair value that are not attributable to changes in market conditions. The method used to estimate the amount of changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds. This model is assessed to provide the best estimate of the impact of own credit risk. The changes in own credit risk on issued mortgage bonds in Nordea Kredit Realkreditaktieselskab are not recognised in other comprehensive income as that would create an accounting missmatch with the corresponding change in fair value of the mortgage loans that is recognised in profit or loss. For this reason, the whole change in the fair value of issued mortgage bonds in Nordea Kredit Realkreditaktieselskab is recognised in the income statement. For the issued mortgage bonds, a change in the liability's credit risk and price will have a corresponding effect on the value of the loans as a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loans.

Financial liabilities designated at fair value through profit or loss

	2019			2018		
EURm	Liabilities for which changes in credit risk are presented in OCI	Liabilites for which changes in credit risk are presented in profit or loss	Total	Liabilities for which changes in credit risk are presented in OCI	Liabilites for which changes in credit risk are presented in profit or loss	Total
Carrying amount per end of the year	2,737	90,943	93,680	3,162	80,503	83,665
Amount to be paid at maturity[1]	2,737	93,317	96,054	3,322	81,600	84,922
Changes in fair value due to changes in own credit risk, during the year	–15	94	79	20	–54	–34
Changes in fair value due to changes in own credit risk, accumulated	–5	–456	–461	10	–550	–540

1) Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. For these liabilities, the amount disclosed to be paid at maturity has been set at the carrying amount.

G41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

EURm	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value	31 Dec 2018 Carrying amount	31 Dec 2018 Fair value
Financial assets				
Cash and balances with central banks	35,509	35,509	41,578	41,578
Loans	340,680	343,410	327,435	330,681
Interest-bearing securities	64,930	65,047	76,222	76,334
Financial instruments pledged as collateral	7,151	7,151	7,568	7,568
Shares	14,184	14,184	12,452	12,452
Assets in pooled schemes and unit-linked investment contracts	30,493	30,493	24,425	24,425
Derivatives	39,111	39,111	37,025	37,025
Other assets	11,857	11,857	13,428	13,428
Prepaid expenses and accrued income	693	693	989	989
Total	**544,608**	**547,455**	**541,122**	**544,480**

Fair value of financial assets and liabilities, cont.

EURm	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value	31 Dec 2018 Carrying amount	31 Dec 2018 Fair value
Financial liabilities				
Deposits and debt instruments	406,592	407,337	408,227	409,014
Deposits in pooled schemes and unit-linked investment contracts	31,859	31,859	25,653	25,653
Liabilities to policyholders	3,318	3,318	3,234	3,234
Derivatives	42,047	42,047	39,547	39,547
Other liabilities	17,562	17,562	18,817	18,817
Accrued expenses and prepaid income	215	215	273	273
Total	**501,593**	**502,338**	**495,751**	**496,538**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" below.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2019, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	3,318	–	–	–	3,318
Loans to credit institutions	–	–	2,792	–	–	–	2,792
Loans to the public	–	–	77,514	–	–	–	77,514
Interest-bearing securities[2]	19,694	1,487	48,726	2,660	172	13	68,592
Shares	11,825	10,184	325	322	2,034	860	14,184
Assets in pooled schemes and unit-linked investment contracts	30,078	26,129	359	359	362	362	30,799
Derivatives	37	–	37,717	12	1,357	–	39,111
Investment properties	–	–	–	–	1,585	1,578	1,585
Other assets	–	–	10,743	–	35	34	10,778
Total	**61,634**	**37,800**	**181,494**	**3,353**	**5,545**	**2,847**	**248,673**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,974	–	–	–	8,974
Deposits and borrowings from the public	–	–	4,698	–	–	–	4,698
Deposits in pooled schemes and unit-linked investment contracts	–	–	31,859	27,482	–	–	31,859
Liabilities to policyholders	–	–	3,318	3,318	–	–	3,318
Debt securities in issue	8,155	–	48,116	–	2,232	–	58,503
Derivatives	59	–	40,805	13	1,183	–	42,047
Other liabilities	3,587	–	10,564	–	2	–	14,153
Total	**11,801**	**–**	**148,334**	**30,813**	**3,417**	**–**	**163,552**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 7,151m relates to the balance sheet item Financial instruments pledged as collateral.

G41. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet
Categorisation into the fair value hierarchy

31 Dec 2018, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	1,196	–	–	–	1,196
Loans to credit institutions	–	–	2,493	–	–	–	2,493
Loans to the public	–	–	73,833	–	–	–	73,833
Interest-bearing securities[2]	30,947	3,896	49,130	3,393	329	4	80,406
Shares	10,159	8,381	596	595	1,697	916	12,452
Assets in pooled schemes and unit-linked investment contracts	24,167	20,692	227	227	189	189	24,583
Derivatives	70	–	35,917	89	1,038	–	37,025
Investment properties	–	–	–	–	1,607	1,588	1,607
Other assets	–	–	12,399	–	74	–	12,473
Total	**65,343**	**32,969**	**175,791**	**4,304**	**4,934**	**2,697**	**246,068**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,486	–	–	–	8,486
Deposits and borrowings from the public	–	–	6,525	–	–	–	6,525
Deposits in pooled schemes and unit-linked investment contracts	–	–	25,653	21,689	–	–	25,653
Liabilities to policyholders	–	–	3,234	3,234	–	–	3,234
Debt securities in issue	12,405	–	39,746	–	2,627	–	54,778
Derivatives	42	–	38,482	80	1,023	–	39,547
Other liabilities	7,192	–	10,622	–	14	–	17,828
Total	**19,639**	**–**	**132,748**	**25,003**	**3,664**	**–**	**156,051**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 7,568m relates to the balance sheet item Financial instruments pledged as collateral.

Determination of fair value for items measured at fair value on the balance sheet
Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or inputs prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input has a significant impact on the fair values, certain complex or structured financial instruments and illiquid interest-bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific inputs.

All valuation models, both complex and simple models, make use of market prices and inputs. These market prices and inputs comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies the interest rates are all observable, and implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations may also be observable for the most liquid equity instruments. For less liquid equity names the option market is fairly illiquid, and hence implied volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is

G41. Assets and liabilities at fair value, cont.

significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels is based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). If the impact from unobservable parameters on the valuation of the bond is significant the bond is categorised as Level 3 in the fair value hierarchy.

For OTC derivatives valuation models are used for establishing fair value. The models are usually in-house developed and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model inputs are observable in active markets.

Valuations of Private Equity Funds, Credit Funds and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by IPEV Board. The guidelines are considered as best practice in the industry. For US-based funds, similar methods are applied.

Further Nordea has loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower and the fair value of the margin associated with each loan.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by portfolio adjustments.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value from the counterparty´s credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, Nordea obtains credit spreads from the credit default swap (CDS) market, and probabilities of defaults (PDs) are inferred from this data. For counterparties that do not have a liquid CDS, PDs are estimated using a cross-sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating region and industry.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). In addition, Nordea applies in its fair value measurement close-out-cost valuation adjustments and model risk adjustments for identified model deficiencies.

Nordea has during 2019 changed the principle for calculating the impact of funding costs and funding benefits on the valuation of uncollateralised and imperfectly collateralised derivatives (FFVA) in order to address an identified double counting versus the CVA.

The fair value measurement of the investment properties takes into account a market participant's ability to generate economic benefits by using the investment properties in its highest and best use, i.e. taking into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The current use of the investment properties in Nordea is in accordance with the highest and best use. The valuation of the investment properties is carried out taking into account the purpose and the nature of the property by using the most appropriate valuation methods. The primary valuation approach is a discounted cash flow model using current cash flows, market interest rates and the current yield requirements.

Transfers between Level 1 and 2

During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 4,272m (EUR 6,778m) from Level 1 to Level 2 and EUR 701m (EUR 3,169m) from Level 2 to Level 1 of the fair value hierarchy. Nordea has also transferred derivative assets of EUR 0m (EUR 4m) and derivative liabilities of EUR 4m (EUR 2m) from Level 2 to Level 1. Nordea has also transferred debt securities in issue of EUR 4,455m (EUR 7,534m) from Level 1 to Level 2 and EUR 0m (EUR 384m) from Level 2 to Level 1. Further Nordea transferred other liabilities from Level 1 to Level 2 of EUR 1,426m (EUR 1,494m) and EUR 1m (EUR 128m) from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

G41. Assets and liabilities at fair value, cont.

Movements in Level 3

2019, EURm	1 Jan 2019	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification[1]	Translation differences	31 Dec 2019
Interest-bearing securities	329	–1	8	–	14	–180	2	–	–	–	–	172
- of which Life	4	–	9	–	–	–1	1	–	–	–	–	13
Shares	1,697	123	51	–	358	–419	–19	169	–31	91	14	2,034
- of which Life	916	42	–25	–	35	–221	–19	166	–31	–	–3	860
Assets in pooled schemes and unit-linked investment contracts	189	2	45	–	145	–22	2	1	–	–	–	362
- of which Life	189	2	45	–	145	–22	2	1	–	–	–	362
Derivatives (net)	15	–121	200	–	–33	–	121	–	–8	–	–	174
Other assets	74	–	–5	–	–	–	–33	–	–	–	–1	35
- of which Life	40	–	–	–	–	–	–6	–	–	–	–	34
Investment properties	1,607	2	39	–	103	–157	–	–	–	–10	1	1,585
- of which Life	1,588	2	38	–	101	–145	–	–	–	–7	1	1,578
Debt securities in issue	2,627	54	–232	–8	422	–	–634	3	–	–	–	2,232
Other Liabilities	14	–	–	–	1	–13	–	–	–	–	–	2

1) Due to deconsolidation of Nordea Bank S.A., Shares in Level 3 increased by EUR 91m and Investment properties in Level 3 decreased by EUR 3m. In addition, investment properties in Level 3 of EUR 7m have been reclassified from Investment properties to Properties and equipment.

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data were no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G6). Assets and liabilities related to derivatives are presented net.

2018, EURm	1 Jan 2018	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2018
Interest-bearing securities	168	–2	2	–	169	–9	2	–	–	–	–1	329
- of which Life	5	–	–	–	–	–	–	–	–	–	–1	4
Shares	1,584	130	66	–	317	–333	–64	5	–	–3	–5	1,697
- of which Life	927	84	12	–	103	–135	–64	5	–	–	–16	916
Assets in pooled schemes and unit-linked investment contracts	342	4	–7	–	–55	–86	–3	–	–	–	–6	189
- of which Life	342	4	–7	–	–55	–86	–3	–	–	–	–6	189
Derivatives (net)	453	–264	–431	–	–	18	246	3	–10	–	–	15
Other assets	–	–	–	–	6	–	–	68	–	–	–	74
- of which Life	–	–	–	–	–	–	–	40	–	–	–	40
Investment properties	1,448	–	57	–	131	–15	–	–	–	–	–14	1,607
- of which Life	1,437	–	57	–	113	–5	–	–	–	–	–14	1,588
Debt securities in issue	4,009	3	–585	–23	437	–	–1,215	1	–	–	–	2,627
Other Liabilities	–	–	–	–	–	–	–	14	–	–	–	14

G41. Assets and liabilities at fair value, cont.

The valuation processes for fair value measurements

Financial instruments

The valuation process in Nordea consists of several steps. The first step is to determine the end-of-day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the 1st line of defence, which is independent from the risk-taking units in the front office. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by comparing the prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. The verification of the correctness of prices and inputs is as a minimum carried out on a monthly basis and is for many products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the 1st line of defence. These teams are responsible for 2nd line of defence oversight for valuations, with independent reporting responsibilities towards the CRO and the BAC.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which are in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC report quarterly to the Nordea Group Valuation Committee.

Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G41. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2019, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	164	9	Discounted cash flows	Credit spread	–16/16
Corporates	8	4	Discounted cash flows	Credit spread	–0/0
Total	**172**	**13**			**–16/16**
Shares					
Private equity funds	833	489	Net asset value[3]		–93/93
Hedge funds	87	83	Net asset value[3]		–8/8
Credit Funds	421	167	Net asset value/market consensus[3]		–35/35
Other funds	289	115	Net asset value/fund prices[3]		–26/26
Other[4]	460	62	–		–32/32
Total	**2,090**	**916**			**–194/194**
Derivatives					
Interest rate derivatives	265	–	Option model	Correlations	–31/35
				Volatilities	
Equity derivatives	–10	–	Option model	Correlations	–6/3
				Volatilities	
				Dividend	
Foreign exchange derivatives	–16	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	–69	–	Credit derivative model	Correlations	–24/26
				Recovery rates	
				Volatilities	
Other	4	–	Option model	Correlations	–0/0
				Volatilities	
Total	**174**	**–**			**–61/64**
Debt securities in issue					
Issued structured bonds	2,232	–	Credit derivative model	Correlations	–11/11
				Recovery rates	
				Volatilities	
Total	**2,232**	**–**			**–11/11**
Other, net					
Other assets and Other liabilities, net	33	34			–4/4
Total	**33**	**34**			**–4/4**

1) Investment in financial instruments is a major part of the life insurance business, acquired to fulfil the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 3% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 56m related to assets in pooled schemes and unit-linked investment.

G41. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2018, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	323	–	Discounted cash flows	Credit spread	–32/32
Corporates	6	4	Discounted cash flows	Credit spread	–0/0
Total	**329**	**4**			**–32/32**
Shares					
Private equity funds	745	457	Net asset value[3]		–84/84
Hedge funds	102	83	Net asset value[3]		–6/6
Credit Funds	398	176	Net asset value/market consensus[3]		–33/33
Other funds	292	183	Net asset value/fund prices[3]		–26/26
Other[4]	191	48	–		–16/16
Total	**1,728**	**947**			**–165/165**
Derivatives					
Interest rate derivatives	259	–	Option model	Correlations	–13/14
				Volatilities	
Equity derivatives	–25	–	Option model	Correlations	–12/8
				Volatilities	
				Dividend	
Foreign exchange derivatives	–13	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	–212	–	Credit derivative model	Correlations	–34/33
				Recovery rates	
				Volatilities	
Other	6	–	Option model	Correlations	–0/0
				Volatilities	
Total	**15**	**–**			**–59/55**
Debt securities in issue					
Issued structured bonds	2,627	–	Credit derivative model	Correlations	–13/13
				Recovery rates	
				Volatilities	
Total	**2,627**	**–**			**–13/13**
Other, net					
Other assets and Other liabilities, net	60	40			–7/7
Total	**60**	**40**			**–7/7**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 5% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 31m related to assets in pooled schemes and unit-linked investment.

The table above shows, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

The column "range of fair value" in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments only the net impact is disclosed in the table. The ranges disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk fac-

G41. Assets and liabilities at fair value, cont.

tors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a total range of 2–10 percentage units depending on the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

Investment properties

31 Dec 2019, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	713	713	Discounted cash flows	Market rent		
				- Office	110–401 EUR/m²	280 EUR/m²
				- Other	128 EUR/m²	128 EUR/m²
				Yield requirement		
				- Office	4.0%–5.65%	4,6%
				- Other	6.5%–9.5%	7,1%
Finland[3]	933	933	Discounted cash flows[2]	Market rent		
				- Commercial	144–230 EUR/m²	187 EUR/m²
				- Office	189–306 EUR/m²	296 EUR/m²
				- Apartment	189–306 EUR/m²	248 EUR/m²
				- Other	231–291 EUR/m²	261 EUR/m²
				Yield requirement		
				- Commercial	5.75%–7.25%	6,5%
				- Office	4.5%–8.25%	5,8%
				- Apartment	3.25%–4.75%	4,0%
				- Other	4.5% -6%	5,3%
Sweden	238	238	Discounted cash flows[2]	Market rent		
				- Commercial	73–208 EUR/m²	124 EUR/m²
				- Office	226–231 EUR/m²	229 EUR/m²
				- Apartment	166–178 EUR/m²	172 EUR/m²
				- Other	65–66 EUR/m²	65 EUR/m²
				Yield requirement		
				- Commercial	5.10%–6.75%	5,8%
				- Office	4.5%–4.65%	4,6%
				- Apartment	3.73%–4.30%	3,9%
				- Other	6.75%–6.75%	6,8%
Other	7	–	Discounted cash flows	–	–	–
Total	**1,891**	**1,884**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 306m related to investment properties in pooled schemes and unit-linked investments in Life.

G41. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2018, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	620	620	Discounted cash flows	Market rent		
				- Office	102–729 EUR/m²	284 EUR/m²
				- Other	126 EUR/m²	126 EUR/m²
				Yield requirement		
				- Office	3.9%–6.0%	4.8%
				- Other	6.5%–9.5%	7.7%
Finland[3]	881	881	Discounted cash flows[2]	Market rent		
				- Commercial	144–233 EUR/m²	189 EUR/m²
				- Office	123–294 EUR/m²	208 EUR/m²
				- Apartment	189–306 EUR/m²	248 EUR/m²
				- Other	231–288 EUR/m²	260 EUR/m²
				Yield requirement		
				- Commercial	5.8%–7.0%	6.4%
				- Office	4.3%–8.3%	6.3%
				- Apartment	3.3%–4.8%	4.0%
				- Other	4.5%–6.3%	5.4%
Sweden	245	245	Discounted cash flows[2]	Market rent		
				- Commercial	66–209 EUR/m²	124 EUR/m²
				- Office	233 EUR/m²	233 EUR/m²
				- Apartment	169–179 EUR/m²	174 EUR/m²
				- Other	66 EUR/m²	66 EUR/m²
				Yield requirement		
				- Commercial	5.3%–6.8%	5.8%
				- Office	4.6%–5.0%	4.8%
				- Apartment	3.8%–4.7%	4.0%
				- Other	7.0%–7.2%	7.1%
Other	19	–	Discounted cash flows	–	–	–
Total	**1,765**	**1,746**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 158m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to the transaction price not being established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see Note G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

G41. Assets and liabilities at fair value, cont.

Deferred Day 1 profit – derivatives, net

EURm	2019	2018
Amount at beginning of year	81	58
Deferred profit/loss on new transactions	85	62
Recognised in the income statement during the year[1]	–41	–39
Amount at end of year	**125**	**81**

1) Of which EUR –m (EUR –m) due to transfers of derivatives from Level 3 to Level 2.

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2019		31 Dec 2018		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	35,509	35,509	41,578	41,578	3
Loans	257,056	259,786	249,913	253,159	3
Interest-bearing securities	3,489	3,606	3,384	3,496	1,2
Other assets	1,079	1,079	955	955	3
Prepaid expenses and accrued income	693	693	989	989	3
Total	**297,826**	**300,673**	**296,819**	**300,177**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	334,417	335,162	338,438	339,225	3
Other liabilities	3,409	3,409	989	989	3
Accrued expenses and prepaid income	215	215	273	273	3
Total	**338,041**	**338,786**	**339,700**	**340,487**	

Cash and balances with central banks
The fair value of "Cash and balances with central banks" is due to its short term nature assumed to equal the carrying amount and is thus is categorised into Level 3 in the fair value hierarchy.

Loans
The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" has been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Business Banking and Large Corporates & Institutions respectively.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest-bearing securities
The fair value is EUR 3,606m (EUR 3,496m), of which EUR 237m (EUR 0m) is categorised in Level 1 and EUR 3,369m (EUR 3,496m) in Level 2. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income
The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments
The fair value of "Deposits by credit institutions", "Deposits and borrowings from the public", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk are based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk are calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long-term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea´s own credit risk related to these items are assumed not to be significant. This is also the case for short-term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income
The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

G42. Financial instruments set off on balance or subject to netting agreements

31 Dec 2019, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	126,040	–87,038	39,002	–27,317	–	–9,987	1,698
Reverse repurchase agreements	38,143	–9,965	28,178	–	–28,178	–	0
Securities borrowing agreements	4,324	–	4,324	–	–3,223	–	1,101
Variation margin	382	–382	0	–	–	–	0
Total	**168,889**	**–97,385**	**71,504**	**–27,317**	**–31,401**	**–9,987**	**2,799**

31 Dec 2019, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	125,813	–84,423	41,390	–27,317	–	–4,676	9,397
Repurchase agreements	24,351	–9,965	14,386	–	–14,356	–	30
Securities lending agreements	2,500	–	2,500	–	–2,500	–	0
Variation margin	2,996	–2,997	0	–	–	–	0
Total	**155,660**	**–97,385**	**58,276**	**–27,317**	**–16,856**	**–4,676**	**9,427**

1) All amounts are measured at fair value , except for the reverse repurchase agreements of EUR 3,169m and repurchase agreements of EUR 3,211m which are measured at amortised cost.

2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

31 Dec 2018, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	110,616	–73,806	36,810	–22,881	–	–10,183	3,746
Reverse repurchase agreements	37,336	–12,448	24,888	–	–24,888	–	0
Securities borrowing agreements	4,176	–	4,176	–	–2,444	–	1,732
Variation margin	453	–453	0	–	–	–	0
Total	**152,581**	**–86,707**	**65,874**	**–22,881**	**–27,332**	**–10,183**	**5,478**

31 Dec 2018, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	107,209	–70,998	36,211	–22,881	–	–4,311	9,019
Repurchase agreements	29,092	–12,448	16,644	–	–16,644	–	0
Securities lending agreements	2,963	–	2,963	–	–3,703	–	–740
Variation margin	3,261	–3,261	0	–	–	–	0
Total	**142,525**	**–86,707**	**55,818**	**–22,881**	**–20,347**	**–4,311**	**8,279**

1) All amounts are measured at fair value, except for reverse repurchase agreements of EUR 3,217m and repurchase agreements of EUR 3,210m which are measured at amortised cost.

2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

G42. Financial instruments set off on balance or subject to netting agreements, cont.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions) would be subject to master netting agreements, and Nordea would consequently be able to benefit from netting, in the event of its counter-parties defaulting, in any calculations involving counterparty credit risk.

For a description of counterparty risk, see the section Counterparty risk in Note G2 "Risk and Liquidity management".

G43. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

Assets are considered to be transferred from Nordea if Nordea either transfers the contractual right to receive the cash flows from the asset or to retain that right, but has a contractual obligation to pay the cash flows to one or more entities.

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing whereby Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions whereby Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions result in securities being returned to Nordea, all risks and rewards of the instruments transferred are retained by Nordea, although they are not available to Nordea during the period during which they are transferred. The counterparts in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

G43. Transferred assets and obtained collaterals, cont.

EURm	31 Dec 2019	31 Dec 2018
Repurchase agreements		
Interest-bearing securities	7,151	7,568
Securities lending agreements		
Shares	–	–
Total	**7,151**	**7,568**

Liabilities associated with the assets

EURm	31 Dec 2019	31 Dec 2018
Repurchase agreements	7,150	7,564
Securities lending agreements	–	–
Securitisations	–	–
Total	**7,150**	**7,564**
Net	**1**	**4**

Obtained collaterals that are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities upon settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements is disclosed below.

EURm	31 Dec 2019	31 Dec 2018
Reverse repurchase agreements		
Received collaterals that can be repledged or sold	36,218	35,632
- of which repledged or sold	15,791	19,661
Securities borrowing agreements		
Received collaterals that can be repledged or sold	5,680	5,648
- of which repledged or sold	2,612	2,980
Total	**41,898**	**41,280**

G44. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2019 Expected to be recovered or settled:			31 Dec 2018 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		35,509	–	35,509	41,578	–	41,578
Loans to central banks	G14	9,207	–	9,207	7,642	–	7,642
Loans to credit institutions	G14	7,629	887	8,516	10,856	464	11,320
Loans to the public	G14	71,994	250,746	322,740	77,834	230,470	308,304
Interest-bearing securities	G15	20,021	44,909	64,930	36,619	39,603	76,222
Financial instruments pledged as collateral	G16	–	7,151	7,151	7,568	–	7,568
Shares	G17	6,474	7,710	14,184	6,049	6,403	12,452
Assets in pooled schemes and unit-linked investment contracts	G18	22,371	8,428	30,799	17,314	7,269	24,583
Derivatives	G19	7,097	32,014	39,111	7,463	29,562	37,025
Fair value changes of the hedged items in portfolio hedge of interest rate risk		44	173	217	74	95	169
Investments in associated undertakings and joint ventures	G20	–	572	572	139	1,462	1,601
Intangible assets	G21	4	3,691	3,695	205	3,830	4,035
Properties and equipment	G22	169	1,833	2,002	127	419	546
Investment properties	G24	715	870	1,585	16	1,591	1,607
Deferred tax assets	G12	23	464	487	17	147	164
Current tax assets		362	–	362	284	–	284
Retirement benefit assets	G34	–	173	173	–	246	246
Other assets	G25	11,944	599	12,543	14,554	195	14,749
Prepaid expenses and accrued income	G26	805	260	1,065	1,094	219	1,313
Total assets		**194,368**	**360,480**	**554,848**	**229,433**	**321,975**	**551,408**
Deposits by credit institutions	G27	32,117	187	32,304	36,690	5,729	42,419
Deposits and borrowings from the public	G28	159,446	9,279	168,725	159,718	5,240	164,958
Deposits in pooled schemes and unit-linked investment contracts	G18	6,188	25,671	31,859	5,242	20,411	25,653
Liabilities to policyholders	G29	1,056	18,190	19,246	1,939	16,291	18,230
Debt securities in issue	G30	65,196	128,530	193,726	71,549	118,873	190,422
Derivatives	G19	8,955	33,092	42,047	8,168	31,379	39,547
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,521	497	2,018	616	657	1,273
Current tax liabilities		742	–	742	414	–	414
Other liabilities[1]	G31	18,589	1,279	19,868	23,233	82	23,315
Accrued expenses and prepaid income	G32	1,471	5	1,476	1,646	50	1,696
Deferred tax liabilities	G12	95	386	481	40	666	706
Provisions	G33	228	342	570	250	71	321
Retirement benefit liabilities	G34	–	439	439	–	398	398
Subordinated liabilities	G35	2,512	7,307	9,819	536	8,619	9,155
Total liabilities		**298,116**	**225,204**	**523,320**	**310,041**	**208,466**	**518,507**
1) Of which liabilities related to right of use assets		138	1,087	1,225	–	–	–

G44. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	50,749	84,251	49,047	137,161	205,741	526,949
Non interest-bearing financial assets	–	–	–	–	67,685	67,685
Non-financial assets	–	–	–	–	10,240	10,240
Total assets	**50,749**	**84,251**	**49,047**	**137,161**	**283,666**	**604,874**
Interest-bearing financial liabilities	152,847	88,214	46,689	100,431	38,667	426,848
Non interest-bearing financial liabilities	–	–	–	–	108,226	108,226
Non-financial liabilities and equity	–	–	–	–	52,030	52,030
Total liabilities and equity	**152,847**	**88,214**	**46,689**	**100,431**	**198,923**	**587,104**
Derivatives, cash inflow	–	569,174	151,980	237,205	87,566	1,045,925
Derivatives, cash outflow	–	568,210	153,460	237,308	87,015	1,045,993
Net exposure	**–**	**964**	**–1,480**	**–103**	**551**	**–68**
Exposure	**–102,098**	**–2,999**	**878**	**36,627**	**85,294**	**17,702**
Cumulative exposure	**–102,098**	**–105,097**	**–104,219**	**–67,592**	**17,702**	**–**

31 Dec 2018, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	56,154	84,802	49,015	143,084	210,748	543,803
Non interest-bearing financial assets	–	–	–	–	61,648	61,648
Non-financial assets	–	–	–	–	10,286	10,286
Total assets	**56,154**	**84,802**	**49,015**	**143,084**	**282,682**	**615,737**
Interest-bearing financial liabilities	148,248	99,049	42,558	104,831	37,452	432,138
Non interest-bearing financial liabilities	–	–	–	–	104,805	104,805
Non-financial liabilities and equity	–	–	–	–	55,657	55,657
Total liabilities and equity	**148,248**	**99,049**	**42,558**	**104,831**	**197,914**	**592,600**
Derivatives, cash inflow	–	574,388	174,708	264,725	89,041	1,102,862
Derivatives, cash outflow	–	565,441	174,087	273,162	90,700	1,103,390
Net exposure	**–**	**8,947**	**621**	**–8,437**	**–1,659**	**–528**
Exposure	**–92,094**	**–5,300**	**7,078**	**29,816**	**83,109**	**22,609**
Cumulative exposure	**–92,094**	**–97,394**	**–90,316**	**–60,500**	**22,609**	**–**

The table is based on contractual maturities for the on balance sheet items. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the instruments on the balance sheet items, Nordea has credit commitments amounting to EUR 75,330m (EUR 73,287m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 16,646m (EUR 16,383m) which may lead to future cash outflows if certain events occur. For further information about remaining maturity, see also Note G2 "Risk and Liquidity management".

G45. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Assets				
Loans	143	498	–	–
Interest-bearing securities	–	1,635	92	98
Derivatives	3	142	51	116
Other assets	66	2	41	11
Total assets	**212**	**2,277**	**184**	**225**
Liabilities				
Deposits	8	587	524	759
Debt securities in issue	–	25	–	–
Derivatives	8	226	10	19
Other liabilities	–	107	2	1
Total liabilities	**16**	**945**	**536**	**779**
Off balance	**21**	**1,823**	**5**	**–**

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	2019	2018	2019	2018
Net interest income	1	23	2	3
Net fee and commission income	3	–15	–	–
Net result from items at fair value	5	–428	–12	51
Other operating income	1	1	–	–
Total operating expenses	0	–15	–	–
Profit before loan losses	**10**	**–434**	**–10**	**54**

1) Shareholders with significant influence and close family members of key management personnel at Nordea, as well as companies controlled by key management personnel or by close family members of key management personnel at Nordea, are considered to be related parties to Nordea. This group of related parties includes Sampo Plc, which has a significant influence over Nordea, and the subsidiaries of Sampo Plc. Liabilities to Sampo Plc and its subsidiaries consist mainly of deposits and long-term investments in bonds issued by Nordea. The transactions with Sampo Plc and its subsidiaries also include several ongoing derivative contracts. Other related parties also include Nordea's pension foundations.

With the exception of compensation, certain loans and other commitments to key management, all related party transactions are made on the same criteria and terms as those of comparable transactions with external parties of similar standing.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G8 "Staff costs". Certain other commitments to key management are noted in Note G38 "Contingent liabilities".

G46. Interests in structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It normally has restricted activities with a narrow and well-defined objective. If Nordea controls such an entity, it is consolidated.

Consolidated structured entities

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities to a maximum of EUR 952m (EUR 1,060m) and at year-end EUR 871m (EUR 938m) was utilised. Total assets in the conduit were EUR 904m (EUR 971m) at year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from the payments being dependent on the rate at which Viking releases its assets.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities to a maximum of EUR 125m (EUR 125m) and at year-end EUR 83m (EUR 114m) was utilised. The entity holds assets of EUR 84m (EUR 117m) at year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest but not control, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interests in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products in which Nordea invests in investment funds:
a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in the value of investment funds acquired on behalf of policyholders and depositors, for which the policyholder/depositor bears the investment risk, is reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in value in investment funds held on behalf of other policyholders is largely passed on to the policyholders, but as Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value.

G46. Interests in structured entities, cont.

Investment funds acquired to hedge exposures in structured products reduce the exposures and, to the extent hedges are effective, Nordea is not exposed to changes in value. The maximum loss on these funds is estimated at EUR 1m (EUR 3m), net of hedges.

Investments in illiquid private equity and credit funds are an integral part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated at EUR 600m (EUR 509m), equal to the investment in the funds.

Nordea's interests in unconsolidated structured entities and any related liability are disclosed in the table below. The carrying amount is the maximum exposure to credit loss, before considering any hedges. Income related to these investments is recognised in "Net result from items at fair value".

EURm	31 Dec 2019	31 Dec 2018
Assets, carrying amount:		
Shares	10,899	8,044
Assets in pooled schemes and unit-linked investment contracts	26,653	22,179
Total assets	**37,552**	**30,223**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit-linked investment contracts	26,653	22,179
Liabilities to policyholders	10,171	7,435
Total liabilities	**36,824**	**29,614**
Off balance, nominal amount:		
Loan commitments	0	0

Nordea holds approximately 2,500 different funds that are classified as unconsolidated structured entities, approximately 400 of which are managed by Nordea. These have different investment mandates and risk appetites, ranging from low-risk government bond funds to high-risk leveraged equity funds. Total assets in funds managed by Nordea are EUR 177bn (EUR 151bn). All funds are financed by deposits from the units holders. The total assets in investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and are thus not disclosed.

Nordea has sponsored two unconsolidated structured entities in which Nordea does not currently have an interest, Archean and Thulite. Nordea has established the entities but has no influence over them, and is thus considered to have sponsored them. During 2019, Thulite entered into one transaction, where it issued bonds and deposited funds with Nordea, as well as entering into a CDS selling credit protection to Nordea. Nordea has not recognised any income during 2019 from Thulite. Archean has issued a guarantee in favour of Nordea and Nordea has received compensation amounting to EUR 18m from Archean under this guarantee during 2019.

G47. Country by country reporting

The table below presents for each country where Nordea is established, (i.e. where Nordea has a physical presence), information about the businesses, geographical area, average number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have a physical presence in a country if Nordea has a subsidiary, associated undertaking or branch in that country. Nordea has not received any significant government subsidies.

			2019				2018			
Country	Business[1]	Geographical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, CB, AM, LP	Denmark	7,904	2,588	424	–47	8,505	2,655	898	–159
Finland	RB, CB, AM, LP	Finland	6,368	2,110	198	–90	6,459	1,820	694	–164
Sweden	RB, CB, AM, LP	Sweden	6,712	2,304	442	–150	7,055	3,083	1,080	–302
Norway	RB, CB, AM, LP	Norway	2,952	1,691	726	–198	2,962	1,668	1,061	–161
Russia	CB	Russia	335	53	29	–9	396	62	38	–8
Poland	Other	Poland	4,006	177	5	–2	2,980	124	1	1
Estonia	Other	Estonia	432	19	3	0	253	10	1	0
Luxembourg	AM, LP	Luxembourg	254	276	179	–53	434	326	180	–54
United States	RB, CB, AM, LP	New York	116	90	49	–7	116	87	–65	–21
United Kingdom	RB, CB, AM, LP	London	54	66	40	–11	58	81	57	–3
Singapore	CB	Singapore	64	26	9	–1	75	33	–1	–1
Germany	CB, AM	Frankfurt	45	21	8	–4	44	18	8	1
Switzerland	AM	Zürich	5	2	0	0	10	2	0	0
China	CB	Shanghai	29	6	0	1	29	7	1	–1
Italy	AM	Rome	10	6	1	0	9	5	0	0
Spain	AM	Madrid	6	2	0	0	5	2	0	0
Brazil	AM	Sao Paolo	0	1	–	–	2	1	0	0
France	AM	Paris	3	1	0	0	3	1	0	0
Chile	AM	Santiago	3	2	0	0	–	–	–	–
Belgium	AM	Belgium	2	0	0	0	–	–	–	–
Eliminations[3]			–	–806	–	–	–	–813	–	–
Total			**29,300**	**8,635**	**2,113**	**–571**	**29,395**	**9,172**	**3,953**	**–872**

1) RB= Retail banking, CB=Commercial banking, AM=Asset management, LP=Life and Pension. Split based on Nordea's business activities, not on Nordea's organisational units.
2) Total operating income presented in this table is split by countries based on where Nordea has a physical presence, i.e. where Nordea has a subsidiary, associated undertaking or branch, while total operating profit presented in Note G3 is split by countries based on the location of the customers´ operations.
3) Eliminations of transactions consist mainly of intragroup IT services.

Nordea also discloses the names of the subsidiaries, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in the table below, in the last table "Group undertakings included in the Nordea Group" in the section "Capital adequacy for the Nordea Group" and in the last table in Note G20 "Investments in associated undertakings and Joint Ventures".

Denmark
Nordea Danmark Filial af Nordea Bank Abp, Finland
Nordea Investment Management AB, Denmark Branch
Nordea Fund Management, filial af Nordea funds Oy, Finland

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finland Branch

Sweden
Nordea Bank Abp filial i Sverige
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Swedish Branch

Norway
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norway Branch
Nordea Funds Ltd, Norwegian Branch
Nordea Bank Abp, filial i Norge

Italy
Nordea Investment Funds S.A. Italian Branch

France
Nordea Investment Funds S.A. French Branch

Estonia
Nordea Bank AB Estonia Branch

Belgium
Nordea Investment Funds S.A. Belgium Branch

Germany
Nordea Bank Abp Niederlassung Frankfurt
Nordea Funds Services GmbH (Germany)
Nordea Investment Funds S.A. German Branch

China
Nordea Bank Abp Shanghai Branch

Poland
Nordea Bank Abp Spolka Akcyjna Oddzial w Polsce

Singapore
Nordea Bank Abp Singapore Branch

Switzerland
Nordea Asset Management Schweiz GmbH

Spain
Nordea Investment Funds S.A. Sucursal en Espana

United Kingdom
Nordea Bank AB London Branch
Nordea Investment Funds S.A. UK Branch

United States
Nordea Bank Abp New York Branch

Chile
NAM Chile SpA

G48. Acquisitions

Acquisition of Gjensidige Bank

On 2 July 2018, Nordea entered into an agreement with Gjensidige Forsikring to acquire all shares in Gjensidige Bank. The transaction was closed on 1 March 2019, when Nordea received final approval from the Norwegian regulators. 1 March is the acquisition date and the date from which the acquired assets and liabilities are recognised on Nordea's balance sheet. Assets and liabilities acquired are disclosed in the table below.

The following purchase price allocation (PPA) has been established as of 1 March 2019.

EURm	1 Mar 2019
Loans to the public[1]	5,185
Interest-bearing securities	608
Accruals and other assets	93
Deposits from the public	–2,315
Debt securities in issue[1]	–3,022
Accruals and other liabilities	–108
Acquired net assets	**441**
Purchase price, settled in cash	576
Cost of combination	**576**
Surplus value	**135**
Allocation of surplus value:	
Non-controlling interest	–46
Customer intangible	29
Brands	8
Deferred tax liability	–6
Goodwill	150

1) Including adjustments for fair value for loans and debt securities in issue measured at amortised cost in Gjensidige.

The fair value of loans in the table above included allowances for the contractual cash flows not expected to be collected. The allowances amounts to EUR 37m.

Nordea has identified a number of intangible assets in the acquisition. Two different customer related intangibles have been identified, one for deposit customers and one for lending customers. The value of the deposit customers is related to the funding they provide at interest rates lower than other funding. The customer intangible related to lending reflects the profit generated in specific portfolios. Amortisation of the deposit-related intangible is done over eight years, while the intangible related to the loans is amortised over four years, reflecting the pace at which customers can be expected to leave. The consumer finance business in Gjensidige is distributed through the brand Oppfinans, which is included in the acquisition. The brand has been valued using a royalty rate of 3.5%. Goodwill arises mainly due to the synergies Nordea expects to achieve. Integrating the business in Gjensidige into Nordea will create cost synergies as well as some income synergies. The brand and the goodwill are expected to have indefinite lives and are consequently not amortised.

The Additional Tier 1 instrument accounted for as equity in Gjensidige is reported as a non-controlling interest in the Nordea consolidated accounts. The impact on Nordea's net profit for the year was insignificant.

Signing

Board of Directors' proposal for the distribution of profits

On 31 December 2019, Nordea Bank Abp's distributable earnings, including profit for the financial year, were EUR 18,166,606,378.45 and the unrestricted equity reserve was EUR 4,590,425,994.62. The Board of Directors proposes to the Annual General Meeting of Nordea Bank Abp to be held on 25 March 2020 that a dividend of EUR 0.40 per share be paid based on the balance sheet to be adopted for the financial year ending 31 December 2019.

The Company's number of shares is 4,049,951,919. The total dividend payment for 2019, excluding dividend for treasury shares, would then be EUR 1,615,656,843.60* and it would be paid from retained earnings. After the dividend pay-out, EUR 16,550,949,534.85* is to be carried forward as distributable retained earnings.

No material changes have taken place in the financial position of the Company since the end of the financial period and the proposed dividend does not compromise the Company's solvency.

Nordea Bank Abp is the parent company of the Nordea Group and domiciled in Helsinki, Finland. A copy of the report by the Board of Directors and financial statements are available at Aleksis Kiven katu 7, 00500 Helsinki and on Nordea's website at www.nordea.com.

Signatures to the Financial Statements and the Board of Directors report

Helsinki, 20 February 2020

Torbjörn Magnusson
Chair

Kari Jordan *Vice Chair*	Dorrit Groth Brandt *Board member*[1]	Pernille Erenbjerg *Board member*
Nigel Hinshelwood *Board member*	Petra van Hoeken *Board member*	Robin Lawther *Board member*
John Maltby *Board member*	Gerhard Olsson *Board member*[1]	Hans Christian Riise *Board member*[1]
Sarah Russell *Board member*	Birger Steen *Board member*	Maria Varsellona *Board member*

Frank Vang-Jensen
President and Group CEO

Auditor's note

A report on the audit has been issued today.

Helsinki, 26 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

1) Employee representative.

* The total amount of the dividend payment and the amount carried forward as distributable retained earnings after the dividend pay-out, will be adjusted based on the amount of treasury shares held by Nordea Bank Abp at the record date for the dividend payment.

Auditor's report *(Translation of the Swedish original)*

To the Annual General Meeting of Nordea Bank Abp

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Nordea Bank Abp (business identity code 2858394-9) for the financial year ended 31 December 2019. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in Note G9 Other expenses/Auditors' fees to the consolidated financial statements.

Our Audit Approach

Overview

- Overall group materiality: € 200 million, which represents 0,65 % of equity.

- The group audit scope encompassed all significant group companies, as well a number of smaller group companies in Nordic countries, covering the vast majority of revenue, assets and liabilities.

- Impairment of loans to customers
- Valuation of financial instruments held at fair value
- Actuarial assumptions related to the Life business
- IT systems supporting processes over financial reporting.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 200 million
How we determined it	0,65 % of equity
Rationale for the materiality benchmark applied	We chose equity as the benchmark because, in our view, it is the benchmark against which the capital resources of the bank are most commonly measured by users and is a generally accepted benchmark. We chose 0,65% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Nordea group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralized systems. Audits were performed in group companies which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the group.

By performing the procedures above at group companies, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Impairment of loans to customer	
Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty), Note G11 – Net loan losses and Note G14 – Loans and impairment to the consolidated financial statements. A high level of judgement is involved in determining the appropriate impairment loss to be recognised. For individually assessed loans, judgement is involved in determining whether a loan has a loss event and in assessing the loan loss amount. Expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. Nordea categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated. Nordea uses adjustments to the model-driven ECL results to address impairment model limitations and market trends. This is also a key audit matter with respect to our audit of the parent company financial statements.	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. We obtained an understanding of the loan origination process, credit risk management and the impairment allowances for loans and advances to customers. We had a special focus on ECL model updates and the credit risk development for large customers. Based on risk, we selected individual loans and performed detailed credit file reviews and assessed its credit risk. For ECL models, we involved our modelling specialists to assess the methodology, challenge the underlying assumptions and to independently reperform the calculation for a sample of loans. We evaluated adjustments to the model driven ECL and reviewed that governance procedures have been performed. We assessed the disclosures related to impairment of loans.
Valuation of financial instruments held at fair value	
Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty), Note G19 – Derivatives and Hedge accounting, Note G40 – Classification of financial instruments and Note G41 – Assets and liabilities at fair value to the consolidated financial statements. Given the ongoing volatility and macro-economic uncertainty, valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II and III financial instruments utilise observable and unobservable inputs respectively, for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Disclosures of financial instruments. This is also a key audit matter with respect to our audit of the parent company financial statements.	We assessed and tested the design and operating effectiveness of the controls over: • The identification, measurement and oversight of valuation of financial instruments • Fair value hierarchy, fair value adjustments and independent price verification • Model control and governance. We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Group's governance and reporting processes and controls. For the valuations dependent on unobservable inputs or which involve a higher degree of judgment, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions. In respect of fair value adjustments, specifically Credit, Debt and Funding fair value adjustments (CVA, DVA and FFVA) for derivatives we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence.

Actuarial assumptions related to the Life business

Refer to the Note G1 - Accounting policies (Critical judgements and estimation uncertainty) and Note G29 – Liabilities to policyholders to the consolidated financial statements.

Technical provisions involve subjective judgments over uncertain future outcomes. The value is based on models where significant judgment is applied in setting economic assumptions, actuarial assumptions as well as customer behavior. Changes in these assumptions can materially impact the valuation of technical provisions.

We assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business.

Our audit also included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out involving PwC actuaries.

IT systems supporting processes over financial reporting

Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operates effectively.

This is also a key audit matter with respect to our audit of the parent company financial statements.

We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to program and data as well as program development and changes.

For logical access to program and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT systems.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment
Our appointment represents a total period of uninterrupted engagement of two financial years.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support the proposal that the financial statements are adopted. The proposal by the Board of Directors regarding the distribution of profits is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 26 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

ANNEX 3
UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE NORDEA GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

Income statement

EURm	Note	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Operating income						
Interest income calculated using the effective interest rate method		1,275	1,271	3,811	4,187	5,536
Other interest income		259	284	767	869	1,071
Negative yield on financial assets		-72	-73	-158	-198	-280
Interest expense		-339	-384	-1,056	-1,672	-2,013
Negative yield on financial liabilities		103	48	306	160	201
Net interest income		**1,226**	**1,146**	**3,670**	**3,346**	**4,515**
Fee and commission income		1,103	939	3,291	2,817	3,856
Fee and commission expense		-233	-210	-716	-650	-897
Net fee and commission income	3	**870**	**729**	**2,575**	**2,167**	**2,959**
Net result from items at fair value	4	224	257	872	683	900
Profit from associated undertakings and joint ventures accounted for under the equity method		9	6	-2	-6	-1
Other operating income		15	17	67	57	93
Total operating income		**2,344**	**2,155**	**7,182**	**6,247**	**8,466**
Operating expenses						
General administrative expenses:						
Staff costs		-702	-686	-2,089	-2,030	-2,752
Other expenses	5	-237	-245	-985	-967	-1,286
Depreciation, amortisation and impairment charges of tangible and intangible assets	6	-159	-158	-474	-428	-605
Total operating expenses		**-1,098**	**-1,089**	**-3,548**	**-3,425**	**-4,643**
Profit before loan losses		**1,246**	**1,066**	**3,634**	**2,822**	**3,823**
Net result on loans in hold portfolios mandatorily held at fair value		26	17	58	18	48
Net loan losses	7	-4	2	-37	-850	-908
Operating profit		**1,268**	**1,085**	**3,655**	**1,990**	**2,963**
Income tax expense		-267	-248	-841	-450	-698
Net profit for the period		**1,001**	**837**	**2,814**	**1,540**	**2,265**
Attributable to:						
Shareholders of Nordea Bank Abp		1,001	837	2,788	1,513	2,238
Additional Tier 1 capital holders		0	0	26	27	27
Total		**1,001**	**837**	**2,814**	**1,540**	**2,265**
Basic earnings per share, EUR		0.25	0.21	0.69	0.37	0.55
Diluted earnings per share, EUR		0.25	0.21	0.69	0.37	0.55

Statement of comprehensive income

EURm	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Net profit for the period	**1,001**	**837**	**2,814**	**1,540**	**2,265**
Items that may be reclassified subsequently to the income statement					
Currency translation differences	30	-153	142	-701	-196
Hedging of net investments in foreign operations:					
Valuation gains/losses	-16	94	1	415	117
Fair value through other comprehensive income:[1]					
Valuation gains/losses, net of recycling	26	57	14	13	55
Tax on valuation gains/losses	-5	-12	-3	-1	-9
Cash flow hedges:					
Valuation gains/losses, net of recycling	27	4	-24	30	21
Tax on valuation gains/losses	-6	-1	5	-7	-5
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	-1	-4	-4	-7	-9
Tax on valuation gains/losses	1	0	1	2	3
Defined benefit plans:					
Remeasurement of defined benefit plans	39	-15	284	-246	22
Tax on remeasurement of defined benefit plans	-7	3	-55	49	-4
Other comprehensive income from companies accounted for under the equity method	0	-7	0	1	-1
Tax on other comprehensive income from companies accounted for under the equity method	0	2	0	0	0
Other comprehensive income, net of tax	**88**	**-32**	**361**	**-452**	**-6**
Total comprehensive income	**1,089**	**805**	**3,175**	**1,088**	**2,259**
Attributable to:					
Shareholders of Nordea Bank Abp	1,089	805	3,149	1,061	2,232
Additional Tier 1 capital holders	0	0	26	27	27
Total	**1,089**	**805**	**3,175**	**1,088**	**2,259**

[1] Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	Note	30 Sep 2021	31 Dec 2020	30 Sep 2020
Assets	9			
Cash and balances with central banks		77,086	32,955	48,928
Loans to central banks	8	475	3,123	4,430
Loans to credit institutions	8	6,760	3,123	10,359
Loans to the public	8	342,604	329,765	320,468
Interest-bearing securities		63,917	62,509	68,185
Financial instruments pledged as collateral		2,754	3,795	6,510
Shares		21,825	12,649	12,794
Assets in pooled schemes and unit-linked investment contracts		43,967	36,484	32,730
Derivatives		30,268	44,770	45,434
Fair value changes of the hedged items in portfolio hedge of interest rate risk		92	359	373
Investments in associated undertakings and joint ventures		208	555	549
Intangible assets		3,812	3,771	3,637
Properties and equipment		1,753	1,931	1,908
Investment properties		1,732	1,535	1,573
Deferred tax assets		375	406	394
Current tax assets		391	300	392
Retirement benefit assets		386	144	74
Other assets		14,989	13,349	15,301
Prepaid expenses and accrued income		773	637	735
Assets held for sale		342	-	-
Total assets		**614,509**	**552,160**	**574,774**
Liabilities	9			
Deposits by credit institutions		43,467	23,939	39,076
Deposits and borrowings from the public		210,822	183,431	189,971
Deposits in pooled schemes and unit-linked investment contracts		44,638	37,534	33,811
Liabilities to policyholders		19,175	18,178	17,199
Debt securities in issue		191,074	174,309	180,237
Derivatives		31,726	47,033	45,308
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,402	2,608	2,934
Current tax liabilities		498	305	187
Other liabilities		25,932	21,341	22,663
Accrued expenses and prepaid income		1,218	1,404	1,409
Deferred tax liabilities		555	436	436
Provisions		502	596	615
Retirement benefit obligations		289	365	547
Subordinated liabilities		6,583	6,941	7,828
Total liabilities		**577,881**	**518,420**	**542,221**
Equity				
Additional Tier 1 capital holders		750	748	750
Non-controlling interests		9	9	9
Share capital		4,050	4,050	4,050
Invested unrestricted equity		1,069	1,063	1,070
Other reserves		-1,706	-2,067	-2,515
Retained earnings		32,456	29,937	29,189
Total equity		**36,628**	**33,740**	**32,553**
Total liabilities and equity		**614,509**	**552,160**	**574,774**
Off-balance sheet commitments				
Assets pledged as security for own liabilities		179,420	176,364	175,339
Other assets pledged[1]		253	267	240
Contingent liabilities		21,667	19,347	18,880
Credit commitments[2]		90,269	88,791	87,719
Other commitments		1,545	1,769	1,794

[1] Includes interest-bearing securities pledged as security for payment settlements with central banks and clearing institutions.

[2] Including unutilised portion of approved overdraft facilities of EUR 32,394m (31 December 2020: EUR 32,859m; 30 September 2020: EUR 34,277m).

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 as at 1 Jan 2021	**4,050**	**1,063**	**-2,020**	**-10**	**91**	**-117**	**-11**	**29,937**	**32,983**	**748**	**9**	**33,740**
Net profit for the period	-	-	-	-	-	-	-	2,788	2,788	26	-	2,814
Other comprehensive income, net of tax	-	-	143	-19	11	229	-3	0	361	-	-	361
Total comprehensive income	-	-	143	-19	11	229	-3	2,788	3,149	26	-	3,175
Paid interest on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Change in Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	2	-	2
Share-based payments	-	-	-	-	-	-	-	14	14	-	-	14
Dividend	-	-	-	-	-	-	-	-283	-283	-	-	-283
Divestment of own shares[2]	-	6	-	-	-	-	-	-	6	-	-	6
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	0	0
Balance as at 30 Sep 2021	**4,050**	**1,069**	**-1,877**	**-29**	**102**	**112**	**-14**	**32,456**	**35,869**	**750**	**9**	**36,628**
Balance as at 1 Jan 2020	**4,050**	**1,080**	**-1,941**	**-26**	**45**	**-135**	**-5**	**27,672**	**30,740**	**748**	**40**	**31,528**
Net profit for the period	-	-	-	-	-	-	-	2,238	2,238	27	-	2,265
Other comprehensive income, net of tax	-	-	-79	16	46	18	-6	-1	-6	-	-	-6
Total comprehensive income	-	-	-79	16	46	18	-6	2,237	2,232	27	-	2,259
Paid interest on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-27	-	-27
Share-based payments	-	-	-	-	-	-	-	6	6	-	-	6
Purchase of own shares[2]	-	-17	-	-	-	-	-	-	-17	-	-	-17
Other changes	-	-	-	-	-	-	-	22	22	-	-	22
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-31	-31
Balance as at 31 Dec 2020	**4,050**	**1,063**	**-2,020**	**-10**	**91**	**-117**	**-11**	**29,937**	**32,983**	**748**	**9**	**33,740**
Balance as at 1 Jan 2020	**4,050**	**1,080**	**-1,941**	**-26**	**45**	**-135**	**-5**	**27,672**	**30,740**	**748**	**40**	**31,528**
Net profit for the period	-	-	-	-	-	-	-	1,513	1,513	27	-	1,540
Other comprehensive income, net of tax	-	-	-286	23	12	-197	-5	1	-452	-	-	-452
Total comprehensive income	-	-	-286	23	12	-197	-5	1,514	1,061	27	-	1,088
Paid interest on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-27	-	-27
Change in Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	2	-	2
Share-based payments	-	-	-	-	-	-	-	3	3	-	-	3
Purchase of own shares[2]	-	-10	-	-	-	-	-	-	-10	-	-	-10
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-31	-31
Balance as at 30 Sep 2020	**4,050**	**1,070**	**-2,227**	**-3**	**57**	**-332**	**-10**	**29,189**	**31,794**	**750**	**9**	**32,553**

[1] Total shares registered were 4,050 million (31 December 2020: 4,050 million; 30 September 2020: 4,050 million). The number of own shares was 10.4 million (31 December 2020: 11.9 million; 30 September 2020: 11.5 million), which represents 0.3% (31 December 2020: 0.3%; 30 September 2020: 0.3%) of the total shares in Nordea. Each share represents one voting right.

[2] Refers to the change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio. The number of treasury shares held for remuneration purposes was 7.1 million (31 December 2020: 8.2 million; 30 September 2020: 8.2 million).

Cash flow statement, condensed

EURm	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Operating activities			
Operating profit	3,655	1,990	2,963
Adjustments for items not included in cash flow	376	2,124	2,074
Income taxes paid	-639	-910	-987
Cash flow from operating activities before changes in operating assets and liabilities	**3,392**	**3,204**	**4,050**
Changes in operating assets and liabilities	39,582	12,283	-5,393
Cash flow from operating activities	**42,974**	**15,487**	**-1,343**
Investing activities			
Acquisition/sale of business operations	7	-	-552
Acquisition/sale of associated undertakings and joint ventures	-1	-6	10
Acquisition/sale of properties and equipment	-2	-41	-50
Acquisition/sale of intangible assets	-284	-296	-418
Cash flow from investing activities	**-280**	**-343**	**-1,010**
Financing activities			
Issued/amortised subordinated liabilities	-437	-1,709	-2,459
Divestment/repurchase of own shares, including change in trading portfolio	6	-10	-17
Dividend paid	-283	-	-
Paid interest on Additional Tier 1 capital	-26	-27	-27
Amortisation of the principal part of lease liabilities	-106	-108	-143
Cash flow from financing activities	**-846**	**-1,854**	**-2,646**
Cash flow for the period	**41,848**	**13,290**	**-4,999**

Cash and cash equivalents EURm	30 Sep 2021	30 Sep 2020	31 Dec 2020
Cash and cash equivalents at beginning of the period	36,203	41,164	41,164
Translation difference	612	-547	38
Cash and cash equivalents at end of the period	78,663	53,907	36,203
Change	**41,848**	**13,290**	**-4,999**
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	77,086	48,928	32,955
Loans to central banks	5	4,141	2,426
Loans to credit institutions	1,572	838	822
Total cash and cash equivalents	**78,663**	**53,907**	**36,203**

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 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 prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as endorsed by the European Union (EU).

The report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2020. The accounting policies and methods of computation are unchanged from Note G1 in the Annual Report 2020, except for those relating to the items presented in the section “Changed accounting policies and presentation” below. For more information, see Note G1 in the Annual Report 2020.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea on 1 January 2021.

Interest Rate Benchmark Reform – Phase 2

In 2020 the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in Interest Rate Benchmark Reform – Phase 2. Phase 2 of the interbank offered rate (IBOR) reform includes three major areas: hedge accounting, modifications and disclosures. The amendments were implemented by Nordea on 1 January 2021. Hedge relationships in Nordea can continue as before and no material modification gains or losses have been recognised.

The amendments clarify that hedge accounting does not have to be discontinued in the event that hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

Modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications to instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

Other amendments

The following amended standard issued by the IASB was implemented by Nordea on 1 January 2021, but has not had any significant impact on Nordea’s financial statements.

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9

Assets held for sale

Nordea owns 19.95% of the associated company Luminor Bank AS, which is conducting business in the Baltics. The company is the result of the merger of Nordea's and DNB’s operations in the Baltics. In 2018 the investment was classified as a joint venture, as Nordea held 50% of the voting rights. In 2019 Nordea sold shares in Luminor and the remaining holding was classified as an associated company.

As communicated on 13 September 2018, Nordea and Blackstone have entered into a forward sale agreement for Nordea’s remaining holding in Luminor. The holding was reclassified to “Assets held for sale” on 30 September 2021, when Nordea concluded that the requirements in IFRS 5 had been fulfilled as the sale of the remaining shares was expected within one year. Income from Luminor has been recognised using the equity method and was presented as “Profit from associated undertakings and joint ventures accounted for under the equity method” up until 30 September 2021.

Changes in IFRS not yet applied

IFRS 17 Insurance Contracts

The new standard IFRS 17 Insurance Contracts will change the accounting requirements for the 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 three measurement models: the Building Block Approach (BBA), the Variable Fee Approach (VFA) and the Premium Allocation Approach (PAA). The model application depends on the terms of the contract (long term, long term with a variable fee or short term). The three measurement models include consistent definitions of contractual cash flows, the risk adjustment margin and discounting. These definitions are based on principles similar to those for calculating technical provisions in the Solvency II Directive. 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 the contract is signed and approved.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The standard is not yet endorsed by the EU. Nordea does not currently intend to adopt the standard early. It is not yet possible to conclude on the impact of the new standard on Nordea’s financial statements or capital adequacy in the period of initial application.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
In 2021 the IASB published amendments to IAS 12 Income Taxes in Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to taxable and deductible temporary differences of equal amounts. Such a requirement may apply on the initial recognition of a lease liability and the corresponding right-of-use asset at the commencement of a lease. The requirement also applies in the context of decommissioning, restoration and similar liabilities where the corresponding amounts are recognised as part of the cost of the related asset.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The standard is not yet endorsed by the EU and Nordea does not currently intend to adopt it early. The gross deferred tax assets and liabilities will be disclosed, but will be set off on the balance sheet if such requirements are met. Nordea's current assessment is that the new standard will not have any significant impact on its capital adequacy in the period of initial application.

Other amendments to IFRS
Other amendments to IFRS are not assessed to have any significant impact on Nordea's financial statements or capital adequacy in the period of their initial application.

Critical judgements and estimation uncertainty
Nordea applied significant critical judgements in the preparation of this interim report due to significant uncertainty concerning the potential long-term impact of COVID-19 on its financial statements (see "Critical judgements emphasised by COVID 19" in section 4 of Note G1 "Accounting policies" in the Annual Report 2020). More information on where critical judgements are generally applied and where estimation uncertainty exists can be found in section 4 of Note G1 "Accounting policies" in the Annual Report 2020.

No impairment of goodwill was identified during the third quarter, but significant estimation uncertainty exists in relation to the long-term impact on Nordea's financial statements and the impairment need will be continually reassessed. Both an increase in the discount rate of 1 percentage point and a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such changes would not result in any impairment.

Exchange rates

	Jan-Sep 2021	Jan-Dec 2020	Jan-Sep 2020
EUR 1 = SEK			
Income statement (average)	10.1524	10.4889	10.5626
Balance sheet (at end of period)	10.1658	10.0220	10.5448
EUR 1 = DKK			
Income statement (average)	7.4368	7.4543	7.4581
Balance sheet (at end of period)	7.4360	7.4405	7.4458
EUR 1 = NOK			
Income statement (average)	10.2275	10.7291	10.7196
Balance sheet (at end of period)	10.1330	10.4703	11.0665
EUR 1 = RUB			
Income statement (average)	88.5471	82.6596	79.9115
Balance sheet (at end of period)	84.4408	90.8041	91.0017

Note 2 Segment reporting

Jan-Sep 2021	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Recon-ciliation	Total Group
Total operating income, EURm	2,700	1,902	1,544	901	169	7,216	-34	**7,182**
- of which internal transactions[1]	-168	-47	-101	-24	340	0	-	**-**
Operating profit, EURm	1,319	1,051	897	510	184	3,961	-306	**3,655**
Loans to the public[2], EURbn	167	94	43	11	0	315	28	**343**
Deposits and borrowings from the public, EURbn	84	53	47	11	0	195	16	**211**

Jan-Sep 2020	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Recon-ciliation	Total Group
Total operating income, EURm	2,514	1,674	1,351	741	40	6,320	-73	**6,247**
- of which internal transactions[1]	-345	-149	-238	-17	749	0	-	**-**
Operating profit, EURm	883	534	440	350	32	2,239	-249	**1,990**
Loans to the public[2], EURbn	158	86	48	9	0	301	19	**320**
Deposits and borrowings from the public, EURbn	81	49	43	11	0	184	6	**190**

[1] IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest related to the funding of the reportable operating segments by the internal bank in Group Finance, included in "Other operating segments".
[2] The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision-Maker.

Reconciliation between total operating segments and financial statements

	Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	Jan-Sep		**30 Sep**		**30 Sep**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Total operating segments	3,961	2,239	315	301	195	184
Group functions[1]	-16	-189	-	-	-	-
Unallocated items	-329	-37	24	24	14	9
Differences in accounting policies[2]	39	-23	4	-5	2	-3
Total	**3,655**	**1,990**	**343**	**320**	**211**	**190**

[1] Consists of Group Business Support, Group Internal Audit, Chief of Staff Office, Group People, Group Legal and Group Risk & Compliance.
[2] Impact from plan exchange rates used in the segment reporting.

Measurement of operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision-Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as the Chief Executive Officer, who is supported by the other members of the Group Leadership Team. The main difference compared with the section "Business areas" in this report is that the information in Note 2 is prepared using plan exchange rates, as this is the basis used in the reporting to the CODM.

Financial results are presented for the main business areas Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management. These are identified as reportable operating segments and are reported separately, as they are above the quantitative thresholds in IFRS 8. Other operating segments below the thresholds are included in Other operating segments. Group functions (and eliminations), as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

There have been no changes in the basis of segmentation during the year.

Note 3 Net fee and commission income

EURm	Q3 2021	Q2 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Asset management commissions	481	441	372	1,338	1,071	1,469
Life and pension commissions	68	68	64	200	193	263
Deposit products	5	6	6	17	19	27
Brokerage, securities issues and corporate finance	49	88	42	214	140	204
Custody and issuer services	9	15	7	24	22	34
Payments	72	73	68	225	214	280
Cards	57	42	41	134	124	168
Lending products	114	121	104	356	307	424
Guarantees	25	23	23	73	66	89
Other	-10	1	2	-6	11	1
Total	**870**	**878**	**729**	**2,575**	**2,167**	**2,959**

Breakdown
Jan-Sep 2021

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Manage-ment	Other operating segments	Other and elimination	Nordea Group
Asset management commissions	489	78	3	768	0	0	1,338
Life and pension commissions	166	62	3	-31	0	0	200
Deposit products	4	13	0	0	0	0	17
Brokerage, securities issues and corporate finance	16	34	151	28	-1	-14	214
Custody and issuer services	2	3	18	2	-7	6	24
Payments	49	123	56	1	0	-4	225
Cards	113	17	4	0	0	0	134
Lending products	92	128	130	5	1	0	356
Guarantees	7	20	45	0	1	0	73
Other	9	7	2	-22	-4	2	-6
Total	**947**	**485**	**412**	**751**	**-10**	**-10**	**2,575**

Breakdown
Jan-Sep 2020

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Manage-ment	Other operating segments	Other and elimination	Nordea Group
Asset management commissions	414	69	5	583	0	0	1,071
Life and pension commissions	141	50	3	-1	0	0	193
Deposit products	5	13	1	0	0	0	19
Brokerage, securities issues and corporate finance	13	19	93	26	0	-11	140
Custody and issuer services	3	2	20	1	-6	2	22
Payments	50	115	51	1	0	-3	214
Cards	105	15	5	-1	0	0	124
Lending products	87	97	117	2	4	0	307
Guarantees	6	19	41	0	0	0	66
Other	16	8	6	-18	-3	2	11
Total	**840**	**407**	**342**	**593**	**-5**	**-10**	**2,167**

Note 4 Net result from items at fair value

EURm	Q3 2021	Q2 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Equity-related instruments	130	183	28	502	103	177
Interest-related instruments and foreign exchange gains/losses	80	80	74	262	712	667
Other financial instruments (including credit and commodities)	-6	-11	135	35	-199	-24
Life & Pension[1]	20	26	20	73	67	80
Total	**224**	**278**	**257**	**872**	**683**	**900**

[1] Internal transactions not eliminated against other lines in the Note. The line Life & Pension consequently provides the true impact from the life insurance operations.

Breakdown of Life & Pension

EURm	Q3 2021	Q2 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Equity-related instruments	192	448	400	1,184	-91	397
Interest-related instruments and foreign exchange gains/losses	7	38	81	11	137	271
Investment properties	-2	47	55	111	84	94
Change in technical provisions[1]	-124	-319	-346	-623	-365	-792
Change in collective bonus potential	-67	-202	-184	-650	264	60
Insurance risk income	18	19	16	54	48	64
Insurance risk expense	-4	-5	-2	-14	-10	-14
Total	**20**	**26**	**20**	**73**	**67**	**80**

[1] Premium income amounts to EUR 59m for the third quarter of 2021 and EUR 224m for January-September 2021 (third quarter of 2020: EUR 44m; January-September 2020: EUR 144m).

Note 5 Other expenses

EURm	Q3 2021	Q2 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Information technology	-131	-122	-97	-377	-339	-490
Marketing and representation	-9	-12	-8	-28	-25	-46
Postage, transportation, telephone and office expenses	-12	-13	-13	-39	-41	-57
Rents, premises and real estate	-23	-27	-35	-76	-96	-128
Resolution fee	-	-	-	-224	-202	-202
Other	-62	-88	-92	-241	-264	-363
Total	**-237**	**-262**	**-245**	**-985**	**-967**	**-1,286**

Note 6 Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	Q3 2021	Q2 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Depreciation/amortisation						
Properties and equipment	-60	-62	-64	-185	-195	-255
Intangible assets	-92	-89	-80	-267	-214	-298
Total	**-152**	**-151**	**-144**	**-452**	**-409**	**-553**
Impairment charges						
Properties and equipment	-3	-13	-7	-18	-7	-7
Intangible assets	-4	0	-7	-4	-12	-45
Total	**-7**	**-13**	**-14**	**-22**	**-19**	**-52**
Total	**-159**	**-164**	**-158**	**-474**	**-428**	**-605**

Note 7 Net loan losses

EURm	Q3 2021	Q2 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Net loan losses, stage 1	-4	91	79	81	-144	-155
Net loan losses, stage 2	0	44	-15	60	-203	-200
Net loan losses, non-credit-impaired assets	**-4**	**135**	**64**	**141**	**-347**	**-355**
Stage 3, credit-impaired assets						
Net loan losses, individually assessed, collectively calculated	25	-58	-3	-23	-170	-127
Realised loan losses	-58	-145	-151	-305	-345	-573
Decrease in provisions to cover realised loan losses	17	73	119	154	247	377
Recoveries on previous realised loan losses	20	17	7	44	44	50
Reimbursement right	-3	3	0	0	-1	0
New/increase in provisions	-28	-89	-90	-328	-510	-601
Reversals of provisions	27	94	56	280	232	321
Net loan losses, credit-impaired assets	**0**	**-105**	**-62**	**-178**	**-503**	**-553**
Net loan losses	**-4**	**30**	**2**	**-37**	**-850**	**-908**

Key ratios

	Q3 2021	Q2 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Net loan loss ratio, amortised cost, bp	1	-5	0	2	47	35
- of which stage 1	1	-14	-13	-4	8	6
- of which stage 2	0	-7	3	-3	11	8
- of which stage 3	0	16	10	9	28	21

Note 8 Loans and impairment

EURm	30 Sep 2021	31 Dec 2020	30 Sep 2020
	Total		
Loans measured at fair value	85,602	74,616	87,533
Loans measured at amortised cost, not impaired (stages 1 and 2)	262,879	259,864	246,039
Impaired loans (stage 3)	3,628	3,979	4,219
- of which servicing	1,580	1,788	1,740
- of which non-servicing	2,048	2,191	2,479
Loans before allowances	**352,109**	**338,459**	**337,791**
- of which central banks and credit institutions	*7,238*	*6,250*	*14,800*
Allowances for individually assessed impaired loans (stage 3)	-1,623	-1,674	-1,816
- of which servicing	-743	-760	-732
- of which non-servicing	-880	-914	-1,084
Allowances for collectively assessed impaired loans (stages 1 and 2)	-647	-774	-718
Allowances	**-2,270**	**-2,448**	**-2,534**
- of which central banks and credit institutions	*-3*	*-4*	*-11*
Loans, carrying amount	**349,839**	**336,011**	**335,257**

Exposures measured at amortised cost and fair value through OCI, before allowances

	30 Sep 2021			
EURm	Stage 1	Stage 2	Stage 3	Total
Loans to central banks, credit institutions and the public	249,725	13,154	3,628	266,507
Interest-bearing securities[1]	35,783	-	-	35,783
Total	**285,508**	**13,154**	**3,628**	**302,290**

[1] Of which EUR 397m relates to the balance sheet item Financial instruments pledged as collateral.

	30 Sep 2020			
EURm	Stage 1	Stage 2	Stage 3	Total
Loans to central banks, credit institutions and the public	232,463	13,576	4,219	250,258
Interest-bearing securities[1]	37,640	-	-	37,640
Total	**270,103**	**13,576**	**4,219**	**287,898**

[1] Of which EUR 774m relates to the balance sheet item Financial instruments pledged as collateral.

Allowances and provisions

	30 Sep 2021			
EURm	Stage 1	Stage 2	Stage 3	Total
Loans to central banks, credit institutions and the public	-232	-415	-1,623	-2,270
Interest-bearing securities	-3	-3	-	-6
Provisions for off-balance sheet items	-44	-151	-24	-219
Total allowances and provisions	**-279**	**-569**	**-1,647**	**-2,495**

	30 Sep 2020			
EURm	Stage 1	Stage 2	Stage 3	Total
Loans to central banks, credit institutions and the public	-255	-463	-1,816	-2,534
Interest-bearing securities	-2	-	-	-2
Provisions for off-balance sheet items	-74	-149	-31	-254
Total allowances and provisions	**-331**	**-612**	**-1,847**	**-2,790**

Movements of allowance accounts for loans measured at amortised cost

EURm	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2021	**-284**	**-490**	**-1,674**	**-2,448**
Changes due to origination and acquisition	-55	-28	-7	-90
Transfer from stage 1 to stage 2	9	-96	-	-87
Transfer from stage 1 to stage 3	1	-	-9	-8
Transfer from stage 2 to stage 1	-5	98	-	93
Transfer from stage 2 to stage 3	-	23	-112	-89
Transfer from stage 3 to stage 1	-1	-	18	17
Transfer from stage 3 to stage 2	-	-5	32	27
Changes due to change in credit risk (net)	71	20	-77	14
Changes due to repayments and disposals	34	65	69	168
Write-off through decrease in allowance account	-	-	151	151
Translation differences	-2	-2	-14	-18
Balance as at 30 Sep 2021	**-232**	**-415**	**-1,623**	**-2,270**

Note 8 Continued

EURm	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2020	**-153**	**-344**	**-1,686**	**-2,183**
Changes due to origination and acquisition	-47	-18	-10	-75
Transfer from stage 1 to stage 2	7	-137	-	-130
Transfer from stage 1 to stage 3	1	-	-77	-76
Transfer from stage 2 to stage 1	-19	48	-	29
Transfer from stage 2 to stage 3	-	16	-45	-29
Transfer from stage 3 to stage 1	-1	-	6	5
Transfer from stage 3 to stage 2	-	-28	35	7
Changes due to change in credit risk (net)	-60	-26	-327	-413
Changes due to repayments and disposals	12	20	28	60
Write-off through decrease in allowance account	-	-	190	190
Translation differences	5	6	70	81
Balance as at 30 Sep 2020	**-255**	**-463**	**-1,816**	**-2,534**

Key ratios[1]	30 Sep 2021	31 Dec 2020	30 Sep 2020
Impairment rate (stage 3), gross, basis points	136	151	169
Impairment rate (stage 3), net, basis points	75	87	96
Total allowance rate (stages 1, 2 and 3), basis points	85	93	101
Allowances in relation to impaired loans (stage 3), %	45	42	43
Allowances in relation to loans in stages 1 and 2, basis points	25	30	29

[1] For definitions, see Glossary.

Forbearance
Forbearance refers to eased terms or restructuring of credit terms and conditions due to the borrower experiencing financial difficulties. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of eased terms are changes to amortisation profile, repayment schedule and customer margin, or eased financial covenants. Forbearance is undertaken on an individual basis, according to internal guidelines, and followed by impairment testing. Forborne exposures can be performing or non-performing. Loan loss provisions are recognised if necessary. Customers with forbearance measures are transferred to stage 2, unless already identified as credit impaired (stage 3).

All COVID-19-related instalment-free periods have now expired. Only 3.0% of the customers who were granted instalment-free periods due to the pandemic have been classified as forborne (or in default) following the expiry of their instalment-free period.

Sensitivities
The provisions are sensitive to rating migration even if staging triggers are not reached. The table below shows the impact on provisions of a one-notch downgrade on all exposures in the bank. It includes both the impact of the higher risk for all exposures and the impact of transferring exposures that reach the trigger from stage 1 to stage 2. It also includes the impact of exposures with one rating grade above default becoming default, which is estimated at EUR 133m (EUR 134m at the end of March 2021 and EUR 154m at the end of June 2021). This figure is based on calculations using the statistical model rather than individual estimates, as would be the case in reality for material defaulted loans.

	30 Sep 2021		31 Dec 2020	
EURm	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
Personal Banking	424	550	492	646
Business Banking	1,170	1,289	1,307	1,447
Large Corporates & Institutions	879	911	874	950
Other	22	39	14	29
Group	**2,495**	**2,789**	**2,687**	**3,072**

Note 8 Continued

Forward-looking information

Forward-looking information is used for both assessing significant increases in credit risk and calculating expected credit losses. Nordea uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the third quarter of 2021, the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 60%, adverse 20% and favourable 20% (baseline 50%, adverse 45% and favourable 5% at the end of December 2020 and baseline 60%, adverse 20% and favourable 20% at the end of June 2021). The consistency in weightings between the second and third quarters of 2021 reflects continued reduced uncertainty regarding the impact of the pandemic, reduced downside risks following progress in COVID-19 vaccination programmes, and the easing of restrictions in society and the economy.

The macroeconomic scenarios are provided by Group Risk in Nordea, based on the Oxford Economics Model. The 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 historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years. For periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea's view of how the Nordic economies will potentially develop following the reopening of societies after COVID-19-related lockdowns. The scenarios take into account the macroeconomic effects of government and central bank support measures. When developing the scenarios, Nordea took into account projections made by Nordic governments and central banks, Nordea Research and the European Central Bank's macroeconomic forecasts for the euro area.

Economic projections from the Nordic central banks and the European Central Bank are used as a basis for the baseline scenario. Activity in the Nordic economies has recovered swiftly, as societies have reopened after COVID-19-related lockdowns. Real GDP is now back at pre-crisis levels in Denmark, Finland, Norway and Sweden. There is still substantial uncertainty surrounding the recovery ahead, but expansionary fiscal and monetary policy, high household savings and pent-up demand provide a sound basis for a solid further increase in activity in 2022. In the long term, however, economic growth is expected to gradually normalise. Following strong housing market activity over the past year, the development of house prices is expected to become more subdued in the future.

Nordea's two alternative macroeconomic scenarios cover a range of plausible impacts of the COVID-19 pandemic on the Nordic economies, reflecting the persisting uncertainty concerning the pandemic's future evolution and economic effects.

At the end of the third quarter of 2021 adjustments to model-based allowances/provisions amounted to EUR 629m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to EUR 455m at the end of the third quarter of 2021 (EUR 455m at the end of the second quarter of 2021) and the reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to EUR 155m (EUR 155m at the end of the second quarter of 2021). The cyclical reserve was supported by additional portfolio modelling and was triggered by the substantial uncertainty in the macroeconomic development, as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios.

The estimation was supported by the use of the internal stress testing model, adjusted for the impact of government support schemes. For the retail portfolio, the most important public sector actions have been the various forms of labour market support schemes, which have significantly decreased expected defaults and losses among households. Due to the wide scope of these schemes, Nordea decreased the modelled development of new defaults originally predicted by the internal stress testing models, leading to lower predicted loan losses. These models are based on historical observations and correlations. Thus, they do not replicate the impact of the current government support schemes.

With regard to the expected rating migration in the corporate portfolio, Nordea took into consideration the positive impact of the various government guarantee and support schemes, primarily addressing the liquidity shock caused by the lockdowns and quarantines. At the same time, additional negative rating migration was assumed for industries affected by COVID-19. This was based on an updated view of particularly sensitive industries (e.g. Retail trade, Accommodation and leisure, and Air transportation), and incorporated the main findings into the scenario projections.

The stress test model-based scenario simulations support the loan loss forecasts made by the business areas, and help Nordea ensure that its loan loss projections are appropriate.

Note 8 Continued

Scenarios and allowances/provisions

30 Sep 2021		2022	2023	2024	Unweighted ECL EURm	Probability weight	Model-based allowances/ provisions EURm	Adjustments to model-based allowances/ provisions EURm	Individual allowances/ provisions EURm	Total allowances/ provisions EURm
Denmark										
Favourable scenario	GDP growth, %	4.6	2.6	2.0	207	20%				
	Unemployment, %	3.3	3.1	3.0						
	Change in household consumption, %	6.9	3.0	2.9						
	Change in house prices, %	7.2	1.8	2.0						
Baseline scenario	GDP growth, %	3.7	2.2	1.9	208	60%	209	180	312	701
	Unemployment, %	3.8	3.7	3.7						
	Change in household consumption, %	6.4	2.5	2.5						
	Change in house prices, %	6.2	0.8	2.2						
Adverse scenario	GDP growth, %	1.5	2.3	2.0	214	20%				
	Unemployment, %	4.8	4.7	4.5						
	Change in household consumption, %	4.8	1.9	2.4						
	Change in house prices, %	-5.4	-0.9	2.4						
Finland										
Favourable scenario	GDP growth, %	3.9	1.8	1.1	248	20%				
	Unemployment, %	6.6	6.4	6.2						
	Change in household consumption, %	5.2	1.9	1.6						
	Change in house prices, %	3.4	2.0	1.7						
Baseline scenario	GDP growth, %	3.0	1.3	1.0	253	60%	255	148	194	597
	Unemployment, %	6.9	6.7	6.6						
	Change in household consumption, %	4.6	1.3	1.2						
	Change in house prices, %	1.4	1.6	1.4						
Adverse scenario	GDP growth, %	1.1	1.3	0.9	267	20%				
	Unemployment, %	7.8	7.5	7.3						
	Change in household consumption, %	3.2	0.8	0.5						
	Change in house prices, %	-4.6	-1.1	0.9						
Norway										
Favourable scenario	GDP growth, %	4.6	1.6	1.0	70	20%				
	Unemployment, %	2.7	2.6	2.7						
	Change in household consumption, %	11.0	3.8	2.3						
	Change in house prices, %	3.5	2.8	2.9						
Baseline scenario	GDP growth, %	3.6	1.2	1.0	72	60%	72	204	429	705
	Unemployment, %	3.1	3.0	3.1						
	Change in household consumption, %	10.1	3.2	2.1						
	Change in house prices, %	1.0	1.3	2.9						
Adverse scenario	GDP growth, %	1.7	1.2	1.1	77	20%				
	Unemployment, %	4.1	3.9	3.8						
	Change in household consumption, %	8.6	2.6	1.6						
	Change in house prices, %	-5.4	-0.9	2.5						
Sweden										
Favourable scenario	GDP growth, %	5.0	2.2	1.9	86	20%				
	Unemployment, %	7.0	6.7	6.6						
	Change in household consumption, %	6.4	2.9	2.2						
	Change in house prices, %	4.1	3.0	2.9						
Baseline scenario	GDP growth, %	3.7	2.1	1.8	89	60%	89	91	87	267
	Unemployment, %	7.4	7.1	7.0						
	Change in household consumption, %	5.2	2.6	1.8						
	Change in house prices, %	1.7	1.8	3.0						
Adverse scenario	GDP growth, %	2.1	2.2	2.0	94	20%				
	Unemployment, %	8.3	7.9	7.7						
	Change in household consumption, %	3.8	1.9	1.3						
	Change in house prices, %	-5.4	-0.9	2.4						
Non-Nordic							2	6	217	225
Total							**627**	**629**	**1,239**	**2,495**

Note 8 Continued

Scenarios and allowances/provisions

31 Dec 2020

Denmark		2021	2022	2023	Unweighted ECL EURm	Probability weight	Model-based allowances/ provisions EURm	Adjustments to model-based allowances/ provisions EURm	Individual allowances/ provisions EURm	Total allowances/ provisions EURm
Favourable scenario	GDP growth, %	4.7	2.4	1.9	244	5%				
	Unemployment, %	4.3	3.9	3.5						
	Change in household consumption, %	6.3	2.5	2.0						
	Change in house prices, %	-0.6	0.3	2.4						
Baseline scenario	GDP growth, %	3.0	2.5	2.5	251	50%	262	195	395	852
	Unemployment, %	5.6	4.8	4.2						
	Change in household consumption, %	5.0	1.7	1.8						
	Change in house prices, %	-2.6	0.6	2.7						
Adverse scenario	GDP growth, %	-0.5	3.6	4.0	277	45%				
	Unemployment, %	7.5	6.8	6.0						
	Change in household consumption, %	3.1	2.0	3.0						
	Change in house prices, %	-5.6	-4.6	2.6						
Finland										
Favourable scenario	GDP growth, %	3.5	2.4	1.8	191	5%				
	Unemployment, %	7.2	6.7	6.3						
	Change in household consumption, %	4.3	2.8	2.7						
	Change in house prices, %	-0.9	1.3	2.3						
Baseline scenario	GDP growth, %	2.5	2.0	2.2	201	50%	217	159	262	638
	Unemployment, %	8.0	7.7	7.2						
	Change in household consumption, %	3.8	1.9	2.5						
	Change in house prices, %	-2.5	1.4	2.5						
Adverse scenario	GDP growth, %	-2.3	3.4	3.3	237	45%				
	Unemployment, %	10.0	9.2	8.5						
	Change in household consumption, %	-0.2	3.1	2.8						
	Change in house prices, %	-5.2	-5.5	2.5						
Norway										
Favourable scenario	GDP growth, %	2.9	3.2	2.8	65	5%				
	Unemployment, %	5.1	4.2	3.9						
	Change in household consumption, %	4.3	2.6	2.8						
	Change in house prices, %	-1.0	-0.3	2.5						
Baseline scenario	GDP growth, %	1.9	3.3	2.9	67	50%	72	213	347	632
	Unemployment, %	6.1	5.1	4.3						
	Change in household consumption, %	3.6	2.5	2.3						
	Change in house prices, %	-3.2	0	3.0						
Adverse scenario	GDP growth, %	-0.7	3.1	3.7	78	45%				
	Unemployment, %	7.1	6.7	5.8						
	Change in household consumption, %	2.2	2.4	2.8						
	Change in house prices, %	-10.5	-9.3	3.2						
Sweden										
Favourable scenario	GDP growth, %	4.1	2.1	2.3	100	5%				
	Unemployment, %	8.3	7.7	6.8						
	Change in household consumption, %	2.4	2.2	2.3						
	Change in house prices, %	-2.8	-0.3	2.7						
Baseline scenario	GDP growth, %	1.8	5.0	3.0	109	50%	114	129	71	314
	Unemployment, %	10.0	8.1	7.3						
	Change in household consumption, %	0.1	5.2	2.7						
	Change in house prices, %	-3.5	-0.1	1.6						
Adverse scenario	GDP growth, %	-2.3	3.8	3.7	121	45%				
	Unemployment, %	11.5	11.1	10.2						
	Change in household consumption, %	-3.2	2.9	2.3						
	Change in house prices, %	-13.5	-11.1	3.8						
Non-Nordic							9	1	241	251
Total							**674**	**697**	**1,316**	**2,687**

Note 8 Continued

Loans to the public measured at amortised cost, broken down by sector and industry

30 Sep 2021

	Gross				Allowances				Loans carrying	Net loan
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	amount	losses[1]
Financial institutions	13,665	358	67	14,091	12	18	29	59	14,032	19
Agriculture	3,591	208	146	3,945	5	10	78	93	3,852	7
Crops, plantations and hunting	1,034	81	38	1,152	2	5	18	25	1,127	3
Animal husbandry	668	100	105	873	2	5	58	65	808	2
Fishing and aquaculture	1,889	28	3	1,920	1	1	1	3	1,917	3
Natural resources	2,462	204	568	3,233	3	4	341	347	2,886	-21
Paper and forest products	1,507	143	32	1,683	1	3	19	23	1,660	3
Mining and supporting activities	289	27	7	323	1	1	1	3	321	1
Oil, gas and offshore	665	33	529	1,227	1	0	321	322	906	-25
Consumer staples	2,891	252	21	3,164	3	11	11	26	3,139	8
Food processing and beverages	1,263	81	6	1,350	1	3	4	9	1,341	2
Household and personal products	242	18	10	271	0	1	5	6	265	0
Healthcare	1,385	152	5	1,543	2	6	2	10	1,532	6
Consumer discretionary and services	6,673	1,027	249	7,949	9	45	155	209	7,740	-66
Consumer durables	1,339	157	32	1,529	2	10	15	27	1,502	1
Media and entertainment	1,083	89	20	1,192	1	5	10	16	1,176	7
Retail trade	2,716	283	171	3,170	4	17	110	131	3,039	-69
Air transportation	182	66	3	251	0	3	2	5	247	5
Accommodation and leisure	710	425	23	1,158	2	10	18	30	1,128	-12
Telecommunication services	643	6	1	650	0	0	0	1	649	2
Industrials	27,600	2,476	611	30,688	48	101	304	453	30,235	41
Materials	1,142	174	43	1,360	1	4	17	23	1,337	49
Capital goods	2,452	341	103	2,896	3	10	43	56	2,840	-1
Commercial and professional services	8,877	562	130	9,568	16	31	64	112	9,457	-4
Construction	7,038	646	152	7,836	15	28	85	129	7,708	-15
Wholesale trade	4,467	441	60	4,968	6	17	38	61	4,907	21
Land transportation	2,250	232	107	2,589	4	6	49	59	2,530	-11
IT services	1,375	79	17	1,471	3	4	8	14	1,457	2
Maritime	5,881	331	603	6,815	11	5	239	254	6,560	-14
Ship building	280	4	5	289	1	0	5	6	283	5
Shipping	5,294	324	597	6,215	9	4	234	248	5,967	-19
Maritime services	308	3	0	311	0	0	0	1	310	0
Utilities and public service	5,615	85	34	5,735	3	3	20	27	5,708	-2
Utilities distribution	2,629	40	29	2,699	1	1	17	20	2,679	-4
Power production	1,960	23	1	1,984	1	0	0	2	1,981	1
Public services	1,026	23	4	1,053	1	1	3	5	1,048	1
Real estate	36,272	1,133	198	37,603	27	43	102	173	37,430	-9
Other industries and reimbursement rights	646	178	13	838	7	0	0	8	830	0
Total Corporate	**105,297**	**6,252**	**2,511**	**114,060**	**129**	**240**	**1,279**	**1,648**	**112,412**	**-38**
Housing loans	116,698	4,374	493	121,565	17	42	74	133	121,432	-53
Collateralised lending	17,418	1,319	347	19,084	62	55	166	283	18,802	18
Non-collateralised lending	5,862	1,095	241	7,198	22	77	102	201	6,997	38
Household	**139,978**	**6,788**	**1,081**	**147,847**	**101**	**174**	**342**	**617**	**147,230**	**3**
Public sector	**2,316**	**100**	**37**	**2,453**	**0**	**0**	**2**	**2**	**2,451**	**-1**
Lending to the public	**247,592**	**13,140**	**3,628**	**264,360**	**230**	**414**	**1,623**	**2,267**	**262,093**	**-37**
Lending to central banks and credit institutions	**2,133**	**14**	**0**	**2,147**	**3**	**0**	**0**	**3**	**2,143**	**0**
Total	**249,725**	**13,154**	**3,628**	**266,507**	**232**	**415**	**1,623**	**2,270**	**264,237**	**-37**

[1] The table shows net loan losses related to on- and off-balance sheet exposures for September 2021, year to date.

Note 8 Continued

Loans to the public measured at amortised cost, broken down by sector and industry

31 Dec 2020

	Gross				Allowances					
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Loans carrying amount	Net loan losses[1]
Financial institutions	12,622	509	158	13,289	18	16	150	185	13,105	-25
Agriculture	3,054	265	185	3,504	11	17	95	122	3,381	-13
Crops, plantations and hunting	1,027	112	49	1,188	4	7	23	34	1,154	-3
Animal husbandry	631	123	131	885	3	9	70	82	803	-4
Fishing and aquaculture	1,396	30	5	1,431	4	0	2	7	1,424	-5
Natural resources	2,673	188	564	3,425	5	4	282	291	3,134	-126
Paper and forest products	1,612	132	36	1,780	3	4	21	28	1,752	-15
Mining and supporting activities	330	22	4	356	0	0	2	3	353	-1
Oil, gas and offshore	730	34	524	1,288	1	0	258	260	1,028	-111
Consumer staples	2,821	219	27	3,067	5	20	15	40	3,027	-25
Food processing and beverages	1,083	85	7	1,175	2	5	4	11	1,164	-5
Household and personal products	165	59	11	235	1	2	5	8	227	-5
Healthcare	1,572	75	10	1,657	2	13	5	21	1,636	-15
Consumer discretionary and services	6,336	902	236	7,474	15	42	144	201	7,273	-77
Consumer durables	973	197	61	1,231	1	9	41	51	1,180	-26
Media and entertainment	1,409	79	34	1,522	2	4	25	31	1,492	-13
Retail trade	2,386	367	93	2,846	5	23	46	75	2,771	-21
Air transportation	167	33	14	214	0	1	9	10	204	-2
Accommodation and leisure	751	216	32	998	2	5	22	29	969	-20
Telecommunication services	651	9	1	662	4	0	0	5	657	6
Industrials	27,619	3,020	666	31,304	65	127	254	446	30,858	-160
Materials	1,190	384	63	1,637	3	7	29	38	1,599	9
Capital goods	2,795	403	97	3,295	5	13	51	69	3,226	-17
Commercial and professional services	10,031	605	189	10,825	26	30	0	56	10,768	-28
Construction	6,138	628	139	6,905	16	26	92	133	6,772	-56
Wholesale trade	4,234	556	85	4,874	9	35	43	86	4,788	-41
Land transportation	2,125	338	81	2,544	4	11	31	46	2,498	-19
IT services	1,106	106	12	1,224	3	6	9	18	1,207	-7
Maritime	5,620	362	555	6,537	16	9	226	251	6,286	-87
Ship building	129	4	7	140	0	0	7	7	133	2
Shipping	5,254	357	546	6,157	15	9	218	242	5,915	-88
Maritime services	237	1	1	239	0	0	1	1	238	0
Utilities and public service	5,444	127	32	5,603	4	6	16	26	5,577	-9
Utilities distribution	2,833	60	28	2,921	2	1	13	15	2,906	-2
Power production	1,833	33	1	1,866	1	3	0	4	1,863	-3
Public services	778	34	3	815	1	2	3	7	808	-4
Real estate	36,515	1,570	253	38,338	32	33	111	177	38,161	-81
Other industries and reimbursement rights	549	90	7	646	10	1	1	12	634	55
Total Corporate	**103,253**	**7,249**	**2,684**	**113,186**	**181**	**274**	**1,295**	**1,750**	**111,436**	**-547**
Housing loans	111,086	3,927	561	115,574	16	24	57	97	115,477	-77
Collateralised lending	16,425	1,401	396	18,222	55	70	192	317	17,905	-107
Non-collateralised lending	5,545	1,077	301	6,923	30	120	128	278	6,645	-178
Household	**133,056**	**6,404**	**1,258**	**140,719**	**101**	**214**	**377**	**692**	**140,027**	**-362**
Public sector	**5,363**	**129**	**37**	**5,529**	**0**	**0**	**2**	**2**	**5,526**	**0**
Lending to the public	**241,672**	**13,782**	**3,979**	**259,433**	**282**	**489**	**1,674**	**2,444**	**256,989**	**-908**
Lending to central banks and credit institutions	**4,352**	**58**	**0**	**4,409**	**3**	**1**	**0**	**4**	**4,405**	**0**
Total	**246,023**	**13,840**	**3,979**	**263,843**	**285**	**490**	**1,674**	**2,448**	**261,394**	**-908**

[1] The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2020.

Note 9 Classification of financial instruments

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 other comprehensive income (FVOCI)	Total
Financial assets					
Cash and balances with central banks	77,086	-	-	-	77,086
Loans to central banks	6	469	-	-	475
Loans to credit institutions	2,138	4,622	-	-	6,760
Loans to the public	262,093	80,511	-	-	342,604
Interest-bearing securities	3,415	24,462	4,074	31,966	63,917
Financial instruments pledged as collateral	-	2,357	-	397	2,754
Shares	-	21,825	-	-	21,825
Assets in pooled schemes and unit-linked investment contracts	-	43,250	338	-	43,588
Derivatives	-	30,268	-	-	30,268
Fair value changes of the hedged items in portfolio hedge of interest rate risk	92	-	-	-	92
Other assets	3,425	10,926	-	-	14,351
Prepaid expenses and accrued income	320	-	-	-	320
Total 30 Sep 2021	**348,575**	**218,690**	**4,412**	**32,363**	**604,040**
Total 31 Dec 2020	299,719	204,232	4,431	33,726	542,108

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)	Total
Financial liabilities				
Deposits by credit institutions	30,245	13,222	-	43,467
Deposits and borrowings from the public	201,985	8,837	-	210,822
Deposits in pooled schemes and unit-linked investment contracts	-	-	44,638	44,638
Liabilities to policyholders	-	-	2,214	2,214
Debt securities in issue	134,717	-	56,357	191,074
Derivatives	-	31,726	-	31,726
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,402	-	-	1,402
Other liabilities[1]	6,318	17,926	-	24,244
Accrued expenses and prepaid income	120	-	-	120
Subordinated liabilities	6,583	-	-	6,583
Total 30 Sep 2021	**381,370**	**71,711**	**103,209**	**556,290**
Total 31 Dec 2020	334,281	67,498	96,127	497,906

[1] Of which lease liabilities classified in the category Amortised cost EUR 1,147m.

Note 10 Fair value of financial assets and liabilities

	30 Sep 2021		31 Dec 2020	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	77,086	77,086	32,955	32,955
Loans	349,931	351,761	336,370	344,038
Interest-bearing securities	63,917	64,057	62,509	62,764
Financial instruments pledged as collateral	2,754	2,754	3,795	3,795
Shares	21,825	21,825	12,649	12,649
Assets in pooled schemes and unit-linked investment contracts	43,588	43,588	36,123	36,123
Derivatives	30,268	30,268	44,770	44,770
Other assets	14,351	14,351	12,645	12,645
Prepaid expenses and accrued income	320	320	292	292
Total	**604,040**	**606,010**	**542,108**	**550,031**
Financial liabilities				
Deposits and debt instruments	453,348	454,095	391,228	392,214
Deposits in pooled schemes and unit-linked investment contracts	44,638	44,638	37,534	37,534
Liabilities to policyholders	2,214	2,214	2,386	2,386
Derivatives	31,726	31,726	47,033	47,033
Other liabilities	23,097	23,097	18,270	18,270
Accrued expenses and prepaid income	120	120	222	222
Total	**555,143**	**555,890**	**496,673**	**497,659**

The determination of fair value is described in the Annual Report 2020, Note G41 "Assets and liabilities at fair value".

Note 11 Financial assets and liabilities held at fair value on the balance sheet

Categorisation in the fair value hierarchy

EURm	Quoted prices in active markets for the same instruments (Level 1)	*Of which Life & Pension*	Valuation technique using observable data (Level 2)	*Of which Life & Pension*	Valuation technique using non-observable data (Level 3)	*Of which Life & Pension*	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	-	-	469	-	-	-	469
Loans to credit institutions	-	-	4,622	-	-	-	4,622
Loans to the public	-	-	80,511	-	-	-	80,511
Interest-bearing securities[2]	24,266	*1,137*	38,260	*2,888*	730	*101*	63,256
Shares	19,222	*10,378*	402	*206*	2,201	*993*	21,825
Assets in pooled schemes and unit-linked investment contracts	42,961	*38,582*	482	*482*	145	*145*	43,588
Derivatives	89	-	28,368	*7*	1,811	-	30,268
Other assets	-	-	10,897	-	29	*28*	10,926
Total 30 Sep 2021	**86,538**	***50,097***	**164,011**	***3,583***	**4,916**	***1,267***	**255,465**
Total 31 Dec 2020	74,689	*42,072*	162,906	*3,733*	4,794	*1,024*	242,389
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	-	-	13,222	-	-	-	13,222
Deposits and borrowings from the public	-	-	8,837	-	-	-	8,837
Deposits in pooled schemes and unit-linked investment contracts	-	-	44,638	*40,348*	-	-	44,638
Liabilities to policyholders	-	-	2,214	*2,214*	-	-	2,214
Debt securities in issue	37,482	-	17,403	-	1,472	-	56,357
Derivatives	129	-	30,170	*23*	1,427	-	31,726
Other liabilities	8,113	-	9,804	-	9	-	17,926
Total 30 Sep 2021	**45,724**	**-**	**126,288**	***42,585***	**2,908**	**-**	**174,920**
Total 31 Dec 2020	50,870	-	109,333	*35,501*	3,422	-	163,625

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.
[2] Of which EUR 2,754m relates to the balance sheet item Financial instruments pledged as collateral.

Transfers between Levels 1 and 2

During the period Nordea transferred "Interest-bearing securities" (including such financial instruments pledged as collateral) of EUR 1,153m from Level 1 to Level 2 and of EUR 788m from Level 2 to Level 1 in the fair value hierarchy. Furthermore, Nordea transferred "Debt securities in issue" of EUR 11,522m from Level 1 to Level 2 and of EUR 4,234m from Level 2 to Level 1. Nordea also transferred "Other liabilities" of EUR 65m from Level 1 to Level 2 and of EUR 379m from Level 2 to Level 1. The transfers from Level 1 to Level 2 were due to the instruments ceasing to be actively traded during the period, which meant that fair values were obtained using valuation techniques with observable market inputs. The transfers from Level 2 to Level 1 were due to the instruments again being actively traded during the period, which meant that reliable quoted prices were obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Note 11 Continued

Movements in Level 3

	1 Jan	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification[1]	Translation differences	30 Sep
EURm												
Interest-bearing securities	931	-31	20	-	163	-118	-34	224	-434	-	9	730
- of which Life & Pension	*67*	*1*	*-*	-	*48*	*-3*	*-2*	*40*	*-52*	-	*2*	*101*
Shares	1,969	59	258	-	211	-243	-9	-	-	-	-44	2,201
- of which Life & Pension	*835*	*55*	*88*	-	*118*	*-97*	*-9*	-	-	-	*3*	*993*
Assets in pooled schemes and unit-linked investment contracts	92	7	23	-	28	-11	-6	19	-6	-	-1	145
- of which Life & Pension	*92*	*7*	*23*	-	*28*	*-11*	*-6*	*19*	*-6*	-	*-1*	*145*
Derivatives (net)	162	34	201	-	-	-	-34	21	-	-	-	384
Other assets	31	-	-	-	-	-	-2	-	-	-	-	29
- of which Life & Pension	*30*	-	-	-	-	-	*-2*	-	-	-	-	*28*
Debt securities in issue	1,781	778	-912	-3	593	-	-337	98	-526	-	-	1,472
Other liabilities	32	-	-1	-	8	-30	-	-	-	-	-	9
Total 2021, net	**1,372**	**-709**	**1,415**	**3**	**-199**	**-342**	**252**	**166**	**86**	**-**	**-36**	**2,008**
Total 2020, net	237	-831	852	3	672	-324	1,067	-72	-263	-45	-84	1,212

[1] Reclassification related to early conversion of Visa C shares into Visa A shares.

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The transfers out of Level 3 were due to observable market data becoming available. The transfers into Level 3 were due to observable market data no longer being 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.

Valuation processes for fair value measurements in Level 3

For information about the valuation processes for fair value measurement in Level 3, see the Annual Report 2020, Note G41 "Assets and liabilities at fair value".

Deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to the fact 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 2020, 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. The table also shows a reconciliation of how this aggregated difference changed during the period (movement of deferred Day 1 profit).

Deferred Day 1 profit – derivatives, net

	2021	2020
EURm		
Opening balance as at 1 Jan	73	125
Deferred profit on new transactions	41	87
Recognised in the income statement during the period[1]	-38	-133
Closing balance as at 30 Sep	**76**	**79**

[1] Of which EUR -4m (EUR -9m) due to transfers of derivatives from Level 3 to Level 2.

Note 11 Continued

Valuation techniques and inputs used in the fair value measurements in Level 3

EURm	Fair value	*Of which Life & Pension*[1]	Valuation techniques	Unobservable input	Range of fair value[4]
Interest-bearing securities					
Public bodies	40	-	Discounted cash flows	Credit spread	-4/4
Mortgage and other credit institutions	524	*101*	Discounted cash flows	Credit spread	-44/44
Corporates[2]	166	-	Discounted cash flows	Credit spread	-17/17
Total 30 Sep 2021	**730**	***101***			**-65/65**
Total 31 Dec 2020	931	*67*			-88/88
Shares					
Private equity funds	833	*574*	Net asset value[3]		-100/100
Hedge funds	74	*73*	Net asset value[3]		-7/7
Credit funds	542	*170*	Net asset value/market consensus[3]		-47/47
Other funds	525	*175*	Net asset value/fund prices[3]		-49/49
Other[5]	372	*146*	-		-25/25
Total 30 Sep 2021	**2,346**	***1,138***			**-228/228**
Total 31 Dec 2020	2,061	*927*			-199/199
Derivatives, net					
Interest rate derivatives	339	-	Option model	Correlations Volatilities	-7/7
Equity derivatives	-74	-	Option model	Correlations Volatilities Dividends	-13/9
Foreign exchange derivatives	132	-	Option model	Correlations Volatilities	0/0
Credit derivatives	-16	-	Credit derivative model	Correlations Volatilities Recovery rates	-20/23
Other	3	-	Option model	Correlations Volatilities	-0/0
Total 30 Sep 2021	**384**	**-**			**-40/39**
Total 31 Dec 2020	162	-			-52/55
Debt securities in issue					
Issued structured bonds	1,472	-	Credit derivative model	Correlations Recovery rates Volatilities	-7/7
Total 30 Sep 2021	**1,472**	**-**			**-7/7**
Total 31 Dec 2020	1,781	-			-7/7
Other, net					
Other assets and other liabilities, net	20	*28*	-	-	-3/3
Total 30 Sep 2021	**20**	***28***			**-3/3**
Total 31 Dec 2020	-1	*30*			-1/1

[1] Investments in financial instruments are a major part of the life insurance business, acquired to fulfil the obligations behind the insurance and investments contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and consequently do not affect Nordea's equity.
[2] Of which EUR 155m is priced at a credit spread (the difference between the discount rate and the LIBOR) of 1.45%. A reasonable change in 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 provided by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in the 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 EVCA). Approximately 40% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are in a range of 1% to 100% compared with 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 2020, Note G41 "Assets and liabilities at fair value".
[5] Of which EUR 145m related to assets in pooled schemes and unit-linked investment contracts.

Note 12 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. The supervisory and governmental authorities administering and enforcing these regimes make regular enquiries and conduct investigations with regard to Nordea's compliance. Areas subject to investigation include investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law, and governance and control. The outcome and timing of these enquiries and investigations are unclear and pending. Accordingly, it cannot be ruled out that these enquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigation.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding AML. The outcome resulted in criticism and, in accordance with Danish administrative practice, the matter was handed over to the police for further handling and possible sanctions. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters.

There is a risk that, in the event the authorities issue fines, these could be higher (or potentially lower) than the current provision, and this could also impact Nordea's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, Nordea will maintain a sufficient level of provision for ongoing AML-related matters while continuing the dialogue with the Danish Authorities regarding their allegations concerning historical AML weaknesses.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Among other actions, Nordea established in 2015 the Financial Crime Change Programme, and has strengthened its organisation significantly to enhance its AML and sanction management risk frameworks. Nordea also established the Sustainability and Ethics Committee and a culture transformation programme to embed stronger ethical standards into its corporate culture. The Group is also investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

Within the framework of normal business operations, Nordea faces a number of claims related to the provision of banking and investment services and other areas in which it operates. Some of these claims have led or could lead to disputes and/or litigation. Currently, such claims are mainly related to lending and insolvency situations, various investment services, and sub-custody and withholding taxation matters. At present, none of the current claims are considered likely to have any significant adverse effect on Nordea or its financial position.

There are significant risks caused by the COVID-19 pandemic given the uncertainty of the economic impact on the markets in which Nordea operates. Depending on future developments, potential adverse impacts on income could arise due to lower net interest income, market volatility and reduced business activity impacting transaction volumes and customer activity. Potential future credit risks are addressed in Note 8 and the section "Net loan losses and similar net result". Depending on the duration and magnitude of the situation, there is a possibility that Nordea will not be able to meet its financial targets in very adverse scenarios.

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 stages 1 and 2
Allowances for non-impaired loans (stages 1 and 2) divided by non-impaired loans measured at amortised cost (stages 1 and 2) before allowances.

Economic capital
Economic capital is Nordea's internal estimate of required capital. It measures the capital required to cover unexpected losses in the course of Nordea's business with a certain probability. Economic capital 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.

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.

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

Return on capital at risk
Return on capital at risk (ROCAR) is defined as net profit excluding items affecting comparability as a percentage of economic capital. For the business areas it is defined as operating profit after standard tax as a percentage of economic capital.

Return on capital at risk with amortised resolution fees
ROCAR with amortised resolution fees is defined as net profit adjusted for the effect of resolution fees on an amortised basis after tax and excluding items affecting comparability as a percentage of economic capital. For the business areas it is defined as operating profit adjusted for the effect of resolution fees on an amortised basis after standard tax as a percentage of economic capital.

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 classified as a financial liability in the calculation. 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 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 classified as a financial liability in the calculation. 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.

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 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 classified as a financial liability in the calculation. 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, excludes non-controlling interests and Additional Tier 1 capital, and is reduced with intangible assets.

Tier 1 capital
The Tier 1 capital of an institution consists of the sum of its Common Equity Tier 1 capital and Additional Tier 1 capital. 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 other deductions, such as cash flow hedges.

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

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

For a list of further alternative performance measures and business definitions, please see https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports/ and the Annual Report 2020.

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