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January 19, 2018

Federal Reserve Bank of New York,
33 Liberty Street,
New York, NY 10045.

Attention: Ivan J. Hurwitz, Vice President, Bank Applications

Re: Nordea Holding Abp: Application Pursuant to Section 7(d) of the International Banking Act of 1978

Dear Mr. Hurwitz:

On behalf of our client, Nordea Holding Abp (the "Applicant"), we hereby respectfully submit to the Federal Reserve Bank of New York (the "FRBNY") an application (the "Application") pursuant to the International Banking Act of 1978, 12 U.S.C. § 3102, for the establishment of a state-licensed branch. We are simultaneously filing an application with the New York State Department of Financial Services (the "NYDFS") (the "NYDFS Application") and have also enclosed a copy of the public and confidential portions of such application herein.

Our submission consists of the following:

1. the Application;
2. the public exhibits to the Application;
3. the confidential exhibits to the Application (the "FRBNY Confidential Exhibits");
4. the NYDFS Application;
5. the public exhibits to the NYDFS Application; and

6. the confidential exhibits to the NYDFS Application (together with the FRBNY Confidential Exhibits, the "Confidential Materials").

Confidential Treatment Request

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, and regulations promulgated by the Board of Governors of the Federal Reserve (the "Board") pursuant thereto, 12 C.F.R. Part 261, we hereby respectfully request that the Confidential Materials be treated confidentially and not be made available for inspection or copying.[1] The Confidential Materials have been marked "Confidential Treatment Requested." The Confidential Materials include nonpublic personnel files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy within the meaning of Section 261.14(a)(6) of the Board's regulations, as well as confidential supervisory information within the meaning of Section 261.14(a)(8) of the Board's regulations or that is otherwise exempt from disclosure under Section 261.14(a) of the Board's regulations, the disclosure of which would cause significant harm to the Applicant and its affiliates.

At this point in time, the Confidential Materials will not be publicly disclosed and are not required to be publicly disclosed. Some of the information for which confidential treatment is requested is highly confidential personal information, the disclosure of which would serve no public purpose and would clearly constitute an unwarranted invasion of personal privacy. In addition, disclosure of this information would reveal to competitors the internal organization, deliberations, strategies, policies, procedures, supervisory relationships, non-public information and competitive position of the Applicant and would place the Applicant at a competitive disadvantage with respect to its competitors who do not publicly reveal such information. For these reasons, the Applicant believes that the Confidential Materials are privileged or confidential within the meaning of 12 C.F.R. § 261.14(a)(6) and 12 C.F.R. § 261.14(a)(8).

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1 Under 5 U.S.C. § 552(b)(4), information that a private party has provided to a government agency is exempt from disclosure if it consists of "trade secrets and commercial or financial information obtained from a person and privileged or confidential." Accord 12 C.F.R. § 261.14(a)(4). It is well established that this exemption protects confidential trade secrets and commercial and financial information from disclosure if such disclosure would be "likely . . . to cause substantial competitive harm to the competitive position of the person from whom the information was obtained." National Parks & Conservation Ass'n v. Kleppe, 547 F.2d 673, 677-78 (D.C. Cir. 1976). To establish such an exemption, the person seeking such an exemption need not show certainty of competitive harm, but only a likelihood that such harm may occur. See Gulf & Western Indus. v. United States, 615 F.2d 527, 530 (D.C. Cir. 1979).

In addition, we request, pursuant to the Freedom of Information Act and the applicable Board regulations and for reasons including those set forth above, that any memoranda, notes or other writings of any kind whatsoever made by an employee, agent or any person under the control of the Board or any Federal Reserve Bank (or any other governmental agency) that incorporate, include or relate to any of the matters referred to in the Confidential Materials (i) furnished by the Applicant, its affiliates or their employees or agents to the Board or any Federal Reserve Bank (or any other governmental agency) or (ii) referred to in any conference, meeting, telephone conversation or interview between (a) employees, former employees, representatives, agents or counsel of the Applicant and (b) employees, agents or any persons under the control of the Board or any Federal Reserve Bank, be maintained in confidence, not be made of any public record and not be disclosed to any person.

We also request that, if the Board should make a preliminary determination not to comply with the foregoing requests for confidential treatment, the Applicant be given notice thereof in ample time to permit the Applicant to make an appropriate submission as to why such information should be preserved in confidence. If the Confidential Materials or any of such memoranda, notes or writings, are the subject of a Freedom of Information Act request or a request or demand for disclosure by any governmental agency, Congressional office or committee, court or grand jury, we request, pursuant to the Board's regulations, that you notify the Applicant prior to making such disclosure. We further ask that the Applicant be furnished with a copy of all written materials pertaining to such request (including but not limited to the request itself and any determination with respect to such request) and that the Applicant be given sufficient advance notice of any intended release so that it may, if deemed necessary or appropriate, pursue any available remedies.

* * *

If you have any questions or comments with respect to any of the matters discussed in this letter or in the documents enclosed herewith, please feel free to contact the undersigned at (212) 558-3721 or escuem@sullcrom.com, or Kathryn E. Collard at (202) 956-7615 or collardk@sullcrom.com.

Very truly yours,

Michael T. Escue

(Enclosures)

cc: Cathy Weintraub
Jeffrey Waddle
(NYDFS)

Maria Snöbohm
Maria Kronström
(Nordea)

Andrea R. Tokheim
Kathryn E. Collard
(Sullivan & Cromwell LLP)

APPLICATION

PURSUANT TO
SECTION 7(d)
OF THE
INTERNATIONAL BANKING ACT OF 1978

SUBMITTED BY

NORDEA HOLDING ABP
Helsinki, Finland

TO THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

FOR THE
ESTABLISHMENT OF A STATE-LICENSED BRANCH

Submitted

January 19, 2018

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APPLICATION BY NORDEA HOLDING ABP TO ESTABLISH A STATE-LICENSED BRANCH IN THE UNITED STATES

Preliminary Statement

This Application on Form FR K-2 under the International Banking Act of 1978, 12 U.S.C. § 3102, is filed with respect to the establishment by Nordea Holding Abp (to be renamed to Nordea Bank Abp upon receipt of a banking license from the European Central Bank (the "ECB")) ("Nordea-Finland" or the "Applicant") of a New York state-licensed branch ("Nordea-Finland NY Branch"). Nordea-Finland's purpose in establishing the Nordea-Finland NY Branch is to carry on the business of the existing New York branch ("Existing NY Branch") of Nordea Bank AB (publ) ("NBAB" and, with its consolidated subsidiaries, the "Group" or the "Nordea Group") on consummation of the change in domicile of the parent of Nordea Group from Sweden to Finland.

NBAB is a Swedish bank that currently conducts its principal operations through a branch network in Denmark, Norway and Finland (the "Nordic Branches"), with additional branches in Frankfurt, London, New York, Shanghai and Singapore.[1] On January 2, 2017, Nordea Group completed a series of mergers to rationalize its legal structure pursuant to which NBAB's former Nordic subsidiaries, Nordea Bank Danmark A/S, Nordea Bank Finland Plc ("NBF") and Nordea Bank Norge ASA, were merged into NBAB. Prior to January 2, 2017, the Group conducted direct U.S. banking operations through a New York state-licensed branch of NBF. In connection with the 2017 merger of NBF into NBAB, NBAB applied for and received approval from the Board of Governors of the Federal Reserve (the "Federal Reserve") and from the New York State Department of Financial Services ("NYDFS") to establish a New York branch for the purpose of continuing the operations of the NBF New York Branch (the "2015 Application").

Nordea Group now plans to further rationalize its legal structure by changing the domicile of its parent from Sweden to Finland. Sweden is not currently a member of the banking union within the European Union ("EU"). Nordea Group believes that changing the domicile of its parent from Sweden to Finland, a country that is a member of the EU banking union, will result in its European operations being supervised in a more predictable and consistent way. Nordea Group expects that the redomiciliation to Finland should reduce regulatory risk and strengthen the Group's competitive position.

Nordea-Finland is a newly established Finnish company that applied for a banking license from the ECB in December 2017. After the banking license has been granted (which Nordea expects to occur during the summer of 2018), NBAB

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1 Nordea also has offices in Poland and Estonia that provide back office support services and that do not conduct any customer-facing services or activities.

will be merged into Nordea-Finland (the "Merger"). The Group plans to complete the Merger in the fourth quarter of 2018. The Merger will constitute a cross-border merger in accordance with EU law, as implemented in Sweden and Finland,[2] and as a result, all the assets and liabilities of NBAB will by operation of law be transferred to Nordea-Finland.[3] After the Merger, the banking business will be conducted principally through branches of Nordea-Finland in Sweden, Denmark and Norway. Please refer to Confidential Exhibit 1 for the main legal structure organizational chart pre- and post-merger.

Currently, NBAB operates the Existing NY Branch. As a result of the Merger, the operations of the Existing NY Branch would transfer to a branch of Nordea-Finland. Nordea-Finland, as the resulting entity of the Merger, must have authority to establish and operate a branch in New York prior to consummation of the Merger. Nordea-Finland is filing this Application, as well as an application with NYDFS, for authority to establish the Nordea-Finland NY Branch.

To summarize, Nordea believes the following steps are those necessary to transfer the business of the Existing NY Branch from NBAB to Nordea-Finland in connection with the Merger planned for the third quarter of 2018:

1. In 2017, Nordea Group established a new legal entity, Nordea-Finland (the Applicant).

2. Nordea-Finland applied to the ECB for a banking license in December 2017.

3. With today's submission of this Application and the concurrent application to the NYDFS, Nordea-Finland is applying to the Federal Reserve and NYDFS for permission to establish a New York state-licensed branch. Nordea-Finland will provide certain documents and information required in connection with this Application after it has received a banking license from the ECB and becomes a banking organization. This Application indicates which documents and information Nordea-Finland expects to provide after it has become a banking organization.

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2 The Swedish Companies Act (SFS 2005:551) and supplemental provisions in the Swedish Banking and Financing Business Act (SFS 2004:297), the Finnish Companies Act (2006/624) and supplemental provisions in the Finnish Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company (2001/1501), each implementing EU Directive 2005/56/EC on cross-border mergers.

3 The merger plan is *available at* https://www.nordea.com/en/about-nordea/corporate-governance/legal-structure/nordeas-re-domicilation/.

4. Nordea-Finland receives a banking license from the ECB in the summer of 2018 and becomes a banking organization.

5. Shortly after Nordea-Finland becomes a banking organization, it submits to the Federal Reserve any outstanding documents or information required in connection with this Application.

6. After Nordea-Finland has submitted all documents required in connection with this Application and prior to the third quarter of 2018, Nordea-Finland receives the approval of the Federal Reserve and NYDFS to establish a New York branch.

7. Nordea-Finland coordinates with NYDFS to obtain the New York branch license concurrent with the consummation of the Merger in the third quarter of 2018.

Through the Existing NY Branch, NBAB services its customers doing business in the United States, Canada and elsewhere. The Existing NY Branch primarily offers loans and other credit services, cash management services and markets services, including foreign exchange. Nordea-Finland's only purpose in establishing the Nordea-Finland NY Branch is to enable it to carry on the business of the Existing NY Branch after the Merger. Nordea-Finland plans to continue to conduct the business of the Existing NY Branch in the same way that it is conducted today. There are no planned changes as a result of the Merger to the scope of activities, staffing, governance structure or policies and procedures of the Existing NY Branch. The only change contemplated by the Merger is that the operations of the Existing NY Branch would transfer to a branch of Nordea-Finland. Please refer to the response to Question 11 below for additional information.

On consummation of the Merger, it is anticipated that the ECB will be the primary supervisor of Nordea-Finland in co-operation with *Finanssivalvonta* (the "Finnish FSA"). Host country supervisors will have a role in supervision of the Nordic Branches, consistent with the EU requirement of establishing colleges of supervisors to coordinate supervisory activities for European Economic Area ("EEA") banks with subsidiaries or significant branches in other EEA countries, as discussed further below.

I. Operations, Structure and Ownership of Applicant

1. Discuss whether Applicant engages directly in the business of banking outside the United States. In this regard, Applicant should address whether it engages directly in banking activities usual in connection with the business of banking in the countries in which it is organized or operates.

On consummation of the Merger, Nordea-Finland will succeed to the operations of NBAB and become the parent of the Nordea Group. The Nordea Group home office will therefore be in Finland, and NBAB's current operations in Sweden will be conducted through a branch of Nordea-Finland. All other operations of the Nordea Group will remain as they are now, and Nordea-Finland's banking business will therefore be the same as NBAB's current banking business.

The Nordea Group engages directly in the business of banking outside of the United States. As a universal bank, the Group offers a comprehensive range of banking and financial products and services to household and corporate customers, including financial institutions. The Group is the largest financial services group in the Nordic markets (Denmark, Finland, Norway and Sweden) measured by total income, and conducts banking or other financial services operations in various locations worldwide, including, most significantly, Russia, Luxembourg, the United Kingdom, Singapore, the United States, and Germany.

NBAB, the ultimate parent company of the Group, is currently incorporated in the Kingdom of Sweden, is headquartered in Stockholm and is a public company listed on the NASDAQ OMX Nordic Exchange in Stockholm. NBAB is an operating bank that engages directly in banking activities usual in connection with the business of banking in the countries in which it operates, including by offering retail and wholesale banking products to its customers. NBAB has branches in Norway, Finland, Denmark, Germany, Singapore, the United Kingdom, the United States (New York) and China and representation offices in China and Brazil.[4]

As noted, NBAB has branch networks in Denmark, Norway and Finland (the Nordic Branches). The Nordic Branches engage directly in banking activities usual in connection with the business of banking in the countries in which they are organized or operate.

The Group's organizational structure is built around four main business areas ("<u>Business Areas</u>"): Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management.

- Personal Banking is responsible for household customers and offers a full range of financial services and solutions through various channels. The Business Area includes advisory and service staff, channels, product units, back office and information technology ("<u>IT</u>") under a common strategy, operating model and governance across markets.

- Commercial & Business Banking is responsible for serving 540,000 small- and medium-sized corporate customers through a mix of physical and

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4 Nordea also has offices in Poland and Estonia that provide back office support services and that do not conduct any customer-facing services or activities.

digital channels. This Business Area operates in Denmark, Sweden, Norway and Finland and consists of advisory and service staff, product units, back office and IT—all operating under the same strategy, operating model and governance across markets. Commercial & Business Banking is also responsible for providing transaction and finance banking services to both household and corporate customers across the Nordea Group.

- Wholesale Banking is responsible for customer relations with large corporate and institutional customers. This Business Area 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 and corporate finance.

- Wealth Management includes the Private Banking, Asset Management and Life & Pensions business unites and is operated through an integrated model with Personal Banking.

2. Provide a copy of Applicant's most recent annual report to shareholders and a brief history of Applicant, including ranking by asset size in the home country.

Please refer to Public Exhibit 1 for the Group's annual report to shareholders (the "2016 Annual Report").

The Nordea Group was created through a combination of four large Nordic financial institutions: Nordbanken AB (publ) in Sweden merged with Merita Bank Abp in Finland in 1997 to form MeritaNordbanken, which, in turn, acquired Unidanmark A/S in Denmark and Christiania Bank & Kreditkasse ASA in Norway in 2000. Nordea subsequently acquired Postgirot Bank AB (publ) in Sweden in 2001. The Group has operated under the name Nordea since December 2001.

An internal restructuring commenced in 2003 when Nordea AB (publ), the former parent company of the Nordea Group, acquired Nordea Bank Sverige AB (publ) (Nordea Bank Sweden), Nordea Bank Danmark A/S (Nordea Bank Denmark) and Nordea Bank Norge ASA (Nordea Bank Norway) from NBF (Nordea Bank Finland). At that time, Nordea AB (publ) also acquired Nordea North America, Inc. from NBF. Following these transactions, Nordea AB (publ) was established as a bank and its name was changed to NBAB. Thereafter, Nordea Bank Sweden merged with NBAB. The merger was registered with the Swedish Patent and Registration Office (currently the Swedish Companies Registration Office) on March 1, 2004.

In January 2017, the Group simplified its legal structure by merging its Nordic subsidiaries, Nordea Bank Danmark A/S, NBF and Nordea Bank Norge ASA, into NBAB.

NBAB had total assets of approximately €616 billion on a consolidated basis as of December 31, 2016. The Group is the largest financial services group in the Nordic region as measured by total income and assets on a consolidated basis. NBAB's only direct U.S. banking operations are conducted through the Existing NY Branch, which will also be the case for Nordea-Finland.

3. **Provide a brief summary of Applicant's experience in international banking. The discussion should include a general description of the volume and character of the Applicant's current international business and the location, number and asset size of direct offices overseas.**

The Group has extensive experience in international banking, with its main geographic markets comprising the Nordic countries, the Baltic countries and, to a more limited extent, Russia. Note G48 – Country by country reporting on page 172 of the 2016 Annual Report, attached hereto as Public Exhibit 1, summarizes the businesses, average employees, total operating income and operating profit for each country where the Group has a subsidiary, associated undertaking or branch. All figures below are as of December 31, 2016. The operations in the Baltic countries, which consisted of €3 billion of assets (less than one percent of the consolidated Nordea Group total) have since been transferred to a company jointly controlled by NBAB and Den Norske Bank AS, and are no longer part of the Nordea Group.

The Group's operations in the Nordic countries (Denmark, Finland, Sweden and Norway) represent approximately 98 percent of the total operating income for the Group. NBAB's operating income from Sweden is the highest at €3.02 billion, or approximately 30 percent of total operating income from the Nordic countries, with Denmark, Finland and Norway representing approximately 30, 19 and 16 percent, respectively.

In Russia, the Group operates its Wholesale Banking business, with exposures constituting less than 1 percent of total Group portfolio exposures.

The Group also conducts banking operations through offices in Luxembourg, the United Kingdom, Singapore, Germany and China. In addition, the Group has representation offices in China and Brazil and provides investment services through companies in a number of countries, including Luxembourg, Switzerland, Spain, Italy and the United States. In the United States, investment services are provided through Nordea Investment Management North America Inc. ("NIMNAI").

In the United States, the Group operates primarily through the Existing NY Branch and NIMNAI.

Please also refer to Note G2 – Segment Reporting on page 104 of the 2016 Annual Report in Public Exhibit 1, which summarizes the Group's total operating income and total assets by geographic region based on the location of the customers' operations. As of December 31, 2016, total assets for the Group were €616 billion and for the Nordic countries were €564 billion, approximately 92 percent of Group total assets. Of those, assets for Sweden alone were €168 billion, approximately 27 percent of the Group total and approximately 30 percent of the total for the Nordic countries. Total assets for the Baltic countries and Russia were €3 billion (less than 1 percent) and €2 billion (less than 1 percent), respectively. Total assets for all other jurisdictions combined were €47 billion (approximately 8 percent).

4. **Provide an organization chart for Applicant and its ultimate parent, if any, showing all subsidiaries of Applicant and its ultimate parent. Include the place of incorporation for all subsidiaries.**

Nordea-Finland is the Applicant and will be the top-tier banking organization within the Group. Please refer to Confidential Exhibit 1 for the Group's legal structure organization chart, both pre- and post-Merger.

5. **Provide the name, asset size, general activities, and ownership share held by Applicant for each of Applicant's direct and indirect subsidiaries that comprise 1 percent or more of Applicant's worldwide consolidated assets.**

Below we describe the general activities of the 10 largest subsidiaries by asset size of NBAB, which will become subsidiaries of Nordea-Finland. Please refer to Confidential Exhibit 2 for a complete list of all direct and indirect subsidiaries of NBAB that, as of December 31, 2016, comprised 1 percent or more of NBAB's worldwide consolidated assets, and which will become subsidiaries of Nordea-Finland.

Company Name	Country of Incorporation	Nature of Business
JSC Nordea Bank	Russia	Banking
Nordea Life Holding AB	Sweden	Holding company
Nordea Kredit Realkreditselskab	Denmark	Mortgage lending
Nordea Hypotek AB	Sweden	Mortgage lending
Nordea Mortgage Bank Plc	Finland	Mortgage lending
Nordea Eiendomskreditt AS	Norway	Mortgage lending
Nordea Finance Finland Ltd	Finland	Finance company
Nordea Bank S.A.	Luxembourg	Banking
Nordea Finans Sverige	Sweden	Finance company

Company Name	**Country of Incorporation**	**Nature of Business**
AB (publ)		
Nordea Finans Norge AS	Norway	Finance company
Nordea Finans Danmark	Denmark	Finance company

Please also refer to the main legal structure organization chart in Confidential Exhibit 1.

6. **List all persons (natural as well as legal) in the upstream chain of ownership of the applicant who, directly or indirectly, own 5 percent or more of the voting shares of the Applicant and its ultimate parent, if any.**

As of December 31, 2016, Sampo Oyj ("Sampo"), a Finnish company, was the largest individual shareholder of NBAB with a holding of 21.3 percent of the voting shares of NBAB. Sampo has property and casualty insurance subsidiaries that provide insurance solutions and services in Finland, Sweden, Norway, Denmark and the Baltic countries. Sampo also has a Finnish financial services company subsidiary that provides wealth management, remuneration services and personal risk insurance to private and corporate customers in Finland and all the Baltic countries. Nordea provided detailed information regarding its relationship with Sampo in connection with the 2015 Application and submits that there have been no changes to the relationship between Nordea and Sampo that should cause the Federal Reserve to change the conclusions it reached with respect to Sampo in connection with the 2015 Application.[5]

Please refer to page 30 of the 2016 Annual Report in Public Exhibit 1 for a table showing the other largest registered shareholders in the Group, none of which holds 5 percent or more of the voting shares of NBAB.

Prior to the Merger, NBAB will be the holder of all of the outstanding shares of Nordea-Finland.

Provide information concerning any voting agreements or other mechanisms that exist among shareholders for the exercise of control over the Applicant or its ultimate parent.

To NBAB's knowledge, there are no shareholder voting agreements or similar agreements among shareholders that would allow them to exercise control over NBAB.

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5 *See* FRB Order No. 2017-11 (April 13, 2017), *available at* https://www.federalreserve.gov/newsevents/pressreleases/files/orders20170413a1.pdf.

7. Provide the following information on the two individuals with the most senior decision-making authority for Applicant and any foreign bank parent and for the manager of the proposed U.S. office.

(a) Titles or positions with Applicant and/or parent bank; and

Nordea-Finland

- Casper von Koskull, President of Nordea-Finland and Chief Executive Officer of the Nordea Group
- Torsten Hagen Jorgensen, Group Chief Operating Officer and Deputy Chief Executive Officer of the Nordea Group

Nordea-Finland NY Branch

- Henrik M. Steffensen, General Manager

(b) The biographical information requested in the Interagency Biographical and Financial Report FR 2081c (the Financial Report need not be provided). This information may be submitted in advance of the application.

Forms FR 2081c for each of the above-named officers to be provided separately.

8. Describe the methods used by Applicant to monitor and control its operations, including those of its domestic and foreign subsidiaries and offices (*e.g.*, through internal reports and internal audits). Note the scope and frequency of those methods and whether the methods are subject to review by external auditors and/or the home-country supervisor. Also state whether internal audit results are shared with the home-country supervisor and/or Applicant's external auditors.

The Group has in place methods to monitor and control its operations, including those of its domestic and foreign subsidiaries. The Group is committed to maintaining sound governance and controls that meet all local legal and regulatory requirements. Below we describe the manner in which the Group currently monitors and controls operations.

Three Lines of Defense for Risk Management

The Group's key principle for overall risk management is the "three lines of defense." The first line of defense is represented by the Business Areas, Group Functions other than Group Risk Management and Control and Group Compliance, and the Chief of Staff Office. The first lines of defense are responsible for their own daily risk management and for operating their business within limits for risk exposure and in accordance with the Group Board of Directors (the "Board") mandate for internal control and risk management. The control functions, Group Risk Management and Control (including Group Operational Risk) and Group Compliance, comprise the second line of defense responsible for activities such as independently monitoring, controlling and reporting issues related to key risks, including compliance with internal and external regulations. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in the third line of defense.

Reporting on risk is a key feature of the Group's internal control and risk management. Apart from internal audit reports (described below), examples of risk reporting include monthly Risk Reports and Risk Appetite Reports as well as the annual Operational and Compliance Risk Map sent by Group Risk Management and Control to the Board and Group Executive Management ("GEM"). The Risk Reports include descriptions of developments within key risk drivers and within the risk areas of credit risk, counterparty credit risk, market risk, liquidity risk, operational risk and model risk. The Risk Appetite Reports comment on adherence to the Risk Appetite Framework, and the Operational and Compliance Risk Map describes the status of operational and compliance risks within Nordea.

Internal Control Process

The internal control process is under the direction of the Board, management and other Group staff. The process is designed to provide reasonable assurance regarding fulfillment of objectives such as effectiveness and efficiency of operations, reliability of financial and non-financial reporting, compliance with external and internal regulations, safeguarding of assets and management of risks in operations.

The internal control process is based on five components: control environment, risk assessment, control activities, information and communication, and monitoring. These include (i) entity-wide controls such as the Group Accounting Manual, Financial Control Principles and the Group Valuation Committee, (ii) transaction-level controls including reconciliations, approvals, financial-controlling analysis, authorizations, automated controls and intra-Group eliminations, and (iii) general information technology controls, including controls over access, systems development and deployment, data backup and recovery and logical and physical security.

For additional information about the internal controls specifically applicable to the Existing NY Branch, *see* Question 13.

Risk Oversight

The Board Risk Committee assists the Board in fulfilling its oversight responsibilities concerning the management and control of the risks, risk frameworks, controls and processes associated with the Group's operations, including credit, market, liquidity, business, life and operational risk. The duties of the Board Risk Committee include (i) reviewing and, where required, making recommendations on the Group's risk governance and (ii) reviewing the development of the Group's Internal Control Framework, including the Risk Management Framework, with consideration of the development of the Group's risk profile and changes in the regulatory framework.

In addition, the Board Risk Committee advises and supports the Board regarding the determination and monitoring of the Group's overall actual and future risk appetite and risk strategy, taking into account all types of risks, to ensure that they are in line with Nordea's business strategy, objectives, corporate culture and values.

Furthermore, the Board Risk Committee reviews resolutions made by lending entities concerning credits or limits above certain amounts, and reviews the Group's risk profile and key risk issues, including credit, market, liquidity, business, life and operational risks.

Board Operation and Compliance Committee

The Board Operation and Compliance Committee ("BOCC") assists the Board in fulfilling its oversight responsibilities concerning conduct, sustainability, compliance and operations/systems, as well as related frameworks and processes. The duties of the BOCC include advising the Board on the Group's overall strategy in these areas and assisting the Board in overseeing the implementation of that strategy by GEM and other members of senior management.

Entity-Level Risk Management and Governance

In addition to oversight at the Group level, NBAB's subsidiaries maintain their own boards of directors with appropriate committees, governance and oversight structures at the entity level. For subsidiaries and other operations domiciled outside of Sweden, internal controls are in place to ensure compliance with local requirements and appropriate reporting to Group management and the board of directors.

In the United States, the Existing NY Branch has in effect policies, procedures and internal audit measures designed to ensure compliance with U.S. laws with respect to the operations of the Existing NY Branch, which are subject to Group oversight. These compliance procedures are reviewed by the staffs of the Federal Reserve Bank of New York and the NYDFS, respectively, as part of the supervisory process. Once established, the Nordea-Finland NY Branch would continue to operate under this same Group oversight structure.

A Branch Chief Risk Officer ("CRO") for the Existing NY Branch is appointed by Group Risk Management & Control. The Branch CRO is responsible for supporting the branch manager in ensuring that the relevant systems and necessary procedures, processes and controls are in place to facilitate effective risk management and control relevant risks. The branch managers' responsibilities include reporting on, and when necessary, escalating, risks identified within the branch. The Branch CRO reports on branch risks to the Head of the CRO Office in Group Risk Management & Control.

Group Internal Audit and Audit Oversight

Group Internal Audit ("GIA") is an independent, objective assurance and consulting activity designed to add value and improve the Group's operations. GIA helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. The purpose of GIA is to support the Board and GEM in protecting the assets, reputation and sustainability of the Group.

GIA's primary activities include:

- assessing whether all significant risks are identified and appropriately reported by management and the risk functions to the Board, its committees and GEM;
- assessing whether all significant risks are adequately controlled; and
- challenging GEM to improve the effectiveness of governance, risk management and internal controls.

All activities and entities of the Group fall within the scope of GIA. GIA makes a risk-based decision as to which areas within its scope should be included in the audit plan, which is approved by the Board. GIA does not engage in consulting activity, unless the Board Audit Committee ("BAC") gives other instructions. GIA operates free from interference in determining the scope of internal auditing, in performing its audit work and in communicating its results. This means, for example, that GIA is authorized to inform the financial supervisory authorities of any matter without further internal approval.

GIA is authorized to carry out all investigations and obtain all information required to discharge its duties. This includes the right to sufficient and timely access to the Group's records, systems, premises and staff. GIA has the right to attend and observe Board committee and GEM meetings, as well as other committee meetings and key management decision-making fora when relevant and necessary.

Summary reports containing significant audit observations must be provided quarterly to the GEM, BAC and the Board, and at least semi-annually to the audit committees of major subsidiaries that are Public Interest Entities ("PIE"). Interim and annual reports are provided to the Board and at least once a year to the Board of Directors and audit committees of major subsidiaries that are PIEs . In addition, summary reports with significant audit observations at a branch level must be provided at least semi-annually to the respective branch managers of the Nordic Branches. For non-Nordic Branches, the branch managers receive a separate audit report when an audit of the branch operations has been finalized. Internal audit results are also shared with the home-country supervisor and external auditors.

The Chief Audit Executive ("CAE") has overall responsibility for GIA. The CAE reports functionally to the Board and BAC. The CAE reports administratively to the President of NBAB and Chief Executive Officer of the Nordea Group ("CEO"). The Board approves the appointment and dismissal of the CAE and decides, on proposal from its Remuneration Committee, on salary and other employment terms and conditions for the CAE. The CAE has unrestricted access to the CEO and Chairman of the BAC, and meets with the Chairman of the BAC informally and formally throughout the year, including meetings at which executive management is not present.

Board Audit Committee and External Auditors

The BAC assists the Board in fulfilling its oversight responsibilities by, *inter alia*:

- monitoring the Group's financial-reporting process and providing recommendations or proposals to ensure its reliability;
- monitoring the effectiveness of the internal control and risk management systems relating to the financial-reporting process;
- monitoring the effectiveness of GIA;
- keeping itself informed as to the statutory audit of the annual and consolidated accounts, as well as of the conclusions from the quality assurance reviews of the external auditors carried out by the Swedish Inspectorate of Auditors or, where relevant, other authority;
- informing the Board of the outcome of the statutory audit and explaining how the statutory audit contributed to the reliability of financial reporting and the role of BAC in that process; and
- reviewing and monitoring the impartiality and independence of the external auditors, with special attention paid to whether the auditor provides NBAB and the Group with services other than auditing services.

In Finland, external auditors of credit institutions have certain reporting duties to the Finnish FSA. According to the Act on the Financial Supervisory Authority (the "FSA Act"),[6] an external auditor must notify the Finnish FSA without delay if it has, in the course of performing its duties, learned of circumstances or decisions concerning a credit institution that may: (i) constitute a material violation of the conditions for the credit institution's license, regulations governing the banking company's operations or rules issued by virtue thereof;

6 878/2008.

(ii) jeopardize the continuation of the credit institution's operations; or (iii) result in the auditor's issuing a report containing an unqualified or adverse opinion or stating that the external auditor has, based on the information arising from the audit, observed material misstatements in the management report. The external auditor must also notify the Finnish FSA of circumstances or decisions referred to above in respect of a company belonging to the same consolidated group as the credit institution concerned.

The external auditor generally does not directly interact with the ECB; the ECB will request relevant information from the Finnish FSA. However, pursuant to Council Regulation (EU) No. 1024/2013 (conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions) (the "SSM Regulation"), Regulation (EU) No. 537/2014 (setting forth specific requirements regarding the statutory audit of public-interest entities), and the draft ECB guide to on-site inspections and internal model investigations, the ECB does have the authority to contact statutory auditors of a credit institution in connection with on-site inspections in order to gather all the information and/or relevant points of view within the scope of the inspection.

The external auditors of credit institutions must also follow the standards on good accounting practices established in legislation, such as the Finnish Accounting Act,[7] the Finnish Auditing Act[8] and the Finnish Companies Act,[9] as well as international accounting standards, professional ethical principles and decisions of courts and authorities. A more detailed description of the standards and laws applicable to external auditors in Finland is included in response to Question 15(c).

The Finnish Accounting Board, which operates under the Ministry of Economic Affairs and Employment, may issue instructions and opinions on the application of the Finnish Accounting Act on the basis of requests submitted by the authorities, organizations representing entrepreneurs or municipalities and parties obliged to keep accounting records. The Finnish Accounting Board may also grant exemptions, on a case-by-case or sectoral basis, from specific provisions of the Finnish Accounting Act. The exemptions may only be granted if they are in accordance with the provisions on annual accounts and group accounts issued by the EU.

Finnish FSA-Appointed External Auditor

Pursuant to the FSA Act, the Finnish FSA may appoint an independent auditor to investigate a matter requiring special expertise when necessary for the supervision

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[7] 1336/1997.
[8] 1141/2015.
[9] 624/2006.

of a credit institution. The auditor appointed by the Finnish FSA has rights to receive information from the credit institution and to conduct investigations regarding the credit institution in accordance with the FSA Act. The auditor must have adequate knowledge of the financial institution's operations, accounting and legal matters sufficient for the nature and extent of the task.

As noted under the caption "*The European Central Bank and the Single Supervisory Mechanism*", the Finnish FSA's supervisory powers are exercised in accordance with the SSM Regulation in connection with the supervision of the ECB. Pursuant to article 12(1) of the SSM Regulation and Article 144 of the ECB Regulation 468/2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the ECB and national competent authorities and with national designated authorities (the "SSM Framework Regulation"), the ECB is in charge of the establishment and composition of inspection teams with the involvement of national competent authorities in connection with on-site inspections. Pursuant to the draft ECB guide to on-site inspections and internal model investigations, the inspection team may also include external consultants, such as auditors.

9. If Applicant, its ultimate parent, or any company (banking or nonbanking) in which it has direct or indirect ownership or control of more than 5 percent of the voting shares will engage directly or indirectly at the time of consummation of the proposal in any nonbanking activities in the United States, provide the following:

(a) The name, location, and a detailed description of the activities of each such company.

(b) The specific section and paragraph of the Bank Holding Company Act (the "BHCA"), Regulation Y, or Regulation K that the Applicant believes provides authority of the acquisition or retention of each U.S. nonbanking activity and a description demonstrating that each activity will be conducted consistent with the Board's regulations and related interpretations. If the applicant has relied on the nonbanking exemption afforded by Sections 2(h) and 4(c)(9) of the BHCA (as implemented by section 211.23 of Regulation K) for certain activities, provide the necessary information to support such a determination.

To the extent the information requested in this item has been provided to the Federal Reserve in other report forms (*e.g.*, FR Y-7, FR Y-10) filed with the Federal Reserve, Applicant may include such information by reference to those filings.

Please refer to Confidential Exhibit 3 for NBAB's most recent Annual Report on Form FR Y-7 for a list of nonbanking subsidiaries and Confidential Exhibit 4 for additional information.

10. **State whether the foreign bank Applicant and its ultimate parent, if any, upon establishment of the proposed branch, agency or commercial lending company, each would be a qualifying foreign banking organization as defined in section 211.23(a) of Regulation K and provide the necessary information to support such a determination. If a foreign bank Applicant meets the requirements of section 211.23(a) but its ultimate parent does not, indicate whether the ultimate parent would satisfy the requirements set forth in section 211.23(c) of Regulation K, and provide the necessary information to support that determination. To the extent the information requested in this item has been provided in other reports forms (FR Y-7) filed with the Federal Reserve, Applicant may include such information by reference to those filings.**

    NBAB is a Qualifying Banking Organization ("QFBO"), having satisfied the criteria set forth in Section 211.23(a) of Regulation K. Nordea-Finland will continue to meet the requirements for QFBO status. *See* Confidential Exhibit 3.

II. THE PROPOSED OFFICE

11. **Discuss the purpose(s) for establishing the proposed branch, agency, or commercial lending company. Describe the major types of business to be conducted and the major types of services to be offered, and note whether any existing business would be transferred to the proposed office. Applicant may indicate any banking needs of the community that would be better served by establishment of the proposed office.**

    As discussed above, the purpose of establishing the Nordea-Finland NY Branch is to accommodate the change of domicile. There are no plans to alter the scope, type or volume of the activities of the Existing NY Branch as a result of the Merger. Please refer to Confidential Exhibit 4 for additional information.

12. **Provide estimated start-up costs and projected balance sheets and income statements for the proposed branch, agency, or commercial lending company for the first three years of operations. Include a summary of contingent liabilities for the proposed office for the first three years of operation, and estimate the number of employees planned for that period of time. Also include information on how the proposed office would be funded. State any assumptions made in formulating these projections.**

    Please refer to Question 11.

13. **Describe Applicant's intended procedures for exercising internal control over the proposed office. The response should identify reporting channels and reporting requirements (scope and frequency, and discuss the scope and frequency of internal audits). Applicant also should describe procedures to be established to ensure and monitor compliance with the Bank Secrecy Act and related U.S. regulations.**

NBAB does not anticipate any changes to the procedures for exercising internal control over the Existing NY Branch when its operations transfer to the Nordea-Finland NY Branch. Although not directly related to the change in domicile, this year, Nordea plans to change the reporting channel for the CRO of the Existing NY Branch, which currently reports to the branch manager. Going forward, he or she will report to the Chief Risk Office within the Group's Risk Management & Control function. Nordea believes that this change will improve the branch's risk management processes. There are no other anticipated changes to management, staffing or governance of the Existing NY Branch. NBAB intends to retain the policies and procedures of the Existing NY Branch that are designed to ensure and monitor compliance with the Bank Secrecy Act and related regulations. Please also refer to Confidential Exhibit 5 for additional information.

III. FINANCIAL INFORMATION

14. **As described in the Filing Instructions to this form, provide the following financial information for Applicant and any parent foreign bank.**

    (a) **Parent-only and consolidated balance sheets, showing separately each principal group of assets, liabilities, and capital accounts as of the end of the most recent quarter and fiscal year. In addition, include information on contingent liabilities (*i.e.*, standby and commercial letters of credit, guaranties, commitments to grant or purchase loans and securities, contracts to purchase/sell foreign exchange).**

Please refer to (i) page 75 of the 2016 Annual Report, attached hereto as Public Exhibit 1, for the consolidated balance sheet and (ii) page 179 of the 2016 Annual Report for NBAB's (parent-only) balance sheet, in each case as of year-end 2016.

Please refer to page 18 of the Third Quarter Results 2017, attached hereto as Public Exhibit 2, for the Group consolidated balance sheet for the most recent fiscal quarter.

Please refer to Note G36 on page 133 and Note P37 on page 203 of the 2016 Annual Report attached hereto as Public Exhibit 1 for information on contingent liabilities of the Group and NBAB, respectively.

(b) Parent-only and consolidated income statements showing separately each principal source of revenue and expense, through the end of the most recent quarter and for the past two fiscal years.

Please refer to (i) page 74 of the 2016 Annual Report, attached hereto as Public Exhibit 1, for the consolidated income statement and (ii) page 177 of the 2016 Annual Report for NBAB's (parent-only) income statement, in each case as of year-end 2015 and 2016.

Please refer to page 17 of the Third Quarter Results 2017, attached hereto as Public Exhibit 2, for the Group consolidated income statement for the most recent fiscal quarter.

For an explanation of the accounting terminology and the major features of the accounting standards used in the preparation of the financial statements mentioned above, please refer to Note G1 on page 84 and Note P1 on page 186 of the 2016 Annual Report for the Group and NBAB, respectively.

(c) If Applicant or any parent foreign bank is from a country subscribing to the Basel Accord, provide, on a consolidated basis, a breakdown of each organization's risk-weighted assets as of the end of the most recent fiscal quarter, showing each principal group of on-and off-balance sheet assets and the relevant risk weights. If the home-country capital standard of Applicant or any parent foreign bank differs from that established under the Basel Accord, provide information regarding the capital standard applied in the home country of Applicant or any parent foreign bank, as well as information sufficient to evaluate the capital position adjusted as appropriate for accounting and structural differences. Further, provide to the extent possible, information comparable to the Basel format.

Like Sweden, Finland subscribes to the Basel Accord and the European implementation of the Basel Accord—the Capital Requirements Regulation ("CRR") and the Capital Requirements Directive ("CRD IV"). Given that the CRR is an EU regulation that is applicable in both Sweden and Finland, Nordea does not foresee any material changes related to the calculation of risk weighted assets when re-domiciling to Finland.

Provide, on a consolidated basis, a breakdown of each organization's risk-weighted assets as of the end of the most recent fiscal quarter, showing each principal group of on- and off-balance-sheet assets and the relevant risk weights.

Information concerning risk-weighted assets ("RWAs")[10] as of December 31, 2016 is set forth in Note G38 on pages 136-137 of the 2016 Annual Report, attached hereto as Public Exhibit 1. Information concerning RWAs as of the most recent fiscal quarter is set forth on page 51, "Minimum Capital Requirements and Risk Exposure Amount" and pages 54-55, "Additional Information on Exposures for which Internal Models are Used" of the Nordea Fact Book – Third Quarter Results 2017, attached hereto as Public Exhibit 3.

With respect to the RWAs used in the denominator of the capital ratios, as demonstrated in the tables referenced above, RWAs for some assets are calculated using the internal ratings-based ("IRB") approach and some using the standardized approach. Use of the IRB approach or the standardized approach in calculating RWAs is based on regulatory approval—that is, where approved, the IRB rather than the standardized approach is used, and the Group therefore does not calculate all Group exposures using the standardized approach. At the end of 2016, 78 percent of the Group's credit risk exposure was calculated under IRB approaches. The Group aims to implement the IRB approach for most of the remaining portfolios in accordance with an established and Finnish FSA-approved IRB roll-out plan. The Group is approved to use its own internal Value-at-Risk models to calculate the capital requirements for the majority of the market risk in the trading book. For operational risk, the standardized approach is applied. The Group's calculation of RWAs is not expected to change as a result of its change in domicile.

Also, identify the components of tier 1 and tier 2 capital under the Basel risk-based capital guidelines, and provide calculations of the ratios of tier 1 and total capital to risk-weighted assets for Applicant and any parent foreign bank.

Components of tier 1 and tier 2 capital, including calculation of the ratios of tier 1 and total capital to risk-weighted assets as of December 31, 2016, are set forth in Note G38 on pages 135-136 and Table A2 – Transitional Own Funds in Note P39 on pages 204-205 of the 2016 Annual Report, attached hereto as Public Exhibit 1, for the Group and NBAB, respectively.

Components of tier 1 and tier 2 capital, including calculation of the ratios of tier 1 and total capital to risk-weighted assets as of the most recent fiscal quarter for the

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[10] In NBAB and Group reports, RWAs are now referred to as risk exposure amounts (or "REAs"). For consistency with U.S. terminology, we use the term RWAs in this Application.

Group, are set forth on page 56 of the Nordea Fact Book – Third Quarter Results 2017, attached hereto as Public Exhibit 3.

Provide the amount, maturity, and a brief description of debt instruments and indicate which instruments qualify under the Basel risk-based capital guidelines as tier 2 capital for each organization.

Tables A3, A4 and A5 (CET1, AT1 and T2, respectively), in Note G38 – Capital Adequacy on pages 138-144 of the 2016 Annual Report attached hereto as Public Exhibit 1, set forth each Group capital instrument's main features and regulatory treatment. Instruments in Table A5 – Capital Main Features Template – Tier 2 qualify as tier 2 capital for the respective issuers under the Basel risk-based capital guidelines as implemented in the EU by the CRR.

(d) Current information that will enable the Federal Reserve to make a judgment as to the quality of Applicant's assets. The information should be presented for Applicant's consolidated organization. If consolidated figures are not available, indicate what portion of Applicant's consolidated assets is not reflected in the response. The response should include, but need not be limited to, the following (Applicant should provide definitions of the terms): Asset classifications or assessments made by foreign banking authorities; Delinquencies; Nonaccrual loans; Assets acquired in satisfaction of debts previously contracted; Loans with reduced interest charges.

Asset Classifications or Assessments

Because NBAB is currently domiciled in Sweden, the Swedish framework for monitoring asset quality is described briefly below.

The Swedish financial supervisory authority ("Swedish FSA") monitors asset quality through separate inspections, including an asset quality review ("AQR") based on the "Recommendations on Asset Quality Reviews" issued by the European Banking Authority ("EBA") in October 2013.[11] Asset assessments by foreign banking authorities also include an AQR for banks within the euro area performed by the ECB in 2013, which included the assessment of NBF. During the period from 2013 to 2016, the Swedish FSA and other supervisors outside the euro area have (on behalf of the Swedish FSA) performed an AQR for NBAB, Nordea Bank Norway and Nordea Bank Denmark. Although the AQR is considered a prudential exercise, NBAB made an internal assessment as to whether any of the findings should impact the 2016 financial statements, and no adjustments were made following the AQR findings. In addition, the Swedish

11 EBA/REC/2013/04.

FSA meets quarterly with the CRO, Head of Group Credit Risk Management and other officers of NBAB to discuss, among other things, asset quality.

The Swedish FSA has not defined any bank loss provisioning requirements or guidelines, but has stated that it expects covered financial institutions to comply with EBA guidelines regarding implementation of IFRS 9 or any loan classification principles. Thus, the rules applicable to write-offs, impairments and classification principles are the International Financial Reporting Standards ("IFRS") as endorsed by the EU Commission. IFRS 9 – Financial Instruments provides accounting classification and measurement principles effective for annual periods beginning on or after January 1, 2018 and will replace the currently applicable provisions of IAS 39 – Financial Instruments: Recognition and Measurement.

Despite the existence of these standards, the Swedish FSA may, as part of its prudential supervision, review NBAB's internal guidelines and policies relating to loss provisioning or loan classification, as well as a description of its procedures. The Swedish FSA has never commented on NBAB's guidelines, policies or procedures in this area.

Please refer to Note G1 – Accounting Policies, Note G39 – Classification of Financial Instruments and Note G13 – Loans and impairment in the 2016 Annual Report, attached hereto as Public Exhibit 1, for information on asset classification and provisioning policies and practices.

After the change in domicile, the ECB will play a role similar to the Swedish FSA's current role with respect to asset classifications or assessments. The ECB has issued instructions on how to implement IFRS, with which the Nordea Group already complies.

Delinquencies

Information on delinquencies is set forth in Note G46 on page 165 of the 2016 Annual Report, attached hereto as Public Exhibit 1. Please refer to Confidential Exhibit 6 for the quarterly information on delinquencies.

Impaired Loans

Throughout the process of identifying and mitigating credit impairments, the Group continuously reviews the quality of credit exposures. At least on a quarterly basis, the Group closely and continuously monitors and reviews weak and impaired exposures for current performance, business outlook, future debt service capacity and the possible need for provisions. The Group recognizes a provision if there is objective evidence based on loss events and observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, collateral included. Exposures with provisions are considered impaired. The size of the provision equals the estimated loss—the difference between the book value of the outstanding exposure and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or nonperforming: exposures that have been past due more than 90 days are by definition nonperforming, and reported as impaired or not impaired depending on the deemed loss potential.

The Group considers negotiated terms or restructuring due to borrowers' financial stress to be forbearance. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortization profile, repayment schedule and customer margin, as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis and followed by impairment testing, with loan loss provisions taken if necessary. Forbearance without impairment is granted only in cases where there is full coverage by either collateral and/or the net present value of future cash flows.

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on the individual level. The collective impairment is based on the migration of rated and scored customers in the credit portfolio as well as management judgment. The assessment of collective impairment reacts to up- and down-ratings of customers as well as new customers, customers leaving the portfolio and customers going to and from default. Collective impairment is assessed quarterly for each entity with the Nordea Group. This two-step procedure with both individual and collective impairment assessment is meant to ensure that all incurred losses are accounted for up to and including each balance sheet day. Please refer to pages 48-49 of the 2016 Annual Report in Public Exhibit 1.

Impaired loans gross in the Group were €5,853 million as of September 30, 2017, with 62 percent performing and 37 percent nonperforming. Impaired loans net, after allowances for individually assessed impaired loans, amounted to €3,969 million, with allowances for individually assessed loans of €1,884 million as of September 30, 2017. The ratio of individual allowances to cover impaired loans was 32 percent and total allowances in relation to impaired loans was 41 percent. Please refer to pages 44-46 of the Nordea Fact Book – Third Quarter Results 2017, attached hereto as Public Exhibit 3, for additional information on impaired loans and allowances.

Assets Acquired in Satisfaction of Debts Previously Contracted

Assets used as collateral for a loan are generally taken over when the customer is unable to fulfill its obligations to the Group. Assets taken over for protection of claims amounted to €13 million as of December 31, 2016. Please refer to page 170 of the 2016 Annual Report, attached hereto as Public Exhibit 1, for additional information concerning assets acquired in satisfaction of debts previously contracted.

(e) Total reserves available to cover credit-related losses for the end of the most recent quarter and fiscal year. The total amounts should be broken down into "specific," "general," and/or other relevant categories.

Please refer to pages 45-46 of the Nordea Fact Book – Third Quarter Results 2017, attached hereto as Public Exhibit 3. A breakdown by industry is provided in the 2016 Capital and Risk Management (Pillar III) Report, Table 3.18 – Loans, impaired loans, allowances and provisioning ratios, split by customer type, attached hereto as Public Exhibit 4.

IV. HOME COUNTRY SUPERVISION

15. Describe the bank regulatory system that exists in the home country of Applicant and, if different, the home country of any foreign bank in the ownership chain. Provide the date of the Federal Reserve's most recent determination that Applicant is subject to comprehensive consolidated supervision. Confirm (or modify as appropriate) that there have been no material changes in the manner in which Applicant is supervised and regulated by its home country supervisor(s) since that time. Your description also should include a discussion of each of the following:

The Federal Reserve determined that NBF was subject to comprehensive consolidated supervision when it approved NBF's establishment of a New York Branch (the predecessor to the Existing NY Branch) in 2002.[12] On November 4, 2014, certain supervisory responsibilities and decision-making powers with respect to Finnish financial institutions moved from the Finnish FSA to the ECB through the establishment of the Single Supervisory Mechanism ("SSM"). As a result, the ECB will be responsible for supervising all "core" supervisory responsibilities of the Nordea Group. In addition, because Nordea Group is likely to be a "significant institution" for purposes of the SSM, a Joint Supervisory Team, led by the ECB and consisting of both ECB and Finnish FSA supervisors, will directly supervise Nordea-Finland.[13] In the past, the Federal Reserve has

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[12] See Nordea Bank Finland PLC (Order dated September 1, 2002).

[13] The criteria for determining a credit institution as significant are set out in the SSM Regulation and the SSM Framework Regulation. The significance is assessed based on the size, the importance for the economy of the EU or any participating member state and the significance of cross-border activities of the credit institution concerned. As a rule, a credit institution will be considered significant if the total value of its assets exceeds EUR 30 billion or if the ratio of its total assets over the GDP of the participating member state of establishment exceeds 20%, unless the total value of its assets is below EUR 5 billion, or if it is a recipient of direct assistance from the European Stability Mechanism. A credit institution can also be considered significant if it is one of the three most significant credit institutions established in a particular country. Since classifying Nordea-Finland as a significant credit institution is subject to the ECB's decision, it is not possible to confirm such classification in advance.

found a foreign bank to be subject to comprehensive supervision on a consolidated basis by the ECB and the national supervisor acting through the SSM.[14]

Overview of EU Supervisory and Recovery and Resolution Regimes

Significant Financial Institutions

Following the completion of the Merger, Nordea-Finland is likely to qualify as a significant financial institution. Significant financial institutions are under the direct supervision of the ECB, and all supervisory decisions are adopted by the ECB's Governing Council. The Supervisory Board of the SSM is responsible for drafting policy decisions on supervision and proposals for supervisory decisions. The actual supervision of significant credit institutions is carried out by supervisory groups comprised of representatives of the ECB and competent national supervisory authorities.

The planning of supervisory activities is decided through a two-step process: strategic planning and operational planning. Strategic planning is coordinated by the ECB's Planning and Coordination of Supervisory Examination Programmes Division. It encompasses the definition of the strategic priorities and the focus of supervisory work for the following 12 to 18 months. More specifically, it takes into account factors such as an assessment of risks and vulnerabilities in the financial sector, as well as guidance and recommendations issued by other European authorities, in particular the European Systemic Risk Board ("ESRB") and the EBA, findings of the joint supervisory teams through the supervisory review and evaluation process and priorities highlighted by the relevant national competent authorities. The strategic plan frames the nature, depth and frequency of activities to be included in the individual Supervisory Examination Programmes prepared for each significant institution.

A key part of the supervision of significant financial institutions is the so-called "annual supervisory review and evaluation process," which includes an assessment of the firm's internal capital and liquidity. This is supplemented by regular risk reviews (which cover, at a minimum, credit risk, market risk, operational risk and liquidity risk), an investigation of the largest identified risks and an investigation of the firm's internal credit risk models.

However, upon the completion of the Merger, Nordea-Finland will fulfil the criteria of a significant credit institution.

14 See Letter dated July 24, 2017 to Andrea Tokheim. The Federal Reserve had previously determined that the Central Bank of Ireland exercises comprehensive consolidated supervision over Irish banks, and that the ECB, acting through the SSM, exercises comprehensive consolidated supervision over certain European banks. See also Unione di Banche Italiane, S.p.A. (Order dated January 19, 2016).

The European Central Bank and the Single Supervisory Mechanism

For EU member countries that are in the euro area and non-euro area members that choose to participate, the ECB is now the competent authority for the supervision of all large internationally active banking organizations under the SSM.

Finland is an EU member state, a euro area country and a participant in the SSM under the supervision of the ECB. The SSM is a system of financial supervision that consists of the ECB and the competent national authorities of the participating EU member states. Within the SSM, the ECB directly supervises significant credit institutions, and has an indirect role in the supervision of less significant credit institutions, which are supervised by their national supervisors in close cooperation with the ECB. As previously noted, Nordea-Finland is likely to be subject to the direct supervision of the ECB.

The ECB's supervisory powers are set forth in the SSM Regulation. The ECB may require any credit institution to take the necessary measures at an early stage to address relevant problems if the credit institution does not meet or, within the next 12 months, is likely to breach, statutory requirements applicable to the credit institution, including, *inter alia*, statutory own funds requirements, liquidity requirements and management requirements. In particular, the ECB has the power to:

- require a credit institution to hold own funds in excess of the general capital requirement;
- require the reinforcement of a credit institution's arrangements, processes, mechanisms and strategies;
- require a credit institution to present a plan to restore compliance with supervisory requirements and set a deadline for its implementation;
- require a credit institution to apply a specific provisioning policy or treatment of assets in terms of own funds requirements;
- restrict or limit the business, operations or network of a credit institution or request the divestment of activities that pose excessive risks to the soundness of an institution;
- require the reduction of the risk inherent in the activities, products and systems of a credit institution;
- require a credit institution to limit variable remuneration as a percentage of net revenues when it is inconsistent with the maintenance of a sound capital base;
- require a credit institution to use net profits to strengthen own funds;
- restrict or prohibit distributions by an institution to shareholders, members or holders of Additional Tier 1 instruments where the prohibition does not constitute an event of default of the institution;
- impose additional or more frequent reporting requirements, including reporting on capital and liquidity positions;

- impose specific liquidity requirements, including restrictions on maturity mismatches between assets and liabilities;
- require additional disclosures; and
- remove at any time members from the management body of a credit institution who do not fulfil the statutory requirements.

College of Supervisors

In the EU, colleges of supervisors are the vehicles for the coordination of supervisory activities. A college of supervisors provides a framework for the supervisors and competent authorities to carry out the tasks referred to in the CRD IV by, for example, reaching joint decisions on the adequacy of own funds and their required level and on liquidity and model approvals. Under EU law, colleges of supervisors must be established for EEA banks with subsidiaries or significant branches in other EEA countries, and may include supervisors in non-EEA countries, where relevant. The colleges allow supervisory authorities to join forces, share knowledge and use skills and resources more effectively and efficiently, regardless of their individual jurisdictions. The EBA has issued regulatory and implementing technical standards on the functioning of colleges of supervisors.

In 2016, the national supervisory authorities together with the ECB entered into a Memorandum of Understanding on Prudential Supervision of Significant Branches in Sweden, Norway, Denmark and Finland, attached hereto as Public Exhibit 5. The agreement was made in accordance with relevant EU Directives in order to facilitate and establish effective supervision of significant branches. As Nordea-Finland will have subsidiaries and significant branches in other EEA countries following the completion of the Merger, there will be a similar college of supervisors for Nordea-Finland.

Other EU Supervisory Bodies

Within the EU, the Finnish FSA participates in several authorities, including the EBA, the European Insurance and Occupational Pensions Authority ("EIOPA"), the European Securities and Markets Authority ("ESMA"), and the ESRB. Each of these is described briefly below.

The EBA is an independent EU authority that works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector. The main task of the EBA is to contribute to the creation of the European Single Rulebook in banking, the objective of which is to provide a single set of harmonised prudential rules for financial institutions throughout the EU. The EBA also plays an important role in promoting convergence of supervisory practices and is mandated to assess risks and vulnerabilities in the EU banking sector.

EIOPA is an independent body that provides advice to the European Commission, the European Parliament and the Council of the European Union. EIOPA's core responsibilities are to support the stability of the financial system, transparency of markets and financial products, as well as the protection of policyholders, pension scheme members and beneficiaries. EIOPA is commissioned to monitor and identify trends, potential risks and vulnerabilities stemming from the micro-prudential level, across borders and across sectors.

ESMA is an independent EU authority that contributes to safeguarding the stability of the European Union's financial system by enhancing the protection of investors and promoting stable and orderly financial markets. Its principal tasks are assessing risks to investors, markets and financial stability, completing a single rulebook for EU financial markets, promoting supervisory convergence and directly supervising credit rating agencies and trade repositories.

The ESRB is responsible for the macroprudential oversight of the EU financial system and the prevention and mitigation of systemic risk. The ESRB therefore has a broad remit, covering credit institutions, insurers, asset managers, shadow banks, financial market infrastructures and other financial institutions and markets. In pursuit of its macroprudential mandate, the ESRB monitors and assesses systemic risks and, where appropriate, issues warnings and recommendations.

The Single Resolution Mechanism and the Powers of the Single Resolution Board

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 ("SRM") for these significant financial institutions (the "SRM Regulation").[15] The SRM Regulation has established a pan-European resolution authority, the Single Resolution Board ("SRB"), that has resolution powers over the entities subject to the SRM Regulation . As noted above, in respect of resolution-related matters, following the completion of the Merger, Nordea-Finland is likely to be subject to the powers of the SRB.

The SRB will prepare and adopt a resolution plan for the entities subject to its powers, including Nordea-Finland, following the completion of the Merger. It will also determine, after consulting competent authorities including the ECB, a Minimum Requirement for Own Funds & Eligible Liabilities, which Nordea-Finland will be required to meet at all times following completion of the Merger.

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15 Regulation (EU) No 806/2014.

The SRB will have the authority to exercise the specific resolution powers under the SRM Regulation if the SRB finds that the following conditions are met: (i) the institution 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 institution, would prevent its failure within a reasonable timeframe; and (iii) a resolution action is necessary and in the public interest.

Under the SRM Regulation, the SRB has the authority to exercise specific resolution tools similar to those of the national resolution authorities under the Bank Recovery and Resolution Directive (the "BRRD"), including the sale of business, the bridge institution, asset separation, bail-in and mandatory write-down and conversion power in respect of capital instruments. 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.

As part of the SRM, a new Single Resolution Fund ("SRF") managed by the SRB commenced operations in January 2016. Finnish credit institutions must pay annual contributions to the SRF. The amount of the contribution for each credit institution is determined in accordance with the SRM Regulation.

Overview of Finnish Supervisory and Recovery and Resolution Regimes

Finnish Banking Regulation

The Finnish Act on Credit Institutions[16] requires all banks to operate under a license granted by the ECB. Such licenses have an indefinite duration and are subject to limited withdrawal rights by the ECB and the Finnish FSA if the credit institution has violated its obligations pursuant to the Finnish Act on Credit Institutions, other legislation or regulation governing the operations of the institution, the institution's articles of association, bylaws or regulations or internal instructions based on legislation governing the institution's operations. Nordea-Finland will also be subject to the Finnish Act on Commercial Banks and Other Credit Institutions in the Form of a Limited Company[17] and the Finnish Companies Act.[18]

[16] 610/2014.
[17] 1501/2001.
[18] 624/2006.

The Finnish FSA

The Finnish FSA is responsible for the general supervision of Finland's financial sector. The Finnish FSA supervises institutions under its authority through (i) analysis of reports regarding, among other things, capital adequacy and large exposures, and (ii) on-site inspections to ensure that each regulated entity's operations comply with Finnish laws and regulations. The Finnish FSA also conducts on-site investigations at branches of Finnish financial companies located in other EU member states. In addition to its supervisory function, the Finnish FSA issues both binding regulations and general guidelines for companies operating in Finnish financial markets. The Finnish FSA also prepares rules for financial reporting by financial companies, monitors disclosures to ensure that companies disclose complete and clear information to consumers and ensures that controls for information reporting function satisfactorily.

The Finnish FSA participates in the SSM and conducts supervision in cooperation with the ECB's banking supervision arm.[19] In the SSM, national competent authorities continue to conduct day-to-day supervisory activities with regard to institutions which have been classified as significant, which we expect to include Nordea-Finland, for example, by assessing such institutions' capital adequacy assessment procedures and level of own funds in cooperation with the ECB. The Finnish FSA may exercise various supervisory powers, such as imposing a temporary prohibition on a person holding a managerial position in a supervised entity or, in extreme circumstances, revoking authorization granted to a supervised entity. Moreover, the Finnish FSA may impose administrative sanctions, including administrative fines, public warnings and penalty payments.

Finnish Regulation of Securities and Mutual Fund Operations

Following the completion of the Merger, the Group's securities and fund operations will be regulated by the Finnish FSA under various statutes (based on EU directives and regulations) governing investment services, securities and mutual funds.[20] Nordea-Finland has submitted an application to the Finnish FSA

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19 The supervisory powers of the ECB are discussed under the caption "*The European Central Bank and the Single Supervisory Mechanism*".

20 The Group's investment services and fund operations will generally be conducted either through Nordea-Finland or through subsidiaries in Sweden (asset management activities), Finland (fund management) and Luxembourg (fund management). Nordea Investment Management AB ("NIM"), the Swedish asset management company, has subsidiaries in Germany and the U.S. as well as branches in Denmark, Finland and Norway. NIM's operations are primarily governed by Swedish regulation and the responsible supervisory authority is the Swedish FSA. The subsidiaries are, however, regulated by local law and subject to supervision by the local financial supervisory authorities. With respect to the branches of NIM, local laws are applicable to a certain extent (e.g., with respect to consumer protection, marketing laws and personal data protection). However, with respect to the prudential supervision of the branches of NIM, Swedish regulations normally apply due to the

and the ECB for a banking license, which license would also cover the provision of investment services. The license to provide investment services, like the credit institution license, is for an indefinite duration and would allow Nordea-Finland not only to act as a securities broker-dealer, but also to trade in securities for its own account.

The Bank of Finland

The Bank of Finland is the Finnish Central Bank and an independent institution governed by public law. According to the provisions of Finland's Constitution, the Bank of Finland operates under the guarantee and supervision of Parliament. The Bank of Finland prepares and implements monetary policy in Finland, oversees the stability of the financial system and produces statistics and conducts research and economic policy analysis. The Bank of Finland also attends to the settlement of interbank payments and investment of its own financial assets, maintains the stability and efficiency of payment systems and issues banknotes. Although the Bank of Finland participates in the macroprudential supervision of the Finnish financial system and exercises oversight, it does not have direct supervisory authority in relation to financial institutions.

The Finnish Ministry of Finance

The Ministry of Finance is a part of the Finnish Government and is responsible for, among other things, legislation in the financial sector. It also issues various decrees supplementing the laws governing the financial sector. These laws and decrees may impose binding requirements on Nordea-Finland in addition to those imposed by the ECB. The Ministry of Finance participates in the activities of the EU as well as several international organizations and financial institutions.

BRRD and the Finnish Recovery and Resolution Regime

The BRRD, providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms, entered into force on July 2, 2014.[21] In Finland, the BRRD was implemented mainly through two new acts: the Act on Resolution of Credit Institutions and Investment

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EU law principle of home-state supervision. Nordea Funds Ab, a Finnish fund management company within the Nordea Group, has branches in Denmark, Norway and Sweden and manages funds in the Nordic countries. Nordea Funds Ab's operations are mainly governed by Finnish regulation and the responsible supervisory authority is the Finnish FSA. The Nordic funds are, however, governed by local regulation and the operations of Nordea Funds Ab's branches are generally governed by local regulation in the same manner as described above for NIM's branches. In addition, Nordea Investment Funds S.A. (Luxembourg) has branches in Spain, Italy, France and the UK, a representation office in Austria and subsidiaries in Germany and Switzerland.

21 Directive 2014/59/EU.

Firms[22] and the FSA Act.[23] The implementation of the BRRD also involved amendments to dozens of existing acts, most notably to the Finnish Act on Credit Institutions.

The Finnish Financial Stability Authority (the "Authority") is an independent agency that operates as Finland's national resolution authority. The Authority operates as part of the SRM. It contributes to the work of the SRB and works in close cooperation with the SRB in resolution-related matters. Following the completion of the Merger, Nordea-Finland is likely to become subject to the powers of the SRB (as Nordea-Finland is likely to be classified as a significant credit institution, which falls under the powers of the SRB instead of the powers of the Finnish Financial Stability Authority).

(a) The scope and frequency of on-site examinations by the home-country supervisor. Describe the scope and frequency of on-site examinations, identifying the operational areas reviewed and the general procedures used by the home-country supervisor to evaluate asset quality and internal controls. Also, discuss the manner in which the home-country supervisor monitors the condition and operations of Applicant's subsidiaries and foreign offices.

Scope, Frequency and Procedures

As noted above, because Nordea-Finland is likely to be considered a significant financial institution, an advisory group comprised of representatives of the ECB and the Finnish FSA will be responsible for its supervision. This advisory group will supervise Nordea-Finland on a consolidated basis through both on- and off-site reviews. In accordance with Chapter 3 of the FSA Act,[24] the Finnish FSA has the authority to conduct on-site examinations of financial companies. The frequency of on-site examinations is not fixed, but is generally determined based on risk assessments. On-site examinations usually include: (i) visiting the premises; (ii) interviewing employees with respect to matters under examination, (iii) reviewing documents and materials maintained by the credit institution; (iv) examining information technology infrastructure; and (v) consulting with directors or senior managers to inquire about major activities such as business operations and risk management. The Finnish FSA has the authority to investigate a bank whenever deemed necessary. Pursuant to the SSM Regulation, the ECB has supervisory and investigatory rights similar to those of the Finnish FSA, including the right to conduct on-site inspections.

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22 1194/2014.
23 1195/2014.
24 878/2008.

Operational Areas Reviewed

In general, the risk profile of a financial company determines the frequency and scope of on-site examinations. Examinations may focus on specific items such as anti-money laundering ("AML"), remuneration, governance or other areas, depending on the results of the risk assessment.

Subsidiaries and Foreign Offices

Within Europe, the principle of home country supervision means that the prudential supervision of an institution, including of the activities carried out via branches, is the responsibility of the competent authorities of the home EU Member State. Thus, branches are able to operate in a host country under the authority of a license from the home country supervisor. However, the competent authorities of a host EU Member State generally have, for example, the power to carry out, on a case-by-case basis, spot checks and inspections of the activities of branches of institutions within their territory and to require information from a branch about its activities for statistical, informational or supervisory purposes where the host EU Member State considers it relevant to financial system stability. Branches outside of Europe must comply with local law and regulation, including with respect to supervision.

Unlike branches, subsidiaries are supervised by the local regulator in the country in which they are established. Thus, Finnish subsidiaries of foreign companies are reviewed on-site and off-site by the Finnish FSA—and most subsidiaries are part of the Group's capital joint decision discussed above—while subsidiaries outside Finland are primarily supervised by local regulators.

(b) Off-site monitoring by the home-country supervisor. Discuss the general type and frequency of filing of regulatory and financial reports submitted by Applicant to the home-country supervisor. Specify whether the reports contain information on the domestic and foreign subsidiaries of Applicant and, if so, whether this information is provided on a consolidated basis or for each entity separately.

As part of its off-site monitoring, the ECB (in cooperation with the Finnish FSA) collects a variety of information from the financial companies it monitors. The Finnish Act on Credit Institutions, the FSA Act and the CRR set forth detailed reporting and disclosure requirements applicable to banks in Finland. Under this regulation, a credit institution (and any foreign credit institution that has established branches in Finland) must provide the ECB and the Finnish FSA with any and all information regarding its operations and related circumstances that the ECB or the Finnish FSA requests.

Following the granting of the credit institution license, Nordea-Finland will comply with these requirements.

A list of the type and frequency of submissions of regulatory and financial reports by Nordea-Finland to the ECB and the Finnish FSA will be provided separately.

(c) *The role of external auditors.* Discuss the general frequency, nature and scope of review of Applicant (including subsidiaries and foreign offices) performed by external auditors, particularly with respect to the review of asset quality and internal controls.

The external auditor of Nordea-Finland is responsible for the audit of the company's accounting records, financial statements and governance for the financial year.[25] The Group's consolidated financial statements are prepared in accordance with IFRS as endorsed by the EU Commission.

<u>Scope</u>

The scope of the external auditor's work covers the annual report and accounts for the entities comprising the Group. Statutory audits in Finland are carried out according to the auditing standards adopted for application in the EU (international auditing standards) and good auditing practice as referred to in the Finnish Auditing Act. The international auditing standards set forth principles and objectives concerning the audit of financial statements and requirements concerning quality control. The external auditor also assesses Nordea-Finland's internal audit procedures, which have been implemented to ensure the true representation of financial information, as well as Nordea-Finland's control environment—in relation to the risk assessment performed—to limit the risk of error in financial reporting. This includes a determination of whether the internal control framework and supporting IT systems and related infrastructure can be relied upon. The external auditor evaluates each control relied upon within the internal control framework and, when a manual control is identified that relies on the completeness and accuracy of reports, interfaces, segregation of duties, calculations or automated controls, the external auditor will evaluate the associated IT system that supports that manual control.

<u>Nature of Review</u>

The risk assessment focuses on inherent risks with potential material impact on financial reporting. Key risks to be identified include those areas in which (i) significant management judgment is required, or (ii) inherent risk is high due to, for example, general complexity and uncertainty, a high degree of manual routine or complexity in IT infrastructure. Specific key risks include credit risk and impairment, as well as the valuation of financial instruments (certain level II and level III products), which involves aspects of asset quality review.

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[25] Under Finnish law, the financial year of a company is generally 12 months, but it may be shorter or longer under certain conditions.

The assessment of materiality is a key concept in planning and performing the external audit. External auditors take into account the expectations of the users of the financial statements in planning the audit activities. A misstatement is considered material if knowledge of it could influence decisions or actions taken by users on the basis of the financial statements. Both qualitative and quantitative factors are considered. Group audit procedures are performed on significant, highly material accounts that present a risk of material misstatement in the financial reporting for the Group as a whole.

Review of Subsidiaries

The annual accounts of subsidiaries that are required to have separate audited financial statements are audited by the external auditor in accordance with standards applicable in the relevant jurisdictions. As subsidiaries within the Group, the internal control and risk management systems in relation to the financial reporting processes are organized at the Group level. Financial reporting processes are fully integrated within the Group, with board monitoring of financial and risk reporting at the entity level for each material subsidiary.

Discuss whether the home-country supervisor sets standards for such reviews and the manner (if at all) by which the external audit results are communicated to the home-country supervisor.

Under the Finnish Auditing Act, the audit report must contain an opinion on whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework, of the results of operations and the financial position of the corporation or foundation, whether the financial statements comply with statutory requirements, whether the applicable provisions have been complied with in the preparation of the management report, and whether the information included in the management report for the financial year is consistent with the information included in the financial statements. Such opinion may be standard, qualified or adverse.

The Finnish FSA has published regulations and guidelines concerning the external audit of credit institutions and other financial institutions under the Finnish FSA's supervision, including Nordea-Finland.[26] Pursuant to the FSA Act, in cases where a financial institution is required to comply with IFRS standards in connection with preparing its annual accounts, the Finnish FSA must supervise the financial institution's compliance with IFRS standards.

Pursuant to the FSA Act and the regulations and guidelines of the Finnish FSA, Nordea-Finland must submit to the Finnish FSA copies of all reports by the

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26 8/2012.

external auditor within two weeks from the receipt of such reports. In addition, Nordea-Finland must submit to the Finnish FSA copies of all reports given to the management or board of directors of Nordea-Finland's subsidiaries and holding companies (except, with respect to subsidiaries that are not under the Finnish FSA's supervision, reports simply confirming to management that there are no issues meriting their attention).

Include a brief discussion of the general standards or requirements that apply to the external auditors themselves.

As a member of the European Union, Finland's system of audit and supervision is based on, and in line with, the Audit Directive and Audit Regulation[27] and related recommendations and decisions of the European Commission ("EC"). In addition, certain complementary rules in the Finnish Act on Credit Institutions, the Finnish Accounting Act,[28] the Finnish Companies Act, the Finnish Auditing Act[29] and the accounting regulations of the Finnish FSA[30] are also applied. Provisions on independence are set forth in the Finnish Auditing Act. In Finland, a banking company must have at least one auditor who has passed a KHT examination and been approved as a KHT auditor by the Finnish Patent and Registration Office or an audit firm with a KHT auditor as the responsible auditor.[31]

In Finland, all auditors are subject to the supervision of the Auditor Oversight Unit, which works in conjunction with the Finnish Patent and Registration Office. The Auditor Oversight Unit is responsible for the general direction and development of auditing and the oversight of auditors. Its tasks include approving auditors and seeing to the approval system and its development, supervising auditors' compliance with applicable legislation and supervising the quality of auditing and seeing to the development of the quality assurance system.

When supervising the quality of auditing, the Auditor Oversight Unit carries out a quality assurance review on an auditor at least every six years, appoints one or more independent quality control reviewers to carry out quality assurance reviews, makes decisions on the contents and implementation method of the quality assurance review and processes the findings of quality assurance reviews

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27 Directive 2014/56/EU and Regulation (EU) No 537/2014.

28 1336/1997.

29 1141/2015.

30 The Finnish FSA's regulations and guidelines 8/2012, 20/2013 and 2/2016.

31 A KHT qualification is an authorization to act as an auditor of a public interest entity. The criteria for approval as a KHT auditor are set forth in the Finnish Auditing Act and Decree 1442/2015 of the Ministry of Economic Affairs and Employment and include, among other things, requirements of a suitable educational background and adequate experience from the auditing, accountancy, finance or legal fields.

and makes decisions on actions to be taken as a result. The Auditor Oversight Unit may use external experts to conduct quality assurance reviews.

The Auditor Oversight Unit has the right to obtain from an auditor all documents and records it deems necessary for exercising oversight, in a format that is appropriate for the purposes of the oversight, and to obtain any required copies free of charge. Notwithstanding secrecy laws, the Auditor Oversight Unit also has the right to, on the auditor's premises, inspect documents and other records as well as information systems relevant to the auditor's activity and administration to the extent necessary for the Auditor Oversight Unit to perform its statutory oversight task.

The Auditor Oversight Unit and the Finnish FSA engage in appropriate cooperation. When required for the oversight of a supervised entity, the Finnish FSA may investigate whether an auditor has acted in compliance with the Finnish Auditing Act and the statutes thereunder, or the provisions of the EU Audit Regulation applicable to the supervised entity. The Finnish FSA may present a supervisory matter for the Audit Board, an autonomous decision-making body within the Auditor Oversight Unit, to decide. The Audit Board makes decisions on, *inter alia*, the general direction and development of auditing and the imposition of administrative sanctions.

(d) *Transactions with affiliates*. Indicate whether (and, if so, discuss how) the home- country supervisor regulates and monitors Applicant's transactions with its affiliates (*e.g.*, through reporting requirements, lending limits, or other restrictions). Define the home-country's definition of "affiliate" for this purpose (if different from the Federal Reserve's definition)[32] and specify whether any such restrictions apply to "upstream," "downstream," or "sister" affiliates.

Below we provide a general description of key rules and regulations on transactions with closely related parties.

Finnish Act on Credit Institutions

Under the Finnish Act on Credit Institutions, decisions concerning loans and other comparable financing to be granted to a natural person, an organization or a foundation belonging to the closely related parties of a credit institution, as well as decisions concerning investments in an undertaking belonging to closely related parties, or the general terms applicable to such lending and investments must be approved by the Board of Directors of the credit institution. Furthermore,

[32] An "affiliate" of a foreign bank or of a parent of a foreign bank means any company that controls, or is controlled by, or is under common control with, the foreign bank or the parent of the foreign bank.

a credit institution must report to the Finnish FSA any transactions with an undertaking which belongs to the same group or which is a participating undertaking (as referred to in the Finnish Accounting Act) of the credit institution or of an undertaking belonging to the same group. The aforementioned transactions may not be executed under terms derogating from the terms generally complied with in similar transactions between independent parties. Under the Finnish Act on Credit Institutions, a "closely-related person" of a credit institution includes:

1) a person who, on the basis of ownership, an option right or a convertible loan, holds or may hold at least 20 percent of the shares or participations of the credit institution or the voting rights attached thereto or a corresponding holding or corresponding voting rights in an organization belonging to the group of the credit institution or exercising dominant influence over the credit institution unless such organization is insignificant with regard to the entire group;

2) a member of the board of governors, a member or deputy member of the board of directors, a managing director or deputy managing director, an auditor or deputy auditor and an employee of an audit organization with main responsibility for the audit, as well as a person in a corresponding position in an undertaking referred to in paragraph 1 above;

3) the minor children and spouse of a person referred to in paragraph 2 above or a person living in conditions resembling marriage with such person; or

4) an organization or foundation which is controlled by a person referred to in paragraphs 1-3 above, alone or together with another person.[33]

<u>Nasdaq Helsinki Rules</u>

The Nasdaq Helsinki rules require disclosure of a non-ordinary course transaction between a listed company and its closely related parties at the time the decision to enter into the transaction is made, unless the transaction is insignificant to the parties involved.

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[33] A person is deemed to have control over another entity (referred to as an "object undertaking") where (1) the person controls the majority of the shareholders' or members' voting rights in the object undertaking based on ownership, membership, articles of association, deed of partnership or similar rules or other agreement; (2) the person has the right to appoint or remove the majority of the members of the board of directors of an object undertaking or of a similar body or of a body with the same right and where the right to appoint or remove is based on the same rules or agreements referred to in paragraph 1; or (3) the person has actual control over the object undertaking in another way.

“Closely related parties” of listed companies include managing directors, members of the board of directors and other managers in the parent company or significant subsidiaries who control or exercise significant influence over financial and operational decisions in the parent company or in the relevant significant subsidiary. Legal entities controlled by these persons and shareholders controlling more than 10 percent of the shares or voting rights of the listed company are also considered closely related parties.

Finnish Corporate Governance Code

According to the Finnish Corporate Governance Code, a company must evaluate and monitor transactions concluded between the company and its related parties and ensure that any conflicts of interest are taken into account appropriately in the decision-making process of the company. The company must keep a list of parties that are related to the company. The company must report the decision-making procedure applied in connection with related party transactions that are material to the company and that either deviate from the company’s normal business operations or are not made on market or market equivalent terms.

Under the Finnish Corporate Governance Code, “related parties” include the parties that the company has identified as related parties for its financial statements.

Directive (EU) 2017/828

Directive (EU) 2017/828, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (SHRD II), came into force on 9 June 2017 and must be implemented into national legislation by 10 June 2019. Pursuant to Article 9c of the SHRD II, material transactions with related parties must be approved at a general meeting or by the administrative or supervisory body of the company according to procedures which prevent the related party from taking advantage of its position and provide adequate protection for the interests of the company and of the shareholders who are not a related party, including minority shareholders. Furthermore, Member States may provide for shareholders in the general meeting the right to vote on material transactions with related parties which have been approved by the administrative or supervisory body of the company. The implementation of the SHRD II in Finland is currently pending.

IFRS Standards

Pursuant to IFRS, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party’s financial or operational decisions, as defined by IAS 24 “Related Party

Disclosures".[34] The Group's related party transactions primarily fall into one of two categories: (i) transactions with related companies; and (ii) transactions with employees or members of the Board of Directors and GEM.

The Group defines related parties for purposes of IFRS as: (i) shareholders of the parent company with significant influence; (ii) Group undertakings; (iii) associated undertakings; (iv) members of the Board of Directors and GEM, including the CEO ("Key Management Personnel"); and (v) other related parties comprised of close family members of Key Management Personnel, companies significantly influenced by Key Management Personnel, companies significantly influenced by family members of Key Management Personnel and Group pension foundations. The group of companies that are significantly influenced by Key Management Personnel or their close family members includes Sampo and Aegon Asset Management. Transactions with these related companies are entered into within the ordinary course of business, are based on the same criteria and are on the same terms and conditions applicable to comparable transactions with companies of similar standing. The number and value of transactions with related parties is not significant.

Information regarding transactions with related parties is included on an annual basis in the audited consolidated financial statements of the Group. Please refer to Notes G1 and G45 in the 2016 Annual Report, attached hereto as Public Exhibit 1, for additional details on Group and Nordea-Finland related party transactions.

(e) *Other applicable prudential requirements.* To the extent not previously addressed, describe any prudential limitations (*e.g.*, with respect to capital adequacy, asset classification and provisioning, single or aggregate credit and foreign currency exposure limits, and liquidity) that are imposed on the operations of Applicant. Describe the methods used by the home-country supervisor to monitor compliance with these limitations.

Below we provide additional information regarding (1) capital requirements and large exposures, (2) liquidity and (3) leverage ratio regulation. Please refer to the response to Question 14(d) above for a discussion of asset classification and provisioning. Please refer to the response to Question 14(c) above regarding capital adequacy.

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34 IAS 24 requires that a shareholder with significant influence be considered a related party. "Significant influence" is defined in IAS 28. According to IAS 28, significant influence means power to participate in the financial and operating policy decisions but not control them. A holding of 20 percent or more of the voting power (directly or through subsidiaries) will indicate significant influence unless it can be clearly demonstrated otherwise. If the holding is less than 20 percent, the investor will be presumed not to have significant influence unless such influence can be clearly demonstrated.

Capital Requirements and Large Exposures

As described above in Question 14, the Group is subject to the Basel III capital requirements as implemented by the CRR and the CRD IV. The Finnish FSA has prescribed additional requirements regarding capital calculation, assessment and management.

The Finnish FSA has issued national guidelines on the calculation of capital requirements and large exposures.[35] These guidelines are related to the national application of the CRR and contain, *inter alia*, the Finnish FSA's guidelines on the categorization of various Finnish capital instruments into common equity Tier 1, additional Tier 1 or Tier 2 instruments for the purposes of satisfying the own funds requirements imposed by the CRR and the Finnish Act on Credit Institutions. These guidelines also include the Finnish FSA's regulations and guidelines on how to calculate and take into account different types of exposures when calculating the own funds requirements applicable to a credit institution.

The Finnish FSA has also issued a standard regulating the internal capital adequacy assessment process in a supervised entity (the "Standard").[36] One of the goals of the Standard is to ensure that a credit institution has a consistent approach, process and mechanisms for proactive capital planning, assessment of capital adequacy and maintenance of capital adequacy. The Standard addresses, *inter alia*, the risks arising from credit risk concentrations. Pursuant to the Standard, a supervised entity must in its internal capital adequacy assessment recognize and assess the risks arising from credit risk concentrations and their implications for capital adequacy maintenance. The Standard also provides general information as to which matters the Finnish FSA focuses on and what it requires from its supervised entities when it carries out a regular assessment under Pillar 2 of the supervised entity's capital adequacy assessment.

The detailed principles of managing credit risk concentrations are included in the Finnish FSA's Standard 4.4a.[37]

The purpose of the EU-wide Single Rulebook concept is to ensure the consistent application of the regulatory banking framework across the EU. The EBA plays a key role in the development of the Single Rulebook in banking. The Single Rulebook aims to provide a single set of harmonized rules for, *inter alia*, the calculation of key requirements such as capital ratios and liquidity standards. When carrying out their supervisory tasks, the ECB and the Finnish FSA will take into account the rules and guidelines issued under the Single Rulebook concept.

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[35] The Finnish FSA's Regulations and guidelines 25/2013: Capital requirements calculation and large exposures.
[36] The Finnish FSA's Standard 4.2: Internal capital adequacy assessment process ICAAP.
[37] The Finnish FSA's Standard 4.4a: Management of credit risk.

These rules and guidelines (as issued from time to time) may impose further requirements for the capital adequacy assessment process and the management of various risks, including credit risks.

The Finnish FSA has decided to implement an institution-specific minimum level of 15 percent for the average risk weight on residential mortgage loans in Finland for credit institutions that apply the Internal Ratings Based Approach. This minimum will take effect in January 2018. The regulatory implementation is pursuant to Article 458 of the CRR, which allows authorities to target asset bubbles in the residential sector by increasing the risk weights within Pillar 1 and effecting minimum capital requirements. Nordea Group will thus implement this in existing capital adequacy calculations, and the Finnish FSA will monitor compliance through supervisory reporting.

Please refer to the 2016 Capital and Risk Management (Pillar III) Report, attached hereto as Public Exhibit 4, for additional detail on credit risk exposures. The information from this report is also summarized in Note G46 – Credit risk disclosures in the 2016 Annual Report, attached hereto as Public Exhibit 1.

Liquidity

Liquidity Coverage Ratio

Consistent with Basel III, under the CRR, the liquidity coverage ratio ("LCR") requires that subject banking organizations hold liquidity buffers adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of 30 days.

The EU Commission has published a delegated act on the LCR specifying the details for calculation of inflows and outflows, which entered into force on October 1, 2015 at a 60 percent phase-in, with 70, 80 and 100 percent phase-in effective in 2016, 2017 and 2018, respectively. Nordea-Finland must comply with these directly applicable EU requirements.

Nordea Group is LCR-compliant in all currencies combined and separately in U.S. Dollars and Euros. The LCR for the Group was 159 percent as of December 31, 2016, with a yearly average of 158 percent. The LCR was 334 percent and 221 percent in Euros and U.S. Dollars, respectively, as of December 31, 2016, with yearly averages of 209 percent and 224 percent, respectively.

When carrying out their supervisory tasks, the ECB and the Finnish FSA will take into account the rules and guidelines issued under the Single Rulebook concept. These rules and guidelines (as issued from time to time) may impose further requirements for liquidity management.

The Group monitors the LCR on a daily basis in all subsidiaries subject to LCR requirements in order to ensure compliance with the LCR requirements applicable to each such subsidiary, and provides daily time series information to the Nordea supervisory college at a quarterly risk review meeting. Supervisory reporting is also done on a monthly basis under the EBA's implementing technical standards on supervisory reporting of the LCR.

Net Stable Funding Ratio

The net stable funding ratio, once implemented in the EU, will establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a medium- to long-term horizon.

Group Liquidity Monitoring

At Nordea Group, structural liquidity risk in the Group is measured and limited by the Board through the net balance of stable funding ("NBSF"), which is defined as the difference between stable liabilities and stable assets. These liabilities primarily comprise retail deposits, bank deposits and bonds with a remaining term to maturity of more than 12 months, as well as shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 12 months and committed facilities. The goal set by GEM is to constantly maintain a positive NBSF, meaning that stable assets must be funded by stable liabilities. This target was achieved throughout 2016 with a yearly average of €69.3 billion.

Leverage Ratio

The EC has proposed to introduce a binding leverage ratio requirement of 3 percent of Tier 1 capital, as agreed at the international level. The leverage ratio requirement complements the current CRD IV and CRR requirements on supervisory monitoring of the risk of excessive leverage, including requirements to calculate the leverage ratio, to report it to supervisors and to disclose it publicly. Nordea Group has policies and processes in place for the identification, management and monitoring of the risk of excessive leverage. The leverage ratio is also part of Nordea Group's risk appetite framework. As of December 31, the Group's leverage ratio amounted to 5 percent, well above the proposed requirement. Please refer to table 10.3 of the 2016 Capital and Risk Management (Pillar III) Report, attached hereto as Public Exhibit 4, for more information on Nordea's leverage ratio.

(f) *Remedial authority of the home-country supervisor.* Describe the general methods available to the home-country supervisor to enforce Applicant's compliance with prudential controls and other supervisory or regulatory requirements.

The Finnish FSA is charged with enforcing compliance with regulations. Generally, if a financial company is not in compliance with an applicable regulation, the Finnish FSA (in cooperation with the ECB) can impose sanctions, including fines, warnings and license revocation.

Where a credit institution has violated its obligations pursuant to the Finnish Act on Credit Institutions, other legislation governing the operations of the institution, the institution's articles of association, bylaws or regulations, or internal instructions based on legislation governing the institution's operations, the Finnish FSA will intervene. The Finnish FSA may prohibit the implementation of a decision or a plan of the credit institution or order the credit institution to abstain from its conduct if a decision, action or conduct is inconsistent with applicable regulations, the terms of its authorization or other rules applicable to the credit institution. The Finnish FSA may also oblige the credit institution to implement measures to reverse or rectify its decision or action. The Finnish FSA may combine the aforementioned measures with an administrative fine.

The Finnish FSA may impose an administrative fine for a failure to comply with or violation of the provisions in the FSA Act or the Finnish Act on Credit Institutions. The administrative fine payable by a legal person is €5,000 to €100,000, and that payable by a natural person is €500 to €10,000. The size of an administrative fine is based on a comprehensive assessment, which takes into account the nature, scope and duration of the failure or violation.

The Finnish FSA may also impose a public warning for violations that are not subject to an administrative fine or a penalty payment. In addition, a public warning is issued if the credit institution's conduct is in violation of the terms of its authorization or the rules governing its operations. A public warning may be issued, provided that the matter, after comprehensive assessment, does not warrant more severe action.

The Finnish FSA may also impose a penalty payment for a failure to comply with or violation of certain provisions of the FSA Act and the Finnish Act on Credit Institutions, if the penalty payment does not exceed the sum of €1 million. Penalty payments exceeding €1 million are imposed by the Market Court upon a proposal of the Finnish FSA. The size of a penalty payment is based on a comprehensive assessment considering the nature, scope and duration of the breach, as well as the financial position of the person responsible for the breach. In addition, the assessment takes into account the profits gained or damage caused by the breach (insofar as they can be determined), the cooperation of the person responsible for the breach with the Finnish FSA in investigating the matter, previous breaches concerning financial market provisions by the person responsible for the breach and the potential impact of the breach on financial stability.

A penalty payment may be imposed, in addition to or instead of the penalty payment imposed on a credit institution, on such member of the management of the credit institution whose obligations have been contravened by the act or omission, if such member has significantly contributed to the act or omission.

In addition, in the case of a material violation or failure to comply with applicable regulations, the terms of the credit institution's authorization or other rules applicable to the credit institution, the Finnish FSA may cancel the authorization (in cooperation with the ECB).

The ECB is also empowered to impose administrative penalties on credit institutions. Pursuant to the SSM Regulation, the ECB may impose pecuniary administrative penalties of up to twice the amount of the profits gained or losses avoided because of the breach, where determinable, or up to 10% of the total annual turnover of a legal person in the preceding business year, or such other pecuniary penalties as may be provided for in relevant EU law.

(g) *Prior approval requirements.* Indicate whether prior approval of the home-country supervisor is needed for Applicant to make investments in other companies, or generally to establish overseas offices. Indicate the type of information the home-country supervisor reviews in making its determination.

Establishment of Overseas Offices

A Finnish credit institution may engage in activities falling within the scope of its authorizations in a foreign country either by establishing a branch or providing services across the border. Commencement of such activities requires either a notification or an authorization procedure depending on whether the activity is conducted in another EEA member state or outside the EEA.

If a credit institution authorized in Finland intends to establish a branch in another EEA member state, it must notify the Finnish FSA. The Finnish FSA will notify the authority of the future host country within three months. Operations may be commenced once a positive response has been received from the authority of the host country or two months have passed since the host authority received the notification.

In order for a Finnish credit institution to establish a branch outside the EEA member states, the Finnish FSA must grant permission, which it will do if supervision of the branch is effective and covers all operating units. Establishing a branch may not endanger the operation of the credit institution. The application requirements for establishing a branch outside the EEA member states are set forth in a Ministry of Finance Decree.[38] The application must contain (1) a copy of the decision by a competent body of the credit institution to establish a branch in a foreign country, (2) the permission of a competent authority of the host country to establish a branch, if such permission is required in the country concerned, (3) a description of the legislation governing the operations and supervision of a credit institution in the country concerned, (4) a description of the Finnish FSA's rights to supervise the branch and acquire information of the branch, (5) a description of the competent authority's right to supervise the branch in the host country, (6) the business plan of the branch, (7) a description of the organizational structure of the branch, (8) a description of the management of the branch and the fitness and propriety assessments of the management, (9) a description of how the internal monitoring and risk management of the credit institution will be arranged in the branch, and (10) a description of the reporting from the branch to the headquarters.

Investments in Other Companies

Pursuant to the Finnish Act on Credit Institutions, a credit institution or an undertaking belonging to the same consolidation group may not acquire control in a foreign undertaking other than a foreign EEA credit institution or a foreign EEA investment firm, a foreign EEA payment institution, a foreign EEA management company, a foreign EEA alternative investment fund manager or a foreign EEA insurance company, unless the undertaking has notified the Finnish FSA in advance of the acquisition. The Finnish FSA may, within three months from receipt of the notification, prohibit the acquisition if the laws, decrees or administrative provisions applicable to the undertaking subject to the acquisition would materially impede the efficient supervision of the credit institution or its consolidation group.

In addition, for "qualified holdings" of Finnish credit institutions, investment service companies, insurance companies and certain other companies under supervision, there are specific provisions for assessing a potential owner's suitability, meaning that formal ECB approval is required. "Qualified holdings" are defined as direct or indirect holdings in an undertaking that represent 10 percent or more of the capital or voting rights, or which makes it possible to exercise significant influence over the management of the undertaking. Separate approvals are then required (i) each time such qualified holdings are increased such that they equal or exceed 20, 30 or 50 percent of the equity capital or voting capital for all shares or participating interests, and (ii) if, as a result of the acquisition, the qualified holding increases such that the undertaking becomes a subsidiary.

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[38] 697/2014.

Qualified holdings in other undertakings outside the financial sector (*e.g.*, real estate agencies and other nonfinancial companies) may not exceed 60 percent of the institution's eligible capital and 15 percent of the institution's eligible capital in each company, according to EU Regulation.[39] "Eligible capital" is defined as the sum of (i) tier 1 capital, and (ii) tier 2 capital that is equal to or less than one-third of tier 1 capital.

Further qualified holdings may be acquired in excess of the limits described above if the amount exceeding such limits is risk-weighted to 1,250 percent or deducted from CET1 capital. For smaller holdings (holdings that do not meet the definition of "qualified holdings"), limits are set by the rules for large exposures—that is, supervised companies may acquire smaller holdings up to a maximum exposure of 25 percent of eligible capital to a single counterparty or to a group of connected counterparties.

Under the Finnish Act on Credit Institutions, a credit institution may invest in shares and participations of real estate companies in an amount up to 13 percent of its balance sheet total. In calculating this ratio, loans granted to a real estate company and guarantees granted on its behalf by the credit institution are deemed comparable to shares and participations held by the credit institution in a real estate company in proportion to the ratio of the shares or participations held by the credit institution in the real estate company to the share capital or co-operative capital of the real estate company. Furthermore, the total ownership of real estate by the parent company and subsidiaries of the consolidation group may not exceed 13 percent of the consolidated balance sheet total of the parent company.

16. Indicate what other domestic regulatory authorities, if any, in addition to the primary home-country supervisor, supervise subsidiaries or particular activities of Applicant. Briefly describe the financial and/or examination requirements, including the general scope and frequency of on-site examinations, if any, of each such regulatory authority. Also, discuss whether such regulatory authorities exchange information with the primary home-country supervisor, including financial or other supervisory information.

Supervision by local financial supervisory authorities is conducted through analysis of reports on, among other things, capital adequacy, large exposures and financial statements, and through both on- and off-site examinations to ensure that each subsidiary's operations comply with local laws and regulations. The frequency of on-site examinations by the relevant local financial supervisory authorities—whether inside or outside the EU—is generally not fixed, but instead

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[39] EU Regulation No. 575/2013 (June 26, 2013) on prudential requirements for credit institutions and investment firms (amending EU Regulation No. 648/2012).

is determined based on risk assessments. These examinations generally include visiting the premises of a local subsidiary or branch, interviewing employees and requiring explanations on examined matters. Examinations generally focus on specific items identified through the risk assessment; for example, the examinations may target a subsidiary's AML procedures or governance.

Please refer to the response to Question 15 above for a discussion of the EU supervisory colleges that coordinate supervision of banks in the EEA.

With respect to regulation of insurance, the Solvency II Directive,[40] which is intended to harmonize EU insurance regulation, introduces a consistent prudential framework for insurance regulation across Europe, primarily regarding capital adequacy requirements, risk management, and governance and supervision of insurance groups. Finland will also implement Solvency II.[41]

The Solvency II Directive, once implemented, will increase capital requirements for most life insurance as well as impose requirements for more detailed and frequent reporting to the relevant authorities. With respect to the new requirements regarding governance, the Solvency II Directive will require, among other things, the implementation of more control functions and requirements to secure the independence of those functions.

The Group will also be considered part of the Sampo financial conglomerate in accordance with an EU Directive as implemented into Finnish law.[42]

Please refer to Public Exhibit 6 for a list of all financial supervisors of the Group.

V. ANTI-MONEY LAUNDERING AND OTHER RELATED MEASURES

17. Describe any home-country laws or regulations that are designed to deter or prohibit money laundering, terrorist financing, or other illicit activities. Also, describe the requirements that Applicant's (and any parent foreign bank's) home-country supervisor imposes on banks for the detection and prevention of money laundering, terrorist financing and other illicit activities, and the reporting of suspicious transactions.

The primary law in Finland to deter and prohibit money laundering and terrorist financing is the Finnish Act on Measures against Money Laundering and Terrorist

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40 Solvency II Directive (2009/138/EC).

41 The Solvency II Directive will be implemented in a similar way in all EU countries, however, the timing of implementation of the capital requirements will vary.

42 Finnish Act on the Supervision of Financial and Insurance Conglomerates (2004/699); EU Directive 2002/87/EC.

Financing,[43] which implemented the EU Fourth Anti-Money Laundering Directive.[44] The law, which also encompasses businesses and professional persons outside the financial sector, such as accountants, lawyers and real estate agents, stipulates that all financial institutions are obligated to prevent money laundering and the financing of terrorism.

Entities subject to the law described above must know their customers and customers' use of their products and services in order to make an assessment of the risk of exploitation for money laundering or terrorist financing. When an institution enters into a business relationship or otherwise performs transactions involving amounts over certain thresholds, the law requires the institution to identify the customer and any beneficial owner and to understand the purpose of the business relationship and the customer's various transactions. The institution must continue to monitor the customer's transactions on an ongoing basis during the relationship in order to ensure continued compliance, monitor any changes in risk profile and maintain accurate information about the customer.

Entities subject to the law must prepare a risk assessment to identify and evaluate risks relating to money laundering and terrorist financing. The risk assessment and documents must be regularly updated, and the risk assessment and any amendments to it, submitted to the competent supervisory authority upon request and without delay.

Under the law, enhanced due diligence is required whenever the risk of exploitation for money laundering or terrorist financing is high, or higher than usual. Enhanced due diligence measures are normally required in, for example, the following situations: (i) the customer has not been physically present for identification purposes (so-called "distance clients"); (ii) a credit institution or a financing institution enters into an agreement on the execution of payments and other commissions with a non-EEA credit institution or financing institution; or (iii) the customer or the beneficial owner is a politically exposed person ("PEP") or relative or close associate of a PEP. The measures performed under enhanced due diligence may vary in each case according to the assessed risk, but could involve, for example, requesting further information on the financial situation of the customer and enhanced ongoing monitoring of the relationship. In specific cases, such as when the customer itself is a financial institution under supervision, it is possible to perform a simplified due diligence, provided that the actual risk is assessed as low.

18. Discuss the actions taken by Applicant (and any parent foreign bank) to ensure that the bank and its offices and subsidiaries have implemented

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[43] 444/2017.

[44] (EU) 2015/849.

sufficient safeguards to prevent such operations from being used for purposes of money laundering, terrorist financing, or other illicit activities. The response should describe:

(a) The policies and procedures implemented with respect to anti-money-laundering policies and measures, including any customer due diligence, recordkeeping, and cash and/or suspicious transaction reporting requirements.

Nordea Group is committed to complying with all applicable anti-money laundering/counter terrorist financing ("AML/CFT"), sanctions, and anti-bribery and corruption laws and regulations in the jurisdictions in which it operates. Therefore, the Group has established Group Board Directives and CEO Instructions (together, "steering documents") in order to achieve robust and consistent standards of compliance in such jurisdictions. The Group Board Directives and Group CEO Instructions support the broader customer strategy, values and vision, and provide a uniform set of risk management principles and mandatory standards throughout the Nordea Group.

The foundation of Nordea Group's risk-based approach to financial crime risk management is the Financial Crime Enterprise Risk Assessment ("FC ERA"), the performance of which allows the Group to identify and assess its exposure to financial crime risks, its vulnerabilities and the mitigating controls needed to manage these risks and vulnerabilities. The FC ERA provides Nordea Group with a view of risks and controls across the Group, Business Areas, applicable countries and legal entities, and enables unit level assessments of risks (such as a single business area within a country), as well as more holistic country and Business Area views and an enterprise wide view. The FC ERA was executed as a pilot in 2016, and the first full execution will be the 2017 FC ERA, which will complete reporting in mid-2018. The FC ERA methodology acquires both quantitative and qualitative information to assess the inherent risks and effectiveness of control environments.

While the full FC ERA is still being executed, local risk assessments and the Group-wide compliance risk assessment, including financial crime are being maintained to ensure a holistic view of financial crime risk across Nordea Group.

The Group Board Directive on Global AML/CTF outlines the measures that are required to manage the Group's financial crime risk in relation to different risk factors, such as customers, products and services, channels, geographies/jurisdictions and operating environments. Know-your-customer ("KYC") measures, which include the initial assessment of the financial crime risks of the customer relationship, are performed on the Group's customers and associated parties on a risk-sensitive basis. Customer Due Diligence, Enhanced Customer Due Diligence (where required) and Ongoing Customer Due Diligence are required in order to keep KYC information up to date. Please refer to the

Group Board Directive on Global AML/CTF attached hereto in Confidential Exhibit 7.

Customer Risk Scoring Models are used to assess the individual financial crime risk each customer poses to the Group. These risk models consider key areas of risk such as customer type, products, geography and channel. Based on the assessed risk level of each customer, appropriate levels of due diligence are required to be applied as defined in the Group CEO Instructions on Global Know Your Customer Standards (the "KYC CEO Instructions"). These instructions establish the minimum requirements for KYC in all businesses, entities and jurisdictions in which Nordea operates. A Global Customer Risk Scoring Model ("GCRSM") has been developed to enable a consistent application of customer risk assessment across Nordea. The GCRSM is undergoing tuning and testing for other business areas in preparation for use in 2018. Please refer to the KYC CEO Instructions attached hereto in Confidential Exhibit 7.

The Group Board Directive on Global AML/CTF, Group Board Directive on Global Sanctions, and Group CEO Instructions on Anti-Bribery and Corruption are supported by the KYC CEO Instructions and Group CEO Instructions on Global Sanctions Standards.

The prior versions of the Group's AML/CTF and sanctions policies were established in 2016 in connection with the Financial Crime Change Programme ("FCCP"), discussed further below. At that time, Nordea completed a mapping of global regulations, requirements (*e.g.*, the Financial Action Task Force ("FATF"), Basel Committee), industry guidance/practice (*e.g.,* Wolfsberg), and jurisdictional regulation to incorporate the central and minimum requirements into its policies. Nordea is continuously working to update its policies, and this mapping work informed the current steering documents that have replaced the prior policies. The steering documents include greater detail, especially with respect to various local jurisdictional laws, and address gaps that existed in the prior policies. Nordea is further leveraging this mapping work in the ongoing efforts to continue improving its steering documents, guidelines and standard operating procedures. This work is being planned and performed by Group Financial Crime Compliance ("GFCC").

The Nordea Group Global Financial Crime steering documents define the roles and responsibilities for financial crime risk management across the Group. They also align with the Group Board Directive on Internal Governance and Group Board Directive on Risk and the Group Board Directive on rules of procedure for the Group Board.

Effective management of financial crime risk in Nordea requires that robust systems, processes and related controls be established and operate effectively, and form key requirements of Nordea Group Global Financial Crime steering documents. These systems and processes include, but are not limited to:

- The prohibition of certain products, services and customer types, including business activity that may violate applicable sanctions laws or Nordea's internal sanctions framework;

- Sanctions screening, both of transactions and of customers;

- Monitoring of transactions for suspicious or unusual activity ("Transaction Monitoring")

- Investigation of alerts generated as result of sanctions screening or Transaction Monitoring, and completion of any relevant actions required for a customer based on the outcome of such investigation;

- Filing of Suspicious Activity Reports with the requisite local authorities where the conclusion of an investigation requires;

- Development and provision of management information and reporting;

- Analytics and intelligence capabilities to support investigations as well as seek to proactively identify areas of potential risk; and

- Effective escalation processes within the first line of defense, as well as from first line of defense to second line of defense and upwards to GEM and the Board, where required.

  Please refer to Confidential Exhibit 8 for additional information.

(b) The steps taken to ensure compliance with these policies and procedures (including the nature and frequency of employee training and compliance monitoring by internal auditors); and

In 2015, Nordea Group implemented the FCCP, which is a change vehicle on behalf of all Business Areas and Group Functions to implement and execute financial crime changes across the Group. The FCCP is governed by an Operating Steering Committee and Chief Operating Officer Executive Management Meeting, with regular reporting to GEM and the Board with regards to programme status as well as key challenges and issues. The FCCP also oversees the progress made to resolve the specific deficiencies that gave rise to the Swedish FSA's and Danish Financial Supervisory Authority's (the "DFSA") actions against Nordea Group, and is meant to ensure that any changes made are sustainable through appropriate governance and control frameworks.

Effective January 1, 2018, the FCCP and Group AML & Sanctions unit ("GAS") were combined into a new unit, Group Financial Crime Prevention ("GFCP"), which is co-headed by the former heads of the FCCP and GAS. GFCP's objective is to further centralize and maintain the financial crime prevention activity across the Group. The new unit is also responsible for fulfilling the status reporting and oversight of progress requirements related to the Swedish FSA and DFSA actions mentioned above. Nordea does not expect the reorganization of these units to impact the services performed or deliverables prepared by the former GAS and FCCP.

All relevant employees undertake mandatory awareness training and role specific training, as appropriate. Business Areas and Group Functions are accountable for defining a financial crime competence strategy and training requirements for their areas, including the design of training materials and assessments to be used under guidance from Group Compliance to ensure alignment and consistency across Nordea Group. Currently, this activity is undertaken by the GFCP. GFCC is accountable for arranging and providing regular financial crime training for the Board and GEM. The most recent training provided for the Board and GEM was sanctions training in October 2017.

Nordea Group conducts assurance through its three lines of defense. Business Areas and Group Functions are responsible for developing and implementing processes that include regularly scheduled monitoring and testing of the quality and effectiveness of financial crime processes and controls. Group Compliance, using a risk based approach, establishes and implements financial crime specific assurance requirements to test the effectiveness of financial crime systems and controls and compliance with applicable laws and regulations and internal steering documents. GIA, as the third line of defense, is responsible for independently assessing processes and controls in the first and second lines of defense, using a risk-based approach. GIA reports the identified risks to senior management and the Board, as necessary. Management is responsible for remediating the identified issues, and GIA tracks and validates such remediation.

(c) The extent to which these policies and procedures are subject to independent external audit and examination by the home-country supervisor.

The AML area is a focus of Group supervisory authorities, including the Finnish FSA and the Swedish FSA. Although steering documents and procedures are not subject to independent external audit as a matter of course, the ECB and the Finnish FSA have the discretion to review them in the course of their supervision and inspections. The Swedish FSA imposed a sanction and an accompanying SEK 30 million ($4.7 million) fine on NBAB in 2013 for deficiencies in its approach to AML compliance. In May 2015, the Swedish FSA sanctioned NBAB (with an accompanying SEK 50 million (approximately $6 million) fine) for deficiencies in AML and CTF compliance as the result of an inspection that began in 2013 and was reported in May 2015. The Group is also completing work on two outstanding orders issued in June 2016 with respect to a DFSA inspection of Nordea Bank Danmark A/S (now a branch of NBAB), and expects this work to be concluded by mid-2018.

The response should indicate whether the financial institution-specific recommendations for the Financial Action Task Force ("FATF") have been implemented throughout the organization.

As discussed in the response to Question 18(a), Nordea Group's steering documents are based upon all applicable laws, regulations and regulatory guidance. The FATF recommendations have been incorporated into Finnish law and regulation, and therefore inform all of the Group's steering documents.

VI. MISCELLANEOUS

19. List all jurisdictions (in addition to the home country) in which Applicant has material operations. For each such jurisdiction, describe any secrecy laws or other impediments that would restrict the ability of Applicant or its ultimate parent, if any, from providing information on the operations or activities of Applicant and any of its affiliates that the Board deems necessary to determine and enforce compliance with the International Banking Act, the BHCA, and other applicable federal laws. If any material impediments exist, discuss the manner in which Applicant and its ultimate parent, if any, propose to provide the Board with adequate assurances of access to information.

The Group operates in the Nordic markets (Denmark, Finland, Norway and Sweden) and in Russia and Luxembourg, with branches in a number of other international locations including, among others, London and New York. In approving the 2015 Application, the Federal Reserve noted that:

- NBAB committed to make available to the Board such information on its operations and on those of any of its affiliates' as the Board deems necessary to enforce compliance with applicable federal law;

- NBAB committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable NBAB and its affiliates to make such information available to the Board; and

- the Board concluded that NBAB provided adequate assurances of access to any appropriate information that the Board may request.

As discussed, the Group legal simplification project is a reorganization and does not change the scope of the Group's operations. Nordea-Finland will continue to work to facilitate Federal Reserve access to information on Group operations and activities.

20. **Discuss the status of any other regulatory filings required to be made in connection with Applicant's proposal to establish an office, and indicate when action on such filings is expected.**

    As discussed, Nordea-Finland is also filing an application with the NYDFS for a state branch license. The filing with the NYDFS is expected to occur substantially contemporaneously with the filing of this Application.

    The only other filing required in connection with establishing the Nordea-Finland NY Branch is with the Finnish FSA.

    As discussed in the Preliminary Statement, the establishment of the Nordea-Finland NY Branch is part of the change in domicile of the Group's parent. The Merger requires approval from the Swedish FSA. It does not require the express approval of the Finnish FSA and the ECB, but both authorities have a right to object. In addition, the Merger is conditional upon the ECB approving Nordea-Finland's application for a banking license.

21. **Provide a statement from the home country supervisor of the Applicant that the foreign bank is duly organized, licensed as a bank, and in good standing, and such supervisor consents to establishment of the proposed office.**

    A statement from the Finnish FSA and the SSM will be provided when available.

22. **Applicant and its ultimate parent, if any, should provide (jointly and separately) the commitments contained in Attachment E through an officer that is authorized to bind the entity making the commitments. The commitments should be provided in the exact form provided (including all footnote references).**

    A form of these commitments is attached as Confidential Exhibit 9. Nordea-Finland will provide executed commitments when it has received a banking license from the ECB.

23. **Proof of newspaper publication should be provided when available.**

    A copy of the newspaper publication that will be published in *The New York Post* is attached as Public Exhibit 7. An affidavit of publication will be provided as soon as it is available.

CERTIFICATION

We hereby certify that our board of directors, by resolution, has authorized the filing of this application, and that to the best of our knowledge, it contains no misrepresentations or omissions of material facts. In addition, we agree to notify the agency if the facts described in the filing materially change prior to receiving a decision or prior to consummation. Any misrepresentation or omission of a material fact constitutes fraud in the inducement and may subject us to legal sanctions provided by 18 U.S.C. §§ 1001 and 1007.

We acknowledge that approval of this application is in the discretion of the appropriate federal banking agency. Actions or communications, whether oral, written, or electronic, by an agency or its employees in connection with this filing, including approval of the application if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the agency, other federal banking agencies, the United States, any other agency or entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of any federal banking agency to exercise its supervisory, regulatory, or examination powers under applicable law and regulations. We further acknowledge that the foregoing may not be waived or modified by any employee or agent of a federal banking agency or of the United States.

Signed this 19th day of January, 2018.

Nordea Holding Abp by
(Applicant)

(Signature of Authorized Officer)

Casper von Koskull
(Typed Name)

President of Nordea-Finland and Group CEO
(Title)

(Signature of Authorized Officer)

Maria Kronström
(Typed Name)

Head of Merchant Banking Law
(Title)

PUBLIC EXHIBITS

TO THE

APPLICATION

PURSUANT TO
SECTION 7(d)
OF THE
INTERNATIONAL BANKING ACT OF 1978

SUBMITTED BY

NORDEA HOLDING ABP
Helsinki, Finland

TO THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

FOR THE
ESTABLISHMENT OF A STATE-LICENSED BRANCH

Submitted

January 19, 2018

PUBLIC EXHIBITS Tab

Public Exhibit 1

2016 Annual Report

[Attached Separately]

Public Exhibit 2

Third Quarter Results 2017

Third Quarter 2017

Interim Management Statement
Third Quarter Results 2017

CEO Casper von Koskull's comments on the results:

"Despite increasing geopolitical risks and imbalances in the economy, we continue to see synchronised growth in our home markets. Margins remain stable, although we have not seen the usual pick-up in demand for corporate advisory services after the summer. Costs developed according to plan and credit quality improved as expected. The CET 1 ratio was unchanged at 19.2% and the management buffer increased to 180 bps to its highest level ever.

We are almost two years into the transformation of Nordea. Since investments are starting to deliver, it is time to enter the next phase, in which we see that we can structurally bring down costs and increase efficiency. This transformation would not have been possible without our strong balance sheet and robust business model. In the coming years we will achieve economies of scale by taking our centres of excellence to the next level and create efficient and automated operations. To achieve this we also need to continue a cultural transformation into a purpose-led and values-guided organisation. This shift will help us become first among peers in customer satisfaction."

(For further viewpoints, see CEO comments on page 2)

Third quarter 2017 vs. Third quarter 2016[1]

(Third quarter 2017 vs. Second quarter 2017)

- Total operating income[1] -4%, in local currencies -4% (-1%, in local currencies -1%)
- Total expenses +2%, in local currencies +2% (-7%, in local currencies -7%)
- Operating profit[1] -5%, in local currencies -5% (+8%, in local currencies +8%)
- Common equity tier 1 capital ratio 19.2%, up from 17.9% (unchanged from 19.2%)
- Cost/income ratio[1] up to 51% from 48% (down 3% -point from 54%)
- Loan loss ratio of 10 bps, down from 16 bps (down 3 bps from 13 bps)
- Return on equity[1] 10.5%, down from 11.6% (up 1.0%-points from 9.5%)
- Diluted EPS[1] EUR 0.21 vs. EUR 0.22 (EUR 0.21 vs. EUR 0.18)

1,090
Total operating profit, Q3 2017 (EURm)

19.2
CET 1 capital ratio (%)

Summary key figures

EURm	Q3 2017	Q2 2017	Chg %	Loc. curr. %	Q3 2016	Chg %	Loc. curr. %	Jan-Sep 2017	Jan-Sep 2016	Chg %	Loc. curr. %
Net interest income	1,185	1,175	1	1	1,178	1	1	3,557	3,518	1	1
Total operating income[1]	2,373	2,407	-1	-1	2,466	-4	-4	7,241	7,166	1	1
Total operating income	2,373	2,407	-1	-1	2,466	-4	-4	7,241	7,317	-1	-1
Profit before loan losses	1,169	1,116	5	5	1,283	-9	-9	3,500	3,750	-7	-7
Net loan losses	-79	-106	-25	-24	-135	-41	-41	-298	-373	-20	-20
Operating profit[1]	1,090	1,010	8	8	1,148	-5	-5	3,202	3,226	-1	-1
Operating profit	1,090	1,010	8	8	1,148	-5	-5	3,202	3,377	-5	-5
Diluted earnings per share[1], EUR	0.21	0.18			0.22			0.60	0.62		
ROE[1], %	10.5	9.5			11.6			10.1	11.0		
ROE, %	10.5	9.5			11.6			10.1	11.7		

Exchange rates used for Q3 2017 for income statement items are for DKK 7.4373, NOK 9.2361 and SEK 9.5833.

[1] Excl. non-recurring items in Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax.

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We build strong and close relationships through our engagement with customers and society. Whenever people strive to reach their goals and realise their dreams, we are there to provide relevant financial solutions. We are the largest bank in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalisation with around 11 million customers, 31,500 employees and 600 branch office locations. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges. Read more about us on nordea.com.

CEO Comment

Financial outcome

We continue to see synchronised growth in our home markets with very strong macro trends. The September non-manufacturing index in Europe had its strongest month since August 2005, and the Swedish Purchasing manufacturing index recently reached a six-year high. This is despite increasing geopolitical risks and imbalances in the economy, the latter mainly in the real estate sector. We maintain our cautious approach in some areas where we see price levels that could be unsustainable. Consequently, we are growing slower than the market in these areas.

The trend with stable lending and deposit margins continues and we expect this to continue. Demand for corporate loans is low and we have not seen the usual pick-up in corporate advisory activities after the summer. Underlying Assets under Management again reached an all-time-high level, although the inflow is currently somewhat lower than the long-term trends. We see continued lower customer activities in the capital markets due to low volatility.

As expected costs are starting to come down from the high levels in the first half of 2017.

Credit quality continues to improve and the loan loss ratio decreased to 10 bps, compared to 13bps in the previous quarter. Around half of the total net loan losses in Q3 relates to the oil and offshore portfolio. Our expectation is that loan losses will be below the long-term average of 16 bps in the coming quarters.

We continue to build up and strengthen our capital position and the Common Equity Tier 1 ratio is 19.2%, compared to 19.2% at the end of the second quarter. We have included the new PD validation, including the PD/ADF requirement from SFSA in our models which reduced the CET 1 ratio by approximately 60 bps. The management buffer increased in the quarter by 20 bps to 180 bps which is above our target level of 50-150bps.

On 1 October Nordea and DNB completed the combination of their Baltic operations creating Luminor - the third largest financial services provider in the Baltics.

Adding customer value

The use of artificial intelligence - AI - will enable enhancing customer experience. A customer service chatbot was presented in Norway in September and has been accessed more than 7,000 times and answered over 10,000 questions from both personal and corporate customers. In December we will be launching a web-based robot advisor, which will allow for investment and savings advice wherever and whenever it suits the customer best.

The mobile bank is increasingly becoming the first point of entry for millions of our customers. Our mobile wallet partnership with Samsung is followed by one with Apple, which increases the number of customers that can make purchases using their mobile phones. Our recently announced partnership with the fin-tech Tink will help customers to get an understanding about their financials in an easy way. We have also entered into collaboration with the Norwegian payment app Vipps.

The many aspects we are focusing on in order to improve the customer experience include quicker response times and increased accessibility. Our digital solutions allow customers to be one click away from meetings with advisors. One out of five customer meetings is held online, an increase of 21% compared to one year ago.

In September we hosted a major Nordic Sustainable Finance Conference with more than 200 participants, enabling us to set the direction for the future of sustainability in finance. We also facilitated the issuance of a USD 350 million green bond for the Folksam Group and a MuniFin EUR 500 million green bond. This was MuniFin's first ever EUR-denominated green bond, which represents another important step for the development of Nordea's green bond franchise.

Our Investment Banking and Equities areas also performed very strongly driven in particular by market share gains in our DCM and M&A businesses

Business transformation

We are almost two years into our transformation shift. So far, we have significantly built up our capabilities within compliance and risk management functions as well as invested in technology, such as the core banking platform, digital banking and IT remediation. This part of our journey has been costly and resulted in an increase in our long-term running costs. Many of these investments were not part of the original planning in 2015. However, our efforts have definitely made the bank significantly more resilient, robust and agile.

Since these investments are starting to deliver as expected, it is time to enter the next phase of the transformation, in which we see that we can structurally bring down costs and increase efficiency. This transformation requires a shift in competence among our employees. Additionally, in order to secure long-term competitiveness, we also plan to reduce the number of employees and consultants with at least 6,000 of which approximately 2,000 are consultants.

To attain these efficiency gains we will take a transformation cost of EUR 100 -150m in the fourth quarter of 2017. Also, over the coming four years, we will have transformation costs and, in order to make this shift as efficient and transparent as possible, we will report this spend as running costs. For 2018 we expect a total cost base, including transformation costs, of approximately EUR 4.9bn which we expect to gradually decline to below EUR 4.8bn in 2021.

We would not have been able to invest in a resilient platform and further improve our digital and mobile distribution without our strong balance sheet and robust business model. In the coming years we will achieve economies of scale by taking our centres of excellence to the next level and create efficient and automated operations. It is not possible to achieve any of this without also continuing a cultural transformation into a purpose-led and values-guided organisation. This shift will help us become first among peers in customer satisfaction.

Casper von Koskull
President and Group CEO

Income statement

EURm	Q3 2017	Q2 2017	Chg %	Local curr. %	Q3 2016	Chg %	Local curr. %	Jan-Sep 2017	Jan-Sep 2016	Chg %	Local curr. %
Net interest income	1,185	1,175	1	1	1,178	1	1	3,557	3,518	1	1
Net fee and commission income	814	850	-4	-4	795	2	3	2,530	2,371	7	7
Net result from items at fair value	357	361	-1	-1	480	-26	-26	1,093	1,217	-10	-9
Profit from associated undertakings and joint ventures accounted for under the equity method	3	0			-2			7	108	-94	-94
Other operating income	14	21	-33	-29	15	-7	0	54	103	-48	-47
Total operating income	2,373	2,407	-1	-1	2,466	-4	-4	7,241	7,317	-1	-1
Staff costs	-757	-795	-5	-5	-743	2	2	-2,351	-2,239	5	5
Other expenses	-377	-433	-13	-13	-389	-3	-3	-1,197	-1,171	2	3
Depreciation, amortisation and impairment charges of tangible and intangible assets	-70	-63	11	10	-51	37	35	-193	-157	23	23
Total operating expenses	-1,204	-1,291	-7	-7	-1,183	2	2	-3,741	-3,567	5	5
Profit before loan losses	1,169	1,116	5	5	1,283	-9	-9	3,500	3,750	-7	-7
Net loan losses	-79	-106	-25	-24	-135	-41	-41	-298	-373	-20	-20
Operating profit	1,090	1,010	8	8	1,148	-5	-5	3,202	3,377	-5	-5
Income tax expense	-258	-267	-3	-4	-260	-1	-1	-783	-711	10	10
Net profit for the period	832	743	12	12	888	-6	-6	2,419	2,666	-9	-9

Business volumes, key items[1]

EURbn	30 Sep 2017	30 Jun 2017	Chg %	Local curr. %	30 Sep 2016	Chg %	Local curr. %
Loans to the public	313.7	314.7	0	-1	325.6	-4	-5
Loans to the public, excl. repos	296.6	297.9	0	-1	307.4	-4	-3
Deposits and borrowings from the public	182.2	189.5	-4	-4	187.4	-3	-4
Deposits from the public, excl. repos	173.1	176.2	-2	-2	177.1	-2	-1
Total assets	615.3	642.8	-4	-4	657.2	-6	-5
Assets under management	330.9	332.1	0		317.4	4	
Equity	32.3	31.4	3		31.1	4	

Ratios and key figures[2]

	Q3 2017	Q2 2017	Chg %	Q3 2016	Chg %	Jan-Sep 2017	Jan-Sep 2016	Chg %
Diluted earnings per share, EUR	0.21	0.18	17	0.22	-5	0.60	0.66	-9
EPS, rolling 12 months up to period end, EUR	0.87	0.88	-1	0.87	0	0.87	0.87	0
Share price[1], EUR	11.44	11.12	3	8.85	29	11.44	8.85	29
Total shareholders' return, %	8.8	10.7	-18	28.7	-69	15.1	-2.2	
Equity per share[1], EUR	7.95	7.74	3	7.69	3	7.95	7.69	3
Potential shares outstanding[1], million	4,050	4,050	0	4,050	0	4,050	4,050	0
Weighted average number of diluted shares, mn	4,039	4,039	0	4,038	0	4,039	4,036	0
Return on equity, %	10.5	9.5	11	11.6	-9	10.1	11.7	-14
Cost/income ratio, %	51	54	-5	48	6	52	49	6
Loan loss ratio, basis points[3]	10	13	-23	16	-38	12	15	-20
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,4], %	19.2	19.2	0	17.9	7	19.2	17.9	7
Common Equity Tier 1 capital ratio, incl. Basel I floor[1,4], %	12.1	12.0	1	11.3	7	12.1	11.3	7
Tier 1 capital ratio, excl. Basel I floor[1,4], %	21.4	21.4	0	20.1	6	21.4	20.1	6
Total capital ratio, excl. Basel I floor[1,4], %	24.5	24.6	0	24.1	2	24.5	24.1	2
Tier 1 capital[1,4], EURbn	27.5	27.7	-1	27.4	0	27.5	27.4	0
Risk exposure amount excl. Basel I floor[4], EURbn	128	130	-1	136	-6	128	136	-6
Risk exposure amount incl. Basel I floor[4], EURbn	206	209	-1	218	-5	206	218	-5
Number of employees (FTEs)[1]	31,918	31,847	0	31,307	2	31,918	31,307	2
Economic capital[1], EURbn	26.7	27.3	-2	26.4	1	26.7	26.4	1

[1] End of period.

[2] For more detailed information regarding ratios and key figures defined as Alternative performance measures, see www.nordea.com/en/investor-relations/.

[3] Including Loans to the public reported in Assets held for sale.

[4] Including the result for the period.

Income statement
Excluding non-recurring items[1]

	Q3 2017	Q2 2017	Chg %	Local curr. %	Q3 2016	Chg %	Local curr. %	Jan-Sep 2017	Jan-Sep 2016	Chg %	Local curr. %
EURm											
Net interest income	1,185	1,175	1	1	1,178	1	1	3,557	3,518	1	1
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Net result from items at fair value	357	361	-1	-1	480	-26	-26	1,093	1,217	-10	-9
Profit from associated undertakings and joint ventures accounted for under the equity method	3	0			-2			7	15	-53	-53
Other operating income	14	21	-33	-29	15	-7	0	54	45	20	22
Total operating income	2,373	2,407	-1	-1	2,466	-4	-4	7,241	7,166	1	1
Staff costs	-757	-795	-5	-5	-743	2	2	-2,351	-2,239	5	5
Other expenses	-377	-433	-13	-13	-389	-3	-3	-1,197	-1,171	2	3
Depreciation, amortisation and impairment charges of tangible and intangible assets	-70	-63	11	10	-51	37	35	-193	-157	23	23
Total operating expenses	-1,204	-1,291	-7	-7	-1,183	2	2	-3,741	-3,567	5	5
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Income tax expense	-258	-267	-3	-4	-260	-1	-1	-783	-711	10	10
Net profit for the period	832	743	12	12	888	-6	-6	2,419	2,515	-4	-4

Ratios and key figures[1,2]

	Q3 2017	Q2 2017	Chg %	Q3 2016	Chg %	Jan-Sep 2017	Jan-Sep 2016	Chg %
Diluted earnings per share, EUR	0.21	0.18	17	0.22	-5	0.60	0.62	-3
EPS, rolling 12 months up to period end, EUR[3]	0.85	0.86	-1	0.84	1	0.85	0.84	1
Return on equity, %	10.5	9.5	11	11.6	-9	10.1	11.0	-8
Cost/income ratio, %	51	54	-5	48	6	52	50	4
ROCAR, %[4]	12.1	10.6	14	13.4	-10	11.7	12.5	-6

[1] Excl. non-recurring items in Q2 2016: gain related to Visa Inc.’s acquisition of Visa Europe amounting to EUR 151m net of tax.
[2] For more detailed information regarding ratios and key figures defined as Alternative performance measures, see www.nordea.com/en/investor-relations/.
[3] Key figure is also effected by the non-recurring items in Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m before tax and additional gain related Visa Inc.’s acquisition of Visa Europe amounting to EUR 22m before tax, and in Q4 2015: gain from divestment of Nordea’s merchant acquiring business to Nets of EUR176m before tax and restructuring charge of EUR 263m before tax.
[4] ROCAR restated due to changed definition of Average economic capital.

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Macroeconomy and financial markets

The third quarter of 2017 featured improving economic conditions despite elevated geopolitical risks. In particular, much focus was on the ongoing political tensions following missile tests by North Korea. In the US, the Federal Reserve had a slightly more hawkish tone at its October meeting than what was expected after persistently disappointing inflation data. Chair Yellen argued that hiking at too moderate a pace could increase the risk of the economy overheating when inflation eventually picks up. Consequently, market participants started to anticipate a December hike. In Europe, The German federal election was held on 24 September. Once more, conservative party CDU/CSU received the most votes and Angela Merkel looked likely to become Chancellor for the fourth consecutive time. However, the election saw both of the largest parties (CDU/CSU and SPD) losing ground, while the right-wing AfD advanced, creating some political turbulence. In terms of economic data, Eurozone inflation edged 0.2 percentage points higher to 1.5% (y/y), while aggregate GDP continued its strong march with a 0.6% (q/q) reading for Q2, leading the ECB to revise up its GDP forecast for 2017 to 2.20%. Furthermore, in this context, ECB signaled at its September meeting that preparations are being made to scale back on the asset purchase programme. Looking to China, credit continued to grow at a fast pace, leading to some concerns. On the back of this, S&P downgraded China from AA- to A+. The Chinese economy has been growing at a steady pace this year and deflation fears have also alleviated. The latest GDP figures came in at 6.9% (y/y) for Q2, while the most recent CPI print showed that inflation picked up to 1.8% (y/y) in August. On the back of the global growth momentum, emerging markets stocks performed strongly over the quarter, with the MSCI Emerging Market index increasing by 7%. Brent crude Oil gained momentum and edged 14.5% higher to 56.8 USD per barrel. The S&P 500 gained 4.0% for the quarter while the US 10-year yield was virtually unchanged for the quarter at 2.33%. Eurostoxx gained 4.4% (q/q) and the German 10-year yield was little changed at the end of the quarter at 0.46%. The Euro strengthened against the US dollar during the quarter, from 1.143 to 1.181.

Denmark

The Danish economy expanded by 2.7% (y/y) in the second quarter of 2017. This was the sixth consecutive quarter with growth above long-term potential. In the second quarter household consumption was unchanged partly due to a large drop in car sales (-1.1% q/q). Exports increased by 0.8% while imports grew by 2.1%. The substantial increase in imports was mainly related to a surge in gross fixed capital formation (+2.7% q/q), which normally has a high import share. Leading indicators pointed to a slowdown in growth in Q3 within both manufacturing production and retail sales. In Q2 prices for single-family houses increased by 5%, while for owner-occupied flats they rose by an annual rate of 7.4%. Residential investment rose by 3.1% (y/y) during the second quarter. The Danish central bank maintained its -0.65% deposit rate in Q3 and made no intervention in the foreign exchange market. Danish equities rose by 2.8% during the quarter while the 10-year swap rate fell by 3bps to 1.10%.

Finland

The Finnish economy expanded by 3.1% (y/y) in the first half of 2017. Indicators pointed towards strong growth in the third quarter as well. Demand among the main trading partners was robust and a further broad-based strengthening of exports was in the cards. Domestic demand remained strong, ranging from private consumption to construction and machinery investment. Consumption was driven by record-high consumer confidence. Employment improved during the quarter, as the economic recovery continued. There was no sign of the economic expansion spilling over into price pressures, as core inflation slowed down to below 0.5% (y/y). Finnish equity markets gained 0.9% during the quarter. The Finnish 10-year yield ended the quarter 7bps lower at around 0.62%.

Norway

The Norwegian economy continued to expand at a healthy pace in the second quarter. Growth was 0.7% (q/q) during the year's first two quarters as the activity level in oil-related sectors stabilised and private consumption grew. Preliminary data pointed towards slightly slower but still healthy growth in the third quarter. Unemployment continued to decrease in Q3. As a sign of the oil downturn losing its grip on the Norwegian economy, unemployment decreased the most in the oil counties. The effect of past NOK weakening on imported inflation abated further, but domestic inflation also fell. Underlying inflation recently fell to 0.9% (y/y) after hovering around 1.5% for the first half of 2017. Norges Bank kept its key policy rate unchanged at 0.5% at its September meeting, as widely anticipated. The central bank's interest rate path indicated an initial rate hike in the summer of 2019. The 2-year swap rate decreased by 5 bps to 1.08% in Q3, while the 10-year swap rate was roughly unchanged around 1.95%. The Norwegian krone was 2.5% stronger in trade-weighted terms in Q3 and equities were up by 14%.

Sweden

The Swedish economy showed good growth in the second quarter, at 1.2% (q/q) and 3.1% (y/y). The upturn was broad-based. Exports levelled out somewhat in recent months, while indicators for the export industry remained upbeat. Key economic indicators for the domestic economy suggested that the healthy growth momentum was sustained in the third quarter. Employment remained on the strong trend, while the unemployment rate fell only gradually due to the large inflow of labour. Consumer price inflation exceeded the 2% target for the first time in many years. Long-term inflation expectations remained anchored at the 2% inflation target. The Riksbank left its key policy rate unchanged at -0.50% at its September meeting and made no changes to its bond purchasing programme. The central bank signalled an initial rate hike by mid-2018. The trade-weighted SEK strengthened by 2%, and Swedish equities rose by 2% in the third quarter. The 10-year government bond yield was up by 3bps to 0.93%, little changed from the previous quarter.

Group results and performance

Third quarter 2017

Net interest income

Net interest income in local currencies increased 1% from the previous quarter.

Net interest income for Personal Banking was up 3% in local currencies from the previous quarter, driven by lower funding costs and lower 3-month NIBOR.

Net interest income for Commercial & Business Banking was unchanged in local currencies from the previous quarter.

Net interest income in Wholesale Banking was down 1% in local currencies from the previous quarter, mainly driven by lower lending volumes in Russia and Shipping, Oil and Offshore and lower yield fees.

Net interest income in Wealth Management was down 5% in the quarter from the previous quarter driven by a lower lending volume and lower deposit margin.

Net interest income in Group Functions and Other was down to EUR 115m compared to EUR 119m from the previous quarter.

Lending volumes

Loans to the public in local currencies, excluding repos, decreased by 1% from the previous quarter. Average lending volumes in local currencies in business areas were marginally up in Personal Banking and Commercial & Business Banking while somewhat down in Wholesale Banking and Wealth Management.

Deposit volumes

Total deposits from the public in local currencies, excluding repos, decreased by 2% from the previous quarter. Average deposit volumes in business areas were up, particularly in Wholesale Banking.

Net interest income per business area

								Local currency	
	Q317	Q217	Q117	Q416	Q316	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Personal Banking	574	555	559	543	536	3%	7%	3%	8%
Commercial & Business Banking	285	284	281	276	273	0%	4%	0%	4%
Wholesale Banking	185	190	200	203	204	-3%	-9%	-1%	-9%
Wealth Management	26	27	29	30	27	-4%	-4%	-5%	-4%
Group Functions and other	115	119	128	157	138	n.m	n.m	n.m	n.m
Total Group	**1,185**	**1,175**	**1,197**	**1,209**	**1,178**	**1%**	**1%**	**1%**	**1%**

Change in Net interest income

	Q3/Q2	Jan-Sep 17/16
EURm		
NII beginning of period	**1,175**	**3,518**
Margin driven NII	**-7**	**141**
Lending margin	-2	83
Deposit margin	-5	58
Volume driven NII	**-4**	**-18**
Lending volume	-5	-21
Deposit volume	1	3
Day count	14	-14
Other[1]	7	-70
NII end of period	**1,185**	**3,557**
[1] of which FX	-3	19

Net fee and commission income

Net fee and commission income decreased by 4% in local currencies from the previous quarter.

Savings and investment commissions

Net fee and commission income from savings and investments decreased by 3% in local currencies from the previous quarter to EUR 524m. Fees were negatively affected by AuM which decreased to EUR 330.9bn at the end of the quarter from EUR 332.1bn in the previous quarter.

Net inflow decreased to EUR 0.3bn compared to net inflow of EUR 1.9bn in the previous quarter. AuM in Q3 was impacted by EUR 2.2bn from the exclusion of volumes related to Life Baltics (included in Luminor) and Life Poland (divested). Fees were down approximately EUR 14m due to periodisation.

Payments and cards and lending-related commissions

Lending-related net fee and commission income decreased 2% in local currencies to EUR 149m from the previous quarter. Payments and cards net fee and commission income was down 7% to EUR 137m from the previous quarter.

Net fee and commission income per business area

								Local currency	
	Q317	Q217	Q117	Q416	Q316	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Personal Banking	182	190	193	187	178	-4%	2%	-2%	5%
Commercial & Business Banking	101	114	105	116	98	-11%	3%	-10%	4%
Wholesale Banking	140	133	167	159	145	5%	-3%	5%	-5%
Wealth Management	398	422	412	422	384	-6%	4%	-7%	4%
Group Functions and other	-7	-9	-11	-17	-10	n.m	n.m	n.m	n.m
Total Group	**814**	**850**	**866**	**867**	**795**	**-4%**	**2%**	**-4%**	**3%**

Net fee and commission income per category

								Local currency	
	Q317	Q217	Q117	Q416	Q316	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Savings and investments, net	524	539	556	547	498	-3%	5%	-3%	5%
Payments and cards, net	137	148	126	138	129	-7%	6%	-7%	6%
Lending-related, net	149	151	161	172	169	-1%	-12%	-2%	-12%
Other commissions, net	4	12	23	10	-1	n.m	n.m	n.m	n.m
Total Group	**814**	**850**	**866**	**867**	**795**	**-4%**	**2%**	**-4%**	**3%**

Assets under Management (AuM), volumes and net inflow

	Q317	Q217	Q117	Q416	Q316	Net inflow Q317
EURbn						
Nordic Retail funds	61.2	60.6	60.7	59.2	56.6	-0.1
Private Banking	101.8	102.9	101.6	100.2	97.6	-0.3
Institutional sales	94.6	94.4	93.8	91.7	92.6	0.4
Life & Pensions	73.3	74.2	74.0	71.6	70.6	0.3
Total	**330.9**	**332.1**	**330.1**	**322.7**	**317.4**	**0.3**

Net result from items at fair value

The net result from items at fair value decreased by 1% from the previous quarter to EUR 357m, and decreased 26% from same quarter in 2016. Fair value adjustment had a positive impact of EUR 39m (EUR 39m in Q2 2017).

Capital Markets income for customers in Wholesale Banking, Personal Banking, Commercial and Business Banking and Private Banking

Customer-driven capital markets activities in the customer business were down slightly 1% lower than in the previous quarter. The net fair value result for the business units largely was unchanged at EUR 149m, from EUR 150m in the previous quarter. However, the underlying level in Q3 was down from Q2 due to lower customer activity. Q2 included EUR -38m related to debt restructuring of customer exposure in Shipping, Oil and Offshore.

Life & Pensions

The net result from items at fair value for Life & Pensions decreased EUR 6m from the previous quarter to EUR 51m.

Wholesale Banking other

The net fair value result for Wholesale Banking other, i.e. income from managing the risks inherent in customer transactions, decreased to EUR 111m compared to EUR 135m in the previous quarter.

Group Functions and Other

The net fair value result in Group Functions and Other increased from the previous quarter and amounted to EUR 46m (EUR 19m in the previous quarter)

Net result from items at fair value per area

EURm	Q317	Q217	Q117	Q416	Q316	Q3/Q2	Q3/Q3
Personal Banking	20	23	19	20	26	-13%	-23%
Commercial & Business Banking	58	68	61	69	67	-15%	-13%
Wholesale Banking excl. Other	62	43	92	111	79	44%	-22%
Wealth Mgmt excl. Life	9	16	26	19	17	-44%	-47%
Wholesale Banking Other	111	135	99	183	147	-18%	-24%
Life & Pensions	51	57	59	67	53	-11%	-4%
Group Functions and other	46	19	19	29	91	n.m	n.m
Total Group	**357**	**361**	**375**	**498**	**480**	**-1%**	**-26%**

Equity method

Income from companies accounted for under the equity method was EUR 3m, up from EUR 0m in the previous quarter.

Other operating income

Other operating income was EUR 14m, down from EUR 21m in the previous quarter.

Total operating income

Total income decreased by 1% in local currencies from the previous quarter to EUR 2,373m.

Total operating income per business area

								Local currency	
EURm	Q317	Q217	Q117	Q416	Q316	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
Personal Banking	778	774	773	751	742	1%	5%	1%	6%
Commercial & Business Banking	451	475	467	469	445	-5%	1%	-5%	2%
Wholesale Banking	498	501	562	655	576	-1%	-14%	0%	-13%
Wealth Management	492	530	529	544	485	-7%	1%	-8%	0%
Group Functions and other	154	127	130	191	218	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**2,373**	**2,407**	**2,461**	**2,610**	**2,466**	**-1%**	**-4%**	**-1%**	**-4%**
Total, excl. non-recurring items[1]	**2,373**	**2,407**	**2,461**	**2,588**	**2,466**	**-1%**	**-4%**	**-1%**	**-4%**

[1] Non-recurring items (Q4 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax).

Total expenses

Total expenses in the third quarter amounted to EUR 1,204m, down 7% from the previous quarter and up 2% from the third quarter of 2016 in local currencies.

Staff costs were down 5% in local currencies from the previous quarter and up 2% from the same period in 2016 in local currencies.

Other expenses were down 13% in local currencies from the previous quarter, mainly due to seasonality.

Depreciations were up 10% in local currencies from the previous quarter and up 35% from same quarter of 2016.

The number of employees (FTEs) at the end of the third quarter was 31,918, which is more or less unchanged from the previous quarter but up 2% from the same quarter of 2016. The increase from the third quarter of 2016 is mainly related to compliance and risk**.**

Expenses related to Group projects, Compliance and Risk that affected the P&L were EUR 119m, compared to EUR 149m in the previous quarter. In addition, EUR 67m was capitalised from Group projects compared to EUR 80m in the previous quarter.

Provisions for performance-related salaries in the second quarter were EUR 77m, compared to EUR 65m in the previous quarter.

The cost/income ratio was down to 51% in the third quarter, compared to the previous quarter (54%) and up compared to the third quarter of 2016 (48%).

Total operating expenses

								Local currency	
	Q317	Q217	Q117	Q416	Q316	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Staff costs	-757	-795	-799	-687	-743	-5%	2%	-5%	2%
Other expenses	-377	-433	-387	-475	-389	-13%	-3%	-13%	-3%
Depreciations	-70	-63	-60	-157	-51	11%	37%	10%	35%
Total, incl. non-recurring items	**-1,204**	**-1,291**	**-1,246**	**-1,233**	**-1,183**	**-7%**	**2%**	**-7%**	**2%**
Total, excl. non-recurring items[1]	**-1,204**	**-1,291**	**-1,246**	**-1,319**	**-1,183**	**-7%**	**2%**	**-7%**	**2%**

[1] Non-recurring items (Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m).

Total operating expenses per business area

								Local currency	
	Q317	Q217	Q117	Q416	Q316	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Personal Banking	-430	-455	-446	-420	-427	-5%	1%	-5%	1%
Commercial & Business Banking	-273	-281	-275	-298	-282	-3%	-3%	-3%	-3%
Wholesale Banking	-222	-228	-236	-267	-234	-3%	-5%	-1%	-4%
Wealth Management	-225	-248	-225	-225	-213	-9%	6%	-10%	4%
Group Functions and other	-54	-79	-64	-23	-27	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**-1,204**	**-1,291**	**-1,246**	**-1,233**	**-1,183**	**-7%**	**2%**	**-7%**	**2%**
Total, excl. non-recurring items[1]	**-1,204**	**-1,291**	**-1,246**	**-1,319**	**-1,183**	**-7%**	**2%**	**-7%**	**2%**

[1] Non-recurring items (Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m).

Currency fluctuation effects

	Q3/Q2	Q3/Q3	Jan-Sep 17/16
%-points			
Income	0	0	0
Expenses	0	0	0
Operating profit	0	0	0
Loan and deposit volumes	0	-1	-1

Net loan losses

Credit quality continues to improve, with positive net rating migration in Q3 among the retail portfolio and unchanged among the corporate portfolio.

Net loan loss decreased to EUR 79m and the loan loss ratio improved to 10 bps (EUR 106m and 13 bps in the previous quarter). Loan losses in Q3 are mainly stemming from corporate customers with the largest individual loan losses related to the Oil and Offshore and Manufacturing industries. Loan losses are mainly related to Denmark and Norway, however, also partly related to Russia, Baltics and our international units.

The loan loss ratio for individual losses are 12 bps and for collective -2 bps (in Q2, the ratio for individual losses was 11 bps and for collective it was 2 bps). Collective reversals are driven by identified individual provisions as well as partly by positive rating migration in the retail portfolio.

Our expectation is that loan losses will be below the long-term average of 16 bps in the coming quarters.

Loan loss ratios and impaired loans

	Q317	Q217	Q117	Q416	Q316
Basis points of loans					
Loan loss ratios annualised, Group	10	13	14	16	16
of which individual	12	11	16	15	7
of which collective	-2	2	-2	1	9
Personal Banking total[1]	3	7	2	-1	4
Banking Denmark[1]	-1	11	3	-10	6
Banking Finland[1]	1	4	1	3	3
Banking Norway[1]	4	0	1	0	1
Banking Sweden[1]	2	2	2	3	0
Banking Baltic countries[1]	42	9	-5	10	5
Commercial & Business Banking[1]	12	8	9	17	24
Commercial Banking[1]	21	13	23	19	22
Business Banking[1]	1	2	-12	15	26
Wholesale Banking	22	34	44	48	32
Corporate & Institutional Banking (CIB)[1]	14	18	18	40	9
Shipping, Offshore & Oil Services[1]	101	146	200	163	200
Banking Russia[1]	62	88	162	90	30
Impaired loans ratio gross, Group (bps)[3]	174	172	162	163	163
- servicing	64%	64%	62%	58%	61%
- non-servicing	36%	36%	38%	42%	39%
Total allowance ratio, Group (bps)	71	69	71	71	71
Provisioning ratio, Group[2]	41%	40%	44%	44%	44%

[1] Negative amount are net reversals.

[2] Total allowances in relation to gross impaired loans.

[3] In Q4 and Q3 2016 170bps, including Baltics operations reported as assets held for sale. The transaction is expected to close during Q4 2017.

Credit portfolio

Total lending to the public, excluding reversed repurchase agreements, decreased slightly to EUR 297bn when excluding the Held for Sale operations in the Baltics transferred to Luminor bank as of 1 October 2017.

Total impaired loans gross decreased by 2% to EUR 5,853m driven by private customers in Denmark and a few corporate customers in the manufacturing industry. However, the impairment rate gross increased slightly to 174 bps (172 bps in Q2) of total loans due to a decrease in lending to credit institutions and central banks mostly caused by a decrease in reversed repurchase agreements. Provisioning ratio increased slightly to 41% (40% in Q2).

Profit

Operating profit

Operating profit excluding non-recurring items increased to EUR 1,090m, up 8% in local currencies compared to the previous quarter, and down 5% compared to the same quarter of 2016.

Taxes

Income tax expense was EUR 258m compared to EUR 267m in the previous quarter. The effective tax rate was 23.7%, compared to 26.4% in the previous quarter and 22.6% in the third quarter last year.

Net profit

Net profit increased 12% in local currencies from the previous quarter to EUR 832m. Return on equity was 10.5%, up from 9.5% in the previous quarter.

Diluted earnings per share were EUR 0.21 (EUR 0.18 in the previous quarter).

Operating profit per business area

								Local currency	
	Q317	Q217	Q117	Q416	Q316	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Personal Banking	335	293	320	333	301	14%	11%	15%	13%
Commercial & Business Banking	153	178	175	136	114	-14%	34%	-14%	34%
Wholesale Banking	236	209	236	292	271	13%	-13%	11%	-13%
Wealth Management	267	282	304	319	272	-5%	-2%	-6%	-3%
Group Functions and other	99	48	67	168	190	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**1,090**	**1,010**	**1,102**	**1,248**	**1,148**	**8%**	**-5%**	**8%**	**-5%**
Total, excl. non-recurring items[1]	**1,090**	**1,010**	**1,102**	**1,140**	**1,148**	**8%**	**-5%**	**8%**	**-5%**

[1] Non-recurring items (Q4 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax and gain in staff costs related to change in pension agreement in Norway of EUR 86m.).

First nine months 2017 compared to first nine months 2016

Total income was up 1% in local currencies and up 1% in EUR from the prior year and operating profit was down 1% in both local currencies and EUR from the previous year excluding non-recurring items.

Income

Net interest income was up 1% in both local currencies and EUR from 2016. Average lending volumes in business areas in local currencies were down by 1% compared to the first nine months of 2016 while deposits volumes were up by 2%.

Net fee and commission income increased 7% in both local currencies and EUR from the previous year.

Net result from items at fair value decreased both in local currencies (9%) and in EUR (10%) from 2016.

Expenses

Total expenses were up 5% in both local currencies and EUR from the previous year excluding non-recurring items and amounted to EUR 3,741m. Staff costs were up 5% in local currencies excluding non-recurring items.

Net loan losses

Net loan loss provisions decreased to EUR 298m, corresponding to a loan loss ratio of 12 bps (down from15 bps in first nine months of 2016).

Net profit

Net profit excluding non-recurring items decreased 4% in both local currencies and EUR to EUR 2,419m.

Currency fluctuation impact

Currency fluctuations had no effect on income and expenses but a negative effect of 1%-point on loan and deposit volumes compared to a year ago.

Other information

Capital position and risk exposure amount, REA

Nordea Group's Basel III Common equity tier 1 (CET1) capital ratio remained flat at 19.2% at the end of the third quarter 2017 compared to 19.2% at the end of the second quarter 2017. Risk exposure amount, REA, decreased with EUR 1.4bn. The main drivers were improved credit quality and lower volumes in the corporate portfolio, somewhat offset by the PD/ADF implementation. CET1 capital decreased with EUR 0.2bn, partly explained by increased deduction for intangible assets.

The tier 1 capital ratio remained flat at 21.4% compared to 21.4% in the previous quarter and the total capital ratio decreased somewhat to 24.5% from 24.6%.

At the end of the third quarter, the CET1 capital was EUR 24.7bn, the Tier 1 capital was EUR 27.5bn and the Own Funds were EUR 31.4bn.

The CRR leverage ratio increased to 4.9%, compared to 4.7% in the previous quarter.

Economic Capital (EC) was EUR 26.7bn at the end of the third quarter, a decrease by EUR 0.6bn compared to the last quarter. The decrease mainly stems from a reduction in credit risk Pillar I. A decrease in market risk, both Pillar I and Pillar II, and prudent valuation further reduced EC. This was slightly offset by an increase in intangible assets and NLP.

The Group´s Internal Capital Requirement (ICR) was at the end of the third quarter EUR 13.6bn and remained relatively flat to the previous quarter. The ICR should be compared to the own funds, which was EUR 31.4bn. The ICR is calculated based on a Pillar I plus Pillar II approach. For more detailed information about the ICR methodology see the Capital and Risk Management Report.

Capital ratios

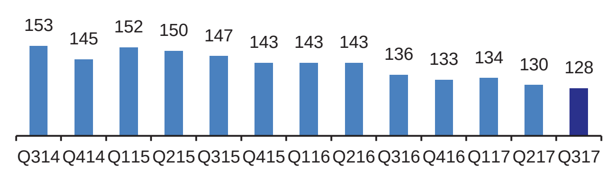
	Q317	Q217	Q117	Q416	Q316
%					
CRR/CRDIV					
CET 1 cap. ratio	19.2	19.2	18.8	18.4	17.9
Tier 1 capital ratio	21.4	21.4	21.0	20.7	20.1
Total capital ratio	24.5	24.6	24.3	24.7	24.1

Regulatory developments

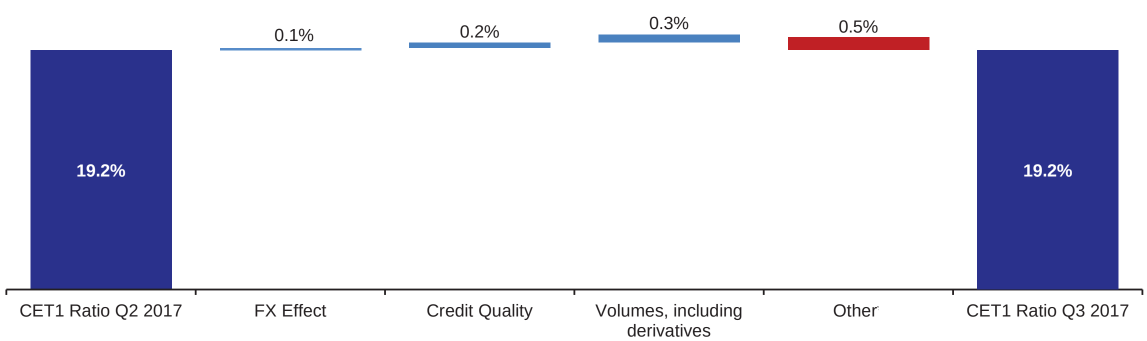
On 24 August the Swedish FSA issued a consultation on repealing its legislative acts on liquidity, FFFS 2011:37 and FFFS 2012:6. The motive for the repealing, which is proposed to occur 1 January 2018, is that the legislative acts will be replaced by the binding rules stated in the CRR which enters into force the same date.

The Finnish FSA communicated on 26 September that the authority will set a credit institution specific minimum level of 15% for the average risk weight on residential mortgage loans for credit institutions that use the Internal Rating Based Approach.

Risk exposure amount, REA (EURbn), quarterly



Common equity tier 1 (CET 1) capital ratio, changes in the quarter



Balance sheet

Total assets in the balance sheet decreased by EUR 27.5bn in the quarter and the asset values of derivatives were EUR 4bn lower than in the previous period.

Loans to the public were more or less unchanged at EUR 314bn in the quarter compared to EUR 315bn in the previous quarter.

Other assets decreased by EUR 12bn from the previous quarter.

Balance sheet data

	Q317	Q217	Q117	Q416	Q316
EURbn					
Loans to credit institutions	14	21	19	9	13
Loans to the public	314	315	320	318	326
Derivatives	49	53	56	70	81
Interest-bearing securities	88	91	93	88	83
Other assets	150	163	162	131	155
Total assets	**615**	**643**	**650**	**616**	**657**
Deposits from credit inst.	54	70	70	38	58
Deposits from the public	182	190	191	174	187
Debt securities in issue	183	185	188	192	191
Derivatives	45	53	56	69	77
Other liabilities	118	114	114	111	111
Total equity	32	31	31	32	31
Total liabilities and equity	**615**	**643**	**650**	**616**	**657**

Nordea's funding and liquidity operations

Nordea issued approx. EUR 3bn in long-term funding in the third quarter (excluding Danish covered bonds and subordinated notes), of which approx. EUR 900m represented issuance of covered bonds from Nordea Hypotek. A EUR 2bn dual tranche (4-year and 10-year tenor) senior unsecured bond was issued from Nordea Bank AB during the third quarter.

Nordea's long-term funding portion of total funding was, at the end of the third quarter, approx. 81%.

Short-term liquidity risk is measured using several metrics and the Liquidity Coverage Ratio (LCR) is one such metric. LCR for the Nordea Group was, according to the Swedish FSA's LCR definition, 143% at the end of the third quarter. The LCR in EUR was 187% and in USD 161% at the end of the third quarter. LCR for the Nordea Group according to CRR LCR definitions was 154% at the end of the third quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash with characteristics similar to Basel III/CRD IV high quality liquid assets and amounted to EUR 107bn at the end of the third quarter (EUR 126bn at the end of the second quarter).

Funding and liquidity data

	Q317	Q217	Q117	Q416	Q316
Long-term funding portion	81%	80%	81%	82%	82%
LCR total	143%	141%	142%	159%	148%
LCR EUR	187%	203%	185%	334%	257%
LCR USD	161%	165%	150%	221%	253%

Market risk

Total market risk, measured as Value at Risk, in the trading book was EUR 13m, an increase from the previous quarter (EUR 10m).

Trading book

	Q317	Q217	Q117	Q416	Q316
EURm					
Total risk, VaR	13	10	9	16	16
Interest rate risk, VaR	10	12	9	12	15
Equity risk, VaR	2	4	3	5	4
Foreign exchange risk, VaR	9	2	5	4	4
Credit spread risk, VaR	5	5	7	6	7
Diversification effect	48%	59%	62%	42%	46%

Total market risk, measured as Value at Risk, in the banking book was EUR 47m (EUR 52m in Q2 2017). The decrease is driven by a reduction in interest rates exposure.

Banking book

	Q317	Q217	Q117	Q416	Q316
EURm					
Total risk, VaR	47	52	63	59	54
Interest rate risk, VaR	48	53	63	58	53
Equity risk, VaR	4	4	2	1	2
Foreign exchange risk, VaR	2	2	2	5	4
Credit spread risk, VaR	1	1	1	2	2
Diversification effect	14%	14%	7%	10%	12%

Nordea share and ratings

Nordea's share price as at the end of Q3 2017 and ratings as at the end of Q3 2017.

	Nasdaq STO (SEK)	Nasdaq COP (DKK)	Nasdaq HEL (EUR)
30/12/2016	101.30	78.65	10.60
31/03/2017	102.30	79.90	10.72
30/06/2017	107.20	83.15	11.14
30/09/2017	110.40	85.15	11.44

Moody's		Standard&Poor's		Fitch	
Short	Long	Short	Long	Short	Long
P-1	Aa3	A-1+	AA-	F1+	AA-

Baltics

In August 2016, Nordea and DNB announced that they will combine their operations in the Baltics. At the beginning of March this year, it was announced that Luminor will be the name of the joint Baltic bank. The completion was conditional upon receiving regulatory approvals and fulfilling certain conditions. After receiving all the requisite approvals and fulfilling the conditions, the transaction closed on 1 October 2017.

Luminor will comprise Nordea's approximately 350,000 customers across the three markets and DNB's 930,000 customers across the three markets. The operations will have approximately 3,000 employees.

Luminor has a strong geographical presence with Nordea's strong Estonian, DNB's strong Lithuanian and jointly strong Latvian footprints. As a result of the transaction, corporate banking, private banking and household customers will benefit from increased geographical coverage, a broader product offering and ultimately better product and service development.

The two banks greatly complement one another in the Baltic region, and Luminor will be even better equipped to counter increasing competition and capitalise on scale with the objective to become the main bank for more businesses, customers and partners in the Baltics.

Nordea has established a Baltic Office in order to monitor Nordea's investment in Luminor and serve as the point of contact between Nordea and Luminor. The Baltic Office is headed by Jørgen Christian Andersen.

In the fourth quarter 2017 Nordea will derecognise all assets and liabilities held for sale and recognise an investment in Luminor. Nordea will as from the fourth quarter consolidate Luminor using the equity method, meaning Nordea will recognise its share of the post-tax result in Luminor on the line "Profit from associated undertakings and joint ventures accounted for under the equity method" in the income statement.

Nordea Merger plans

On 6 September 2017, the Board of Directors of Nordea Bank AB (publ) initiated a process to re-domicile the parent company from Sweden to Finland. The Boards of Directors of each of Nordea Bank AB (publ) and the newly established and wholly-owned Finnish company Nordea Holding Abp have as of 25 October signed a joint cross-border merger plan that will be presented to the shareholders at a general meeting for their approval, requiring a two-third majority of the votes cast and present at such a meeting.

The execution of the merger is further conditional upon e.g. receiving the requisite regulatory approvals. The merger, and consequently the re-domiciliation, is planned to be effected during the second half of 2018, tentatively on 1 October 2018. The merger plan can be found on www.nordea.com

IFRS 9: Expected quantitative impact

The IASB has completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The impact on the Common Equity Tier 1 capital ratio, after adjustment of the shortfall deduction and before transition rules, is expected to be insignificant. Additional qualitative disclosures can be found in the interim report for the second quarter 2017. (More details in Note 1 on Page 21).

Sale of management rights in Nordea Powszechne Towarzystwo Emerytalne S.A. (PTE)

Nordea Life and Pension has divested PTE's management right to an open-ended pension fund to Aegon. The transaction was approved by the Polish authorities in the third quarter 2017. The transaction has not had any significant impact on the income statement. Goodwill allocated to the affected operations of EUR 40m has been derecognised and the fair value of an earn-out has been recognised. The earn-out is over 20 years and is accounted for as a financial instrument held at fair value.

Quarterly development, Group

EURm	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Jan-Sep 2017	Jan-Sep 2016
Net interest income	1,185	1,175	1,197	1,209	1,178	3,557	3,518
Net fee and commission income	814	850	866	867	795	2,530	2,371
Net result from items at fair value	357	361	375	498	480	1,093	1,217
Profit from associated undertakings and joint ventures accounted for under the equity method	3	0	4	4	-2	7	108
Other operating income	14	21	19	32	15	54	103
Total operating income	**2,373**	**2,407**	**2,461**	**2,610**	**2,466**	**7,241**	**7,317**
General administrative expenses:							
Staff costs	-757	-795	-799	-687	-743	-2,351	-2,239
Other expenses	-377	-433	-387	-475	-389	-1,197	-1,171
Depreciation, amortisation and impairment charges of tangible and intangible assets	-70	-63	-60	-71	-51	-193	-157
Total operating expenses	**-1,204**	**-1,291**	**-1,246**	**-1,233**	**-1,183**	**-3,741**	**-3,567**
Profit before loan losses	**1,169**	**1,116**	**1,215**	**1,377**	**1,283**	**3,500**	**3,750**
Net loan losses	-79	-106	-113	-129	-135	-298	-373
Operating profit	**1,090**	**1,010**	**1,102**	**1,248**	**1,148**	**3,202**	**3,377**
Income tax expense	-258	-267	-258	-148	-260	-783	-711
Net profit for the period	**832**	**743**	**844**	**1,100**	**888**	**2,419**	**2,666**
Diluted earnings per share (DEPS), EUR	0.21	0.18	0.21	0.27	0.22	0.60	0.66
DEPS, rolling 12 months up to period end, EUR	0.87	0.88	0.95	0.93	0.87	0.87	0.87

Income statement

EURm	Q3 2017	Q3 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Operating income					
Interest income	1,915	1,917	5,741	5,842	7,747
Interest expense	-730	-739	-2,184	-2,324	-3,020
Net interest income	**1,185**	**1,178**	**3,557**	**3,518**	**4,727**
Fee and commission income	1,019	1,023	3,169	3,016	4,098
Fee and commission expense	-205	-228	-639	-645	-860
Net fee and commission income	**814**	**795**	**2,530**	**2,371**	**3,238**
Net result from items at fair value	357	480	1,093	1,217	1,715
Profit from associated undertakings and joint ventures accounted for under the equity method	3	-2	7	108	112
Other operating income	14	15	54	103	135
Total operating income	**2,373**	**2,466**	**7,241**	**7,317**	**9,927**
Operating expenses					
General administrative expenses:					
Staff costs	-757	-743	-2,351	-2,239	-2,926
Other expenses	-377	-389	-1,197	-1,171	-1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	-70	-51	-193	-157	-228
Total operating expenses	**-1,204**	**-1,183**	**-3,741**	**-3,567**	**-4,800**
Profit before loan losses	**1,169**	**1,283**	**3,500**	**3,750**	**5,127**
Net loan losses	-79	-135	-298	-373	-502
Operating profit	**1,090**	**1,148**	**3,202**	**3,377**	**4,625**
Income tax expense	-258	-260	-783	-711	-859
Net profit for the period	**832**	**888**	**2,419**	**2,666**	**3,766**
Attributable to:					
Shareholders of Nordea Bank AB (publ)	828	888	2,407	2,666	3,766
Non-controlling interests	4	-	12	-	-
Total	**832**	**888**	**2,419**	**2,666**	**3,766**
Basic earnings per share, EUR	0.21	0.22	0.60	0.66	0.93
Diluted earnings per share, EUR	0.21	0.22	0.60	0.66	0.93

Statement of comprehensive income

EURm	Q3 2017	Q3 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net profit for the period	**832**	**888**	**2,419**	**2,666**	**3,766**
Items that may be reclassified subsequently to the income statement					
Currency translation differences during the period	29	194	-257	414	438
Tax on currency translation differences during the period	-3	-	-1	-	-
Hedging of net investments in foreign operations:					
Valuation gains/losses during the period	-26	-148	80	-234	-219
Tax on valuation gains/losses during the period	5	32	-18	51	48
Available for sale investments:[1]					
Valuation gains/losses during the period, net of recycling	9	51	55	122	117
Tax on valuation gains/losses during the period	-2	-12	-13	-28	-27
Cash flow hedges:					
Valuation gains/losses during the period, net of recycling	-3	-58	-108	-47	-44
Tax on valuation gains/losses during the period	0	13	24	11	10
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	57	-39	57	-461	-205
Tax on remeasurement of defined benefit plans	-13	9	-12	104	47
Other comprehensive income, net of tax	**53**	**42**	**-193**	**-68**	**165**
Total comprehensive income	**885**	**930**	**2,226**	**2,598**	**3,931**
Attributable to:					
Shareholders of Nordea Bank AB (publ)	881	930	2,214	2,598	3,931
Non-controlling interests	4	-	12	-	-
Total	**885**	**930**	**2,226**	**2,598**	**3,931**

[1] Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	30 Sep 2017	31 Dec 2016	30 Sep 2016
Assets			
Cash and balances with central banks	48,284	32,099	49,266
Loans to central banks	5,841	11,235	10,862
Loans to credit institutions	14,362	9,026	12,752
Loans to the public	313,706	317,689	325,596
Interest-bearing securities	87,580	87,701	82,974
Financial instruments pledged as collateral	7,279	5,108	10,389
Shares	29,540	21,524	22,200
Assets in pooled schemes and unit-linked investment contracts	25,472	23,102	23,149
Derivatives	48,637	69,959	80,529
Fair value changes of the hedged items in portfolio hedge of interest rate risk	143	178	137
Investments in associated undertakings and joint ventures	572	588	775
Intangible assets	4,071	3,792	3,594
Property and equipment	634	566	572
Investment properties	3,280	3,119	2,984
Deferred tax assets	81	60	232
Current tax assets	519	288	328
Retirement benefit assets	379	306	123
Other assets	16,305	18,973	20,553
Prepaid expenses and accrued income	1,620	1,449	1,590
Assets held for sale	6,972	8,897	8,585
Total assets	**615,277**	**615,659**	**657,190**
Liabilities			
Deposits by credit institutions	54,243	38,136	58,387
Deposits and borrowings from the public	182,247	174,028	187,411
Deposits in pooled schemes and unit-linked investment contracts	25,828	23,580	23,633
Liabilities to policyholders	42,471	41,210	40,086
Debt securities in issue	182,625	191,750	191,380
Derivatives	45,485	68,636	77,400
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,754	2,466	3,678
Current tax liabilities	565	487	833
Other liabilities	30,236	24,413	25,481
Accrued expenses and prepaid income	1,942	1,758	1,846
Deferred tax liabilities	823	830	620
Provisions	239	306	345
Retirement benefit obligations	246	302	492
Subordinated liabilities	9,181	10,459	10,096
Liabilities held for sale	5,094	4,888	4,432
Total liabilities	**582,979**	**583,249**	**626,120**
Equity			
Non-controlling interests	162	1	1
Share capital	4,050	4,050	4,050
Share premium reserve	1,080	1,080	1,080
Other reserves	-1,216	-1,023	-1,256
Retained earnings	28,222	28,302	27,195
Total equity	**32,298**	**32,410**	**31,070**
Total liabilities and equity	**615,277**	**615,659**	**657,190**
Assets pledged as security for own liabilities	201,479	189,441	193,078
Other assets pledged	5,400	8,330	5,179
Contingent liabilities	19,363	23,089	22,514
Credit commitments[1]	77,117	77,881	77,157
Other commitments	2,355	1,553	1,601

[1] Including unutilised portion of approved overdraft facilities of EUR 31,697m (31 Dec 2016: EUR 30,703m, 30 Sep 2016: EUR 31,219m).

Statement of changes in equity

	Attributable to shareholders of Nordea Bank AB (publ)									
			Other reserves:							
	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
EURm										
Balance at 1 Jan 2017	**4,050**	**1,080**	**-1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**1**	**32,410**
Net profit for the period	-	-	-	-	-	-	2,407	2,407	12	**2,419**
Other comprehensive income, net of tax	-	-	-196	-84	42	45	-	-193	-	**-193**
Total comprehensive income	-	-	-196	-84	42	45	2,407	2,214	12	**2,226**
Dividend for 2016	-	-	-	-	-	-	-2,625	-2,625	-	**-2,625**
Divestment of own shares[3]	-	-	-	-	-	-	16	16	-	**16**
Other changes[4]	-	-	-	-	-	-	122	122	149	**271**
Balance at 30 Sep 2017	**4,050**	**1,080**	**-1,546**	**-47**	**122**	**255**	**28,222**	**32,136**	**162**	**32,298**

	Attributable to shareholders of Nordea Bank AB (publ)									
			Other reserves:							
	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
EURm										
Balance at 1 Jan 2016	**4,050**	**1,080**	**-1,617**	**71**	**-10**	**368**	**27,089**	**31,031**	**1**	**31,032**
Net profit for the period	-	-	-	-	-	-	3,766	3,766	-	**3,766**
Other comprehensive income, net of tax	-	-	267	-34	90	-158	-	165	-	**165**
Total comprehensive income	-	-	267	-34	90	-158	3,766	3,931	-	**3,931**
Dividend for 2015	-	-	-	-	-	-	-2,584	-2,584	-	**-2,584**
Divestment of own shares[3]	-	-	-	-	-	-	31	31	-	**31**
Balance at 31 Dec 2016	**4,050**	**1,080**	**-1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**1**	**32,410**

	Attributable to shareholders of Nordea Bank AB (publ)									
			Other reserves:							
	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
EURm										
Balance at 1 Jan 2016	**4,050**	**1,080**	**-1,617**	**71**	**-10**	**368**	**27,089**	**31,031**	**1**	**31,032**
Net profit for the period	-	-	-	-	-	-	2,666	2,666	-	**2,666**
Other comprehensive income, net of tax	-	-	231	-36	94	-357	-	-68	-	**-68**
Total comprehensive income	-	-	231	-36	94	-357	2,666	2,598	-	**2,598**
Dividend for 2015	-	-	-	-	-	-	-2,584	-2,584	-	**-2,584**
Divestment of own shares[3]	-	-	-	-	-	-	24	24	-	**24**
Balance at 30 Sep 2016	**4,050**	**1,080**	**-1,386**	**35**	**84**	**11**	**27,195**	**31,069**	**1**	**31,070**

[1] Total shares registered were 4,050 million (31 Dec 2016: 4,050 million, 30 Sep 2016: 4,050 million).

[2] The total holding of own shares related to Long Term Incentive Programme (LTIP) is 10.2 million (31 Dec 2016: 10.9 million, 30 Sep 2016: 10.9 million).

[3] Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares at 30 Sep 2017 was 11.1 million (31 Dec 2016: 13.3 million, 30 Sep 2016: 13.3 million).

[4] Refers to the sale of 25% of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.

Cash flow statement, condensed

EURm	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Operating activities			
Operating profit	3,202	3,377	4,625
Adjustments for items not included in cash flow	2,652	2,748	3,892
Income taxes paid	-1,006	-688	-952
Cash flow from operating activities before changes in operating assets and liabilities	4,848	5,437	7,565
Changes in operating assets and liabilities	14,809	16,767	-4,285
Cash flow from operating activities	**19,657**	**22,204**	**3,280**
Investing activities			
Properties and equipment	-102	-65	-104
Intangible assets	-447	-427	-656
Net investments in debt securities, held to maturity	-10	-261	-360
Other financial fixed assets	-20	-9	186
Cash flow from investing activities	**-579**	**-762**	**-934**
Financing activities			
Issued/amortised subordinated liabilities	-750	1,000	1,000
Divestment of own shares including change in trading portfolio	16	24	31
Dividend paid	-2,625	-2,584	-2,584
Cash flow from financing activities	**-3,359**	**-1,560**	**-1,553**
Cash flow for the period	**15,719**	**19,882**	**793**

Cash and cash equivalents EURm	30 Sep 2017	30 Sep 2016	31 Dec 2016
Cash and cash equivalents at beginning of the period	41,860	40,200	40,200
Translation difference	-2,805	-740	867
Cash and cash equivalents at end of the period	54,774	59,342	41,860
Change	**15,719**	**19,882**	**793**
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	48,284	49,266	32,099
Loans to central banks	4,575	8,215	8,538
Loans to credit institutions	1,770	1,733	1,093
Assets held for sale	145	128	130
Total cash and cash equivalents	**54,774**	**59,342**	**41,860**

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

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

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1 Accounting policies

The information presented in this Interim Management Statement follows the guidelines for Interim Management Statements issued by Nasdaq OMX. This Interim Management Statement is not presented in accordance with IAS 34 “Interim Financial Reporting”.

The accounting policies and methods of computation are largely the same as for the Annual Report 2016. For more information see Note G1 in the Annual Report 2016. For changes implemented during 2017, see “Changed accounting policies and presentation” below.

Changed accounting policies and presentation

Amendments have been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) which have been implemented on 1 January 2017. These amendments have not had any significant impact on Nordea’s financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing “RFR 1 Supplementary Accounting Rules for Groups – January 2017”. These changes were implemented by Nordea on 1 January 2017 but have not had any significant impact on Nordea’s financial statements.

Changes in IFRSs not yet applied

IFRS 9 “Financial instruments”

The IASB has completed the new standard for financial instruments, IFRS 9 “Financial instruments”. IFRS 9 covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Additional qualitative disclosures can be found in the interim report for the second quarter 2017.

No significant quantitative impact is expected from the new classification and measurement requirements.

The quantitative impact from the new impairment requirements on total allowances and provisions for on- and off-balance exposures, including debt instruments accounted for at fair value through other comprehensive income (FVOCI), is expected to be an increase within the range 5-15%. Total allowances and provisions amounted to EUR 2,471m at the end of the third quarter 2017 and the increase of total allowances and provisions will be accounted for directly in equity (after tax) at transition. The impact on the Common Equity Tier 1 capital ratio, after adjustment of the shortfall deduction and before transition rules, is expected to be insignificant. The final impact is dependent on the exposures on Nordea’s balance sheet, as well as Nordea’s macro-economic forecasts, at transition.

There will be no impact from the new hedge accounting requirements in IFRS 9 as Nordea will continue using the hedge accounting requirements in IAS 39 until the IASB has completing the requirements on macro (open portfolio) hedge accounting.

IFRS 15 “Revenue from Contracts with Customers”

The IASB published the new standard, IFRS 15 “Revenue from Contracts with Customers” in 2014. Clarifications to the standard were published in April 2016. The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 “Revenue”. The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The standard was endorsed by the EU-commission in 2016 and the clarifications are expected to be endorsed in 2017. The standard does not apply to financial instruments, insurance contracts or lease contracts.

The current assessment is that the new standard will have an impact on Nordea’s accounting policies for loan origination fees, as such fees are expected to be amortised as part of the effective interest of the underlying exposures to a larger extent than today. An opening balance adjustment, to be recognised directly in equity (after tax), is expected at transition 1 January 2018, but the current expectation is that this will not have any significant impact on Nordea’s financial statements, capital adequacy or large exposures in the period of initial application.

Exchange rates

	Jan-Sep 2017	Jan-Dec 2017	Jan-Sep 2016
EUR 1 = SEK			
Income statement (average)	9.5833	9.5961	9.3713
Balance sheet (at end of period)	9.6490	9.6398	9.6210
EUR 1 = DKK			
Income statement (average)	7.4373	7.4368	7.4474
Balance sheet (at end of period)	7.4423	7.4366	7.4513
EUR 1 = NOK			
Income statement (average)	9.2361	9.1771	9.3801
Balance sheet (at end of period)	9.4125	9.5713	8.9865
EUR 1 = RUB			
Income statement (average)	64.9383	62.7421	76.2621
Balance sheet (at end of period)	68.2519	67.5449	70.5140

Note 2 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including those of the Nordic countries, the European Union and the United States. Governmental authorities that administer and enforce those regimes are regularly conducting investigations with regards to Nordea's regulatory compliance, including the compliance with anti-money laundering (AML) and economic sanction requirements.

The supervisory authorities have during 2016 conducted ongoing investigations with regards to Nordea's compliance in several areas, e.g. investment advice, AML, external tax rules, competition law and governance and control. The Nordea Group is also responding to inquiries from U.S. governmental authorities regarding historical compliance with certain U.S. financial sanctions during 2008-2013. The outcome of some investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding anti-money laundering (AML). The outcome has resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the police for further handling and possible sanctions.

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 have strengthened the organisation significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Business Ethics and Values Committee and a culture transformation programme to embed stronger ethical standards into our corporate culture. In addition the group is investing in enhanced compliance standards, processes and resources in both first and second line of defence.

Nordea Bank AB (publ)

At January 2, 2017 Nordea Bank AB (NBAB) merged with Nordea bank Finland Plc (NBF), Nordea Bank ASA (NBN) and Nordea Bank Denmark A/S (NBD). At the date NBAB has recognised the assets and liabilities and income statement as of 1 January 2017 of its former subsidiaries, as they are dissolved and have become branches to NBAB. For more information see Annual Report 2016, Note P20 "Investments in group undertakings being merged".

Income statement

EURm	Q3 2017	Q3 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Operating income					
Interest income	1,056	335	3,159	1,053	1,403
Interest expense	-445	-224	-1,382	-712	-939
Net interest income	**611**	**111**	**1,777**	**341**	**464**
Fee and commission income	573	214	1,807	729	978
Fee and commission expense	-93	-37	-291	-104	-138
Net fee and commission income	**480**	**177**	**1,516**	**625**	**840**
Net result from items at fair value	300	95	931	185	216
Dividends	1	400	722	951	3,210
Other operating income	162	159	354	511	712
Total operating income	**1,554**	**942**	**5,300**	**2,613**	**5,442**
Operating expenses					
General administrative expenses:					
Staff costs	-650	-212	-2,027	-865	-1,113
Other expenses	-342	-239	-1,084	-708	-1,008
Depreciation, amortisation and impairment charges of tangible and intangible assets	-71	-47	-199	-122	-172
Total operating expenses	**-1,063**	**-498**	**-3,310**	**-1,695**	**-2,293**
Profit before loan losses	**491**	**444**	**1,990**	**918**	**3,149**
Net loan losses	-55	-15	-238	-109	-193
Impairment of securities held as financial non-current assets	-3	0	-3	0	-6
Operating profit	**433**	**429**	**1,749**	**809**	**2,950**
Appropriations	-	-	-	-	1
Income tax expense	-104	31	-339	70	-51
Net profit for period	**329**	**460**	**1,410**	**879**	**2,900**

Nordea Bank AB (publ)

Balance sheet

EURm	30 Sep 2017	31 Dec 2016	30 Sep 2016
Assets			
Cash and balances with central banks	47,922	101	95
Treasury bills	18,019	6,583	4,955
Loans to credit institutions	66,848	88,375	82,047
Loans to the public	161,864	43,726	44,101
Interest-bearing securities	47,373	10,359	9,247
Financial instruments pledged as collateral	14,004	-	1,001
Shares	10,849	130	2,700
Derivatives	49,106	4,668	5,506
Fair value changes of the hedged items in portfolio hedge of interest rate risk	60	0	3
Investments in group undertakings	13,162	20,101	20,121
Investments in associated undertakings and joint ventures	79	12	7
Participating interest in other companies	20	1	1
Intangible assets	2,010	1,539	1,379
Property and equipment	391	132	129
Deferred tax assets	37	22	115
Current tax assets	467	204	221
Retirement benefit assets	152	-	-
Other assets	15,854	4,560	2,721
Prepaid expenses and accrued income	1,264	749	783
Total assets	**449,481**	**181,262**	**175,132**
Liabilities			
Deposits by credit institutions	65,862	20,374	18,245
Deposits and borrowings from the public	189,797	58,183	57,459
Debt securities in issue	76,544	63,162	60,281
Derivatives	48,154	3,612	4,313
Fair value changes of the hedged items in portfolio hedge of interest rate risk	739	1,008	1,679
Current tax liabilities	190	0	0
Other liabilities	29,255	3,279	3,556
Accrued expenses and prepaid income	1,487	670	906
Deferred tax liabilities	139	-	-
Provisions	327	307	307
Retirement benefit obligations	259	169	175
Subordinated liabilities	9,035	10,086	9,843
Total liabilities	**421,788**	**160,850**	**156,764**
Untaxed reserves	**2**	**2**	**2**
Equity			
Share capital	4,050	4,050	4,050
Development cost reserve	1,033	569	366
Share premium reserve	1,080	1,080	1,080
Other reserves	10	-2	-29
Retained earnings	21,518	14,713	12,899
Total equity	**27,691**	**20,410**	**18,366**
Total liabilities and equity	**449,481**	**181,262**	**175,132**
Assets pledged as security for own liabilities	38,761	1,080	2,584
Other assets pledged	5,400	11,750	9,650
Contingent liabilities	54,162	71,965	71,879
Commitments[1]	83,556	26,993	27,110

[1] Including unutilised portion of approved overdraft facilities of EUR 36,605m (31 Dec 2016: EUR 15,890m, 30 Sep 2016: EUR 16,096m).

Glossary

Return on equity

Net profit for the period excluding non-controlling interests as a percentage of average equity for the year. Average equity including net profit for the year and dividend until paid, non-controlling interests excluded.

Total shareholders return (TSR)

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

Tier 1 capital

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

Tier 1 capital ratio

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

Loan loss ratio

Net loan losses (annualised) divided by quarterly closing balance of loans to the public (lending).

Impairment rate, gross

Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate, net

Individually assessed impaired loans after allowances divided by total loans before allowances

Total allowance rate

Total allowances divided by total loans before allowances.

Allowances in relation to impaired loans

Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

Total allowances in relation to impaired loans (provisioning ratio)

Total allowances divided by total impaired loans before allowances.

Non-servicing, not impaired

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

Economic capital

Economic Capital is Nordea's internal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business Risk and Life Insurance Risk arising from activities in Nordea's various business areas. The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

ROCAR

ROCAR, % (Return on Capital at Risk) is defined as Net profit excl non-controlling interests and non-recurring items, in percentage of Economic capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic capital.

For a list of further Alternative Performance Measures and business definitions, http://www.nordea.com/en/investor-relations/reports-and-presentations/select-reports-and-presentations/ and the Annual Report.

For further information

- A press conference with management will be held on 26 October at 9.00 CET, at Smålandsgatan17, Stockholm where Casper von Koskull, President and Group CEO, will present the results. The presentation will be conducted in English and can be viewed live (direct link). You can also find the presentation material at www.nordea.com/ir.
- After the results presentation, there will be a Q&A session (starting at approximately 09.30 with Torsten Hagen Jørgensen, Group COO and Rodney Alfvén, Head of Investor Relations); please dial +44(0)20 3427 1919 or +46(0)8 5065 3936 confirmation code 8792298 no later than 08.50 CET.
- After the conference an indexed on-demand replay will be available here. A replay will also be available until 2 November by dialing +44 (0) 207 660 0134 or +46 (0) 8 5199 3077, access code 8792298.
- An analyst and investor presentation on the Nordea Transformation 2016-2021 will be held in London on 27 October at 08.00 local time at Andaz Hotel London, 40 Liverpool Street, London EC2M 7QN where Casper von Koskull, President and Group CEO, Torsten Hagen Jørgensen, Group COO, Rodney Alfvén, Head of Investor Relations and Pawel Wyszynski, Senior IR Officer, will participate.
- The presentation, including Q&A, is expected to last approximately one and half hour and will be webcasted and can be viewed live (direct link)
- The presentation slides will also be posted on www.nordea.com/ir.
- This Interim Management Statement, an investor presentation and a fact book are available on www.nordea.com.

Contacts

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Financial calendar

25 January 2018 – Fourth Quarter Report 2017 (silent period starts 11 January 2018)
25 April 2018 – First Quarter Report 2018 (silent period starts 5 April 2018)
19 July 2018 – Second Quarter Report 2018 (silent period starts 6 July 2018)
24 October 2018 – Third Quarter Report 2018 (silent period starts 5 October 2018)

Stockholm 26 October 2017

Casper von Koskull
President and Group CEO

This Interim Management Statement has been prepared in accordance with the Nasdaq guidelines for preparing interim management statements.

This Interim Management Statement has not been subject to review by the Auditors.

This Interim Management Statement is published in one additional language version, in Swedish. In the event of any inconsistencies between the Swedish language version and this English version, the English version shall prevail.

The information in this report is such, which Nordea Bank AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 07.00 CET on 26 October 2017.

This Interim Management Statement contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward looking statements as a result of various factors. Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels. This Interim Management Statement does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

The information provided in this press release is such, which Nordea is required to disclose pursuant to the Swedish Financial Instruments Trading Act (1991:980) and/or the Swedish Securities Markets Act (2007:528).

Nordea Bank AB (publ) • Smålandsgatan 17 • SE-105 71 Stockholm • www.nordea.com/ir • Tel. 08 614 7800 • Corporate registration No. 516406-0120

Public Exhibit 3

Nordea Fact Book – Third Quarter Results 2017

Fact book

Third Quarter
2017

Contents

Nordea

Nordea overview

Nordea in brief

Q3 2017

Nordea is the largest financial services group in the Nordic and Baltic Sea region.

✓ **11 million customers**
- Approx. 10 million personal customers
- 540,000 corporate customers, incl. Nordic Top 500

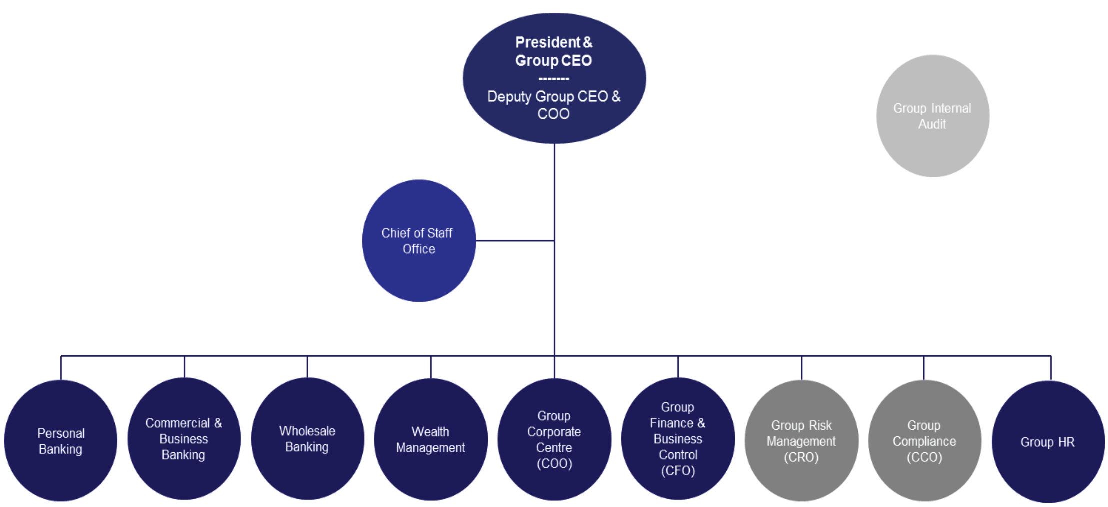
✓ **Distribution power**
- Approx. 600 Office Locations

✓ **Financial strength**
- EUR 10bn total income in full year (2016)
- EUR 615.3bn of assets (Q3 2017)
- EUR 32.3bn in equity capital (Q3 2017)
- AA credit rating
- Common Equity Tier 1 capital ratio of 19.2% (Q3 2017)

✓ **EUR ~46.3bn in market cap** (Q3 2017)
- One of the largest Nordic corporations
- A top-10 European retail bank

Nordea's home markets

Nordea Group organisation chart as of 1 July 2016

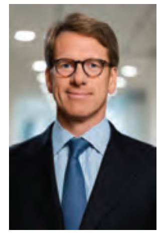


Board of Directors

Members elected by the shareholders at the AGM 2017

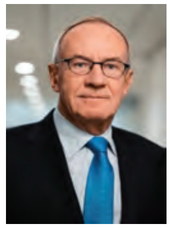
Björn Wahlroos
Chairman
Ph.D (Econ). 1979.
Board member since 2008 and Chairman since 2011.
Born 1952.

Kari Stadigh
Master of Science (Engineering) and Bachelor of Business Administration.
Board member since 2010.
Born 1955.

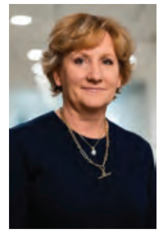


Birger Steen
MSc (Computer Science) and MBA.
Board member since 2015.
Born 1966.

Silvija Seres
MBA, Ph.D (Mathematical science) and MSc (Computer Science).
Board member since 2015.
Born 1970.



Lars G Nordström
Law studies at Uppsala University.
Board member since 2003.
Born 1943.



Sarah Russell
Master of Applied Finance.
Board member since 2010.
Born 1962.

Robin Lawther
BA Honours (Economics) and MSc (Accounting & Finance).
Board member since 2014.
Born 1961.

Maria Varsellona
Law studies at Palermo University.
Board member since 2017.
Born 1970.

Lars Wollung
BA Honours (Economics) and MSc (Engineering).
Board member since 2017.
Born 1961.

Pernille Erenbjerg
Master of Science (Economics and Business)
Board member since 2017.
Born 1967.

Members appointed by the employees:

Hans Christian Riise (deputy until 31 October 2017)

Kari Ahola

Toni H. Madsen

Gerhard Olsson

Group Executive Management

Casper von Koskull
President and Group CEO
Member of Group Executive Management since 2010.
Born 1960.

Torsten Hagen Jørgensen
Group COO, Deputy Group CEO and Head of Group Corporate Centre
Member of Group Executive Management since 2011.
Born 1965.

Heikki Ilkka
Group CFO and Head of Group Finance and Business Control
Member of Group Executive Management since 2016
Born 1970.

Julie Galbo
Head of Group Risk Management and CRO
Member of Group Executive Management since 2016.
Born 1971.

Karen Tobiasen
Chief HR Officer
Head of Group Human Resources
Member of Group Executive Management since 2016.
Born 1965.

Snorre Storset
Head of Wealth Management
Member of Group Executive Management since 2015.
Born 1972.

Erik Ekman
Head of Commercial & Business Banking
Member of Group Executive Management since 2015.
Born 1969.

Martin A Persson
Head of Wholesale Banking
Member of Group Executive Management since 2016
Born 1975.

Topi Manner
Head of Personal Banking
Member of Group Executive Management since 2016
Born 1974.

Matthew Elderfield
Chief Compliance Officer and Head of Group Compliance
Member of Group Executive Management since 2016.
Born 1966.

Rating

End of Q3 2017	Moody's Short	Moody's Long	S&P Short	S&P Long	Fitch Short	Fitch Long	DBRS Short	DBRS Long
Nordea Bank AB (publ)	P-1	Aa3	A-1+	AA-	F1+	AA-	R-1 (mid)	AA (low)
Nordea Hypotek AB (publ)		Aaa*		AAA*				
Nordea Kredit Realkreditaktieselskab		Aaa*		AAA*				
Nordea Eiendomskreditt		Aaa*						
Nordea Mortgage Bank Plc		Aaa*						
AT1 in Sep 2014 issue rating				BBB		BBB		
AT1 in March 2015 issue rating				BBB		BBB		

*Covered bond rating

Largest shareholders

End of Q3 2017	No.of shares, mill	Percent end Q3
Sampo Plc	860.4	21.3
Nordea Fonden	158.2	3.9
Alecta	111.3	2.8
Swedbank Robur Funds	105.8	2.6
AMF Insurance & Funds	85.9	2.1
BlackRock	80.1	2.0
Vanguard Funds	75.6	1.9
Fidelity	68.6	1.7
Norwegian Petroleum Fund	61.7	1.5
SHB Funds	45.1	1.1
Didner & Gerge Funds	41.6	1.0
First Swedish National Pension Fund	41.0	1.0
SEB Funds	40.7	1.0
Nordea Funds	37.6	0.9
Goverment of Japan Pension Fund	31.7	0.8
Varma Mutual Pension Insurance	29.9	0.7
Third Swedish National Pension Fund	29.6	0.7
T. Rowe Price	29.0	0.7
Fourth Swedish National Pension Fund	28.9	0.7
Goverment of Singapore	27.9	0.7
Other	2 047.6	50.7
Total number of outstanding shares*	**4 038.3**	**100.0%**

*) Excluding shares issued for the Long Term Incentive Programme (LTIP).

Nordea

Key financial figures

10 year overview

Historical numbers for 2014 restated following that IT Poland is included in continuing operations

Income statement

EURm	YTD Q3 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net interest income	3 557	4 727	4 963	5 482	5 525	5 563	5 456	5 159	5 281	5 093	4 282
Net fee and commission income	2 530	3 238	3 230	2 842	2 642	2 468	2 395	2 156	1 693	1 883	2 140
Net result from items at fair value	1 093	1 715	1 645	1 425	1 539	1 774	1 517	1 837	1 946	1 028	1 209
Equity method	7	112	39	18	79	93	42	66	48	24	41
Other income	54	135	263	474	106	100	91	116	105	172	217
Total operating income	**7 241**	**9 927**	**10 140**	**10 241**	**9 891**	**9 998**	**9 501**	**9 334**	**9 073**	**8 200**	**7 889**
Staff costs	-2 351	-2 926	-3 263	-3 159	-2 978	-2 989	-3 113	-2 784	-2 724	-2 568	-2 388
Other expenses	-1 197	-1 646	-1 485	-1 656	-1 835	-1 808	-1 914	-1 862	-1 639	-1 646	-1 575
Depreciation tangible and intangible assets	-193	-228	-209	-585	-227	-267	-192	-170	-149	-124	-103
Total operating expenses	**-3 741**	**-4 800**	**-4 957**	**-5 400**	**-5 040**	**-5 064**	**-5 219**	**-4 816**	**-4 512**	**-4 338**	**-4 066**
Profit before loan losses	**3 500**	**5 127**	**5 183**	**4 841**	**4 851**	**4 934**	**4 282**	**4 518**	**4 561**	**3 862**	**3 823**
Net loan losses	-298	-502	-479	-534	-735	-895	-735	-879	-1 486	-466	60
Operating profit	**3 202**	**4 625**	**4 704**	**4 307**	**4 116**	**4 039**	**3 547**	**3 639**	**3 075**	**3 396**	**3 883**
Income tax expense	-783	-859	-1 042	-950	-1 009	-970	-913	-976	-757	-724	-753
Net profit for period from continuing operations	**2 419**	**3 766**	**3 662**	**3 357**	**3 107**	**3 069**	**2 634**	**2 663**	**2 318**	**2 672**	**3 130**
Net profit for the period from discontinued operations after tax	-	-	-	-25	9	57					
Net profit for the period	**2 419**	**3 766**	**3 662**	**3 332**	**3 116**	**3 126**					

Ratios and key figures[2]

	YTD Q3 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Diluted earnings per share, EUR	0.60	0.93	0.91	0.83	0.77	0.77	0.65	0.66	0.60	0.79	0.93
Share price[3], EUR	11.44	10.60	10.15	9.68	9.78	7.24	5.98	8.16	7.10	3.90	8.90
Total shareholders' return, %	15.1	16.3	8.2	9.2	44.6	21.0	-24.4	3.7	78.6	-46.9	6.4
Actual dividend per share, EUR	-	0.65	0.64	0.62	0.43	0.34	0.26	0.29	0.25	0.20	0.50
Equity per share[3], EUR	7.95	8.03	7.69	7.40	7.27	6.96	6.47	6.07	5.56	5.29	5.09
Potential shares outstanding[3], million	4 050	4 050	4 050	4 050	4 050	4 050	4 047	4 043	4 037	2 600	2 597
Weighted average number of diluted shares, million	4 039	4 037	4 031	4 031	4 020	4 026	4 026	4 022	3 846	3 355	3 352
Return on equity, %	10.1	12.3	12.2	11.4	11.0	11.6	10.6	11.5	11.3	15.3	19.7
Assets under management, EURbn	330.9	322.7	288.2	262.2	232.1	218.3	187.4	191.0	158.1	125.6	157.1
Cost/income ratio, % - excl, Non-recurring items[1,2]	52	50	47	49	51	51	55	52	50	53	52
Loan loss ratio, basis points4	12	15	14	15	21	26	23	31	56	19	-3
Common Equity Tier 1 capital ratio, excl, Basel I floor[3,5] , %	12.1	18.4	16.5	15.7	14.9	13.1	11.2	10.3	10.3	8.5	7.5
Tier 1 capital ratio, excl, Basel I floor[3,5] , %	21.4	20.7	18.5	17.6	15.7	14.3	12.2	11.4	11.4	7.4	7.0
Total capital ratio, excl, Basel I floor[3,5] , %	24.5	24.7	21.6	20.6	18.1	16.2	13.4	13.4	13.4	9.5	9.1
Tier 1 capital[3,5], EURm	27 470	27 554	26 516	25 588	24 444	23 953	22 641	21 049	19 577	15 760	14 230
Risk Exposure Amount, excl, Basel I floor[5], EURbn	128	133	143	146	155	168	185	185	172	169	171
Risk Exposure Amount, incl, Basel I floor[5], EURbn	206	216	222	220	209	215	224	215	192	213	205
Number of employees (FTEs)[3]	31 918	31 596	29 815	29 643	29 429	29 491	33 068	33 809	33 347	34 008	31 721
Economic capital[3], EURbn	26.7	26.3	25.0	24.3	23.5	24.6	17.7	17.5	16.7	15.8	13.4
ROCAR[1,2,6], %	11.7	13.4	14.8	14.0							

[1] Non-recurring items (Q4 2015: gain from divestment of Nordea's merhant acuiring business to Nets of EUR 176m berfore tax, Q2 2016: gain related to Visa Inc,'s aquisition of Visa Europe amounting to EUR 151m net of tax, Q4 2016: additional gain related to VISA of EUR 22m before tax).

[2] Excl. Non-recurring items (Q4 2015: restructuring charge of EUR 263m before tax, Q4 2016: change in pension agreement in Norway of EUR 86m before tax).

[3] End of period,

4 Including Loans to the public reported in Assets held for sale,

5 Including the result for the period,

6 ROCAR restated Q4 2015 due to changed definition.

7 For more detailed information regarding ratios and key figures definied as Alternative performance measures, see http://www.nordea.com/en/investor-relations/.

10 year overview

Balance sheet

EURm	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Assets										
Cash and balances with central banks	32 099	35 500	31 067	33 529	36 060	3 765	10 023	11 500	3 157	5 020
Loans to central banks	11 235	13 224	6 958	11 769	8 005	40 615				
Loans to credit institutions	9 026	10 762	12 217	10 743	10 569	11 250	15 788	18 555	23 903	24 262
Loans to the public	317 689	340 920	348 085	342 451	346 251	337 203	314 211	282 411	265 100	244 682
Interest-bearing securities	87 701	86 535	87 110	87 314	86 626	92 373	69 137	56 155	44 830	38 782
Financial instruments pledged as collateral	5 108	8 341	12 151	9 575	7 970	8 373	9 494	11 24	7 937	4 790
Shares	21 524	22 273	39 749	33 271	28 128	20 167	17 293	13 703	10 669	17 644
Assets in pooled schemes and unit-linked investment contact	23 102	20 434								
Derivatives	69 959	80 741	105 119	70 992	118 789	171 943	96 825	75 422	86 838	31 498
Fair value changes of hedged items in portfolio hedge of interest rate risk	178	151	256	203	-711	-215	1 127	763	413	-105
Investments in associated undertakings	588	515	487	630	585	591	554	470	431	366
Intangible assets	3 792	3 208	2 908	3 246	3 425	3 321	3 219	2 947	2 535	2 725
Property and equipment	566	557	509	431	474	469	454	452	375	342
Investment property	3 119	3 054	3 227	3 524	3 408	3 644	3 568	3 505	3 334	3 492
Deferred tax assets	60	76	130	62	266	169	278	125	64	191
Current tax assets	288	87	132	31	78	185	262	329	344	142
Retirement benefit assets	306	377	42	321	142	223	187	134	168	123
Other assets	18 973	18 587	17 581	11 064	15 554	19 425	22 857	14 397	14 604	7 724
Prepaid expenses and accrued income	1 449	1 526	1 614	2 383	2 559	2 703	2 450	2 492	2 827	2 183
Assets held for sale	8 897	-	-	8 895						
Total assets	**615 659**	**646 868**	**669 342**	**630 434**	**668 178**	**716 204**	**580 839**	**507 544**	**474 074**	**389 054**
Liabilities										
Deposits by credit institutions	38 136	44 209	56 322	59 090	55 426	55 316	40 736	52 190	51 932	30 077
Deposits and borrowings from the public	174 028	189 049	197 254	200 743	200 678	190 092	176 390	153 577	148 591	142 329
Deposits in pooled schemes and unit-linked investment contacts	23580	21088								
Liabilities to policyholders	41 210	38 707	51 843	47 226	45 320	40 715	38 766	33 831	29 238	32 280
Debt securities in issue	191 750	201 937	194 274	185 602	183 908	179 950	151 578	130 519	108 989	99 792
Derivatives	68 636	79 505	97 340	65 924	114 203	167 390	95 887	73 043	85 538	33 023
Fair value changes of hedged items in portfolio hedge of interest rate risk	2 466	2 594	3 418	1 734	1 940	1 274	898	874	532	-323
Current tax liabilities	487	225	368	303	391	154	502	565	458	300
Other liabilities	24 413	25 745	26 973	24 737	24 773	43 368	38 590	28 589	17 970	22 860
Accrued expenses and prepaid income	1 758	1 805	1 943	3 677	3 903	3 496	3 390	3 178	3 278	2 762
Deferred tax liabilities	830	1 028	983	935	976	1 018	885	870	1 053	703
Provisions	306	415	305	177	389	483	581	309	143	73
Retirement benefit obligations	302	329	540	334	469	325	337	394	340	462
Subordinated liabilities	10 459	9 200	7 942	6 545	7 797	6 503	7 761	7 185	8 209	7 556
Liabilities held for sale	4 888	-	-	4 198	-	-	-	-	-	-
Total liabilities	**583 249**	**615 836**	**639 505**	**601 225**	**640 173**	**690 084**	**556 301**	**485 124**	**456 271**	**371 894**
Equity										
Non-controlling interests	1	1	2	2	5	86	84	80	78	78
Share capital	4 050	4 050	4 050	4 050	4 050	4 047	4 043	4 037	2 600	2 597
Share premium reserve	1 080	1 080	1 080	1 080	1 080	1 080	1 065	1 065	-	-
Other reserves	-1 023	-1 188	-1 201	-159	340	-47	-146	-518	-888	-160
Retained earnings	28 302	27 089	25 906	24 236	22 530	20 954	19 492	17 756	16 013	14 645
Total equity	**32 410**	**31 032**	**29 837**	**29 209**	**28 005**	**26 120**	**24 538**	**22 420**	**17 803**	**17 160**
Total liabilities and equity	**615 659**	**646 868**	**669 342**	**630 434**	**668 178**	**716 204**	**580 839**	**507 544**	**474 074**	**389 054**

10 quarter overview

Historical numbers for Q1 2015 to Q1 2014 restated following that IT Poland is included in continuing operations

Income statement

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
Net interest income	1 185	1 175	1 197	1 209	1 178	1 172	1 168	1 203	1 233	1 274
Net fee and commission income	814	850	866	867	795	804	772	821	767	833
Net result from items at fair value	357	361	375	498	480	405	332	421	211	386
Equity method	3	0	4	4	-2	101	9	3	18	8
Other income	14	21	19	32	15	74	14	197	24	22
Total operating income	**2 373**	**2 407**	**2 461**	**2 610**	**2 466**	**2 556**	**2 295**	**2 645**	**2 253**	**2 523**
Total operating income, excl, non-recurring items[1]	**2 373**	**2 407**	**2 461**	**2 588**	**2 466**	**2 405**	**2 295**	**2 469**	**2 253**	**2 523**
Staff costs	-757	-795	-799	-687	-743	-756	-740	-956	-756	-772
Other expenses	-377	-433	-387	-475	-389	-396	-386	-455	-303	-363
Depreciation tangible and intangible assets	-70	-63	-60	-71	-51	-54	-52	-65	-49	-50
Total operating expenses	**-1 204**	**-1 291**	**-1 246**	**-1 233**	**-1 183**	**-1 206**	**-1 178**	**-1 476**	**-1 108**	**-1 185**
Total operating expenses, excl, non-recurring items[2]	**-1 204**	**-1 291**	**-1 246**	**-1 319**	**-1 183**	**-1 206**	**-1 178**	**-1 213**	**-1 108**	**-1 185**
Profit before loan losses	**1 169**	**1 116**	**1 215**	**1 377**	**1 283**	**1 350**	**1 117**	**1 169**	**1 145**	**1 338**
Net loan losses	-79	-106	-113	-129	-135	-127	-111	-142	-112	-103
Operating profit	**1 090**	**1 010**	**1 102**	**1 248**	**1 148**	**1 223**	**1 006**	**1 027**	**1 033**	**1 235**
Operating profit, excl, non-recurring items[1,2]	**1 090**	**1 010**	**1 102**	**1 140**	**1 148**	**1 072**	**1 006**	**1 114**	**1 033**	**1 235**
Income tax expense	-258	-267	-258	-148	-260	-227	-224	-179	-253	-283
Net profit (continuing operations)	**832**	**743**	**844**	**1 100**	**888**	**996**	**782**	**848**	**780**	**952**

Ratios and key figures

	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
Diluted earnings per share, EUR	0.21	0.18	0.21	0.27	0.22	0.25	0.19	0.21	0.19	0.24
Share price[3], EUR	11.44	11.12	10.73	10.6	8.85	7.52	8.46	10.15	9.91	11.22
Total shareholders' return, %	8.8	10.7	6.7	27.5	28.7	-2.6	-10.4	5.5	-5	3.5
Equity per share[3], EUR	7.95	7.74	7.65	8.03	7.69	7.47	7.22	7.69	7.43	7.39
Potential shares outstanding[3], million	4 050	4 050	4 050	4 050	4 050	4 050	4 050	4 050	4 050	4 050
Weighted average number of diluted shares, million	4 039	4 039	4 039	4 038	4 038	4 036	4 034	4 035	4 033	4 029
Return on equity, %	10.5	9.5	10.3	13.9	11.6	13.4	10.1	11.1	10.4	13.1
Assets under management, EURbn	330.9	332.1	330.1	322.7	317.4	300.2	290.9	288.2	273.3	286.1
Cost/income ratio, % - excl non-recurring items[1,2]	51	54	51	51	48	50	51	49	49	47
Loan loss ratio, basis points[4]	10	13	14	16	16	15	13	17	13	12
Common Equity Tier 1 capital ratio, excl, Basel I floor[3,5] , %	19.2	19.2	18.8	18.4	17.9	16.8	16.7	16.5	16.3	16.0
Tier 1 capital ratio, excl, Basel I floor[3,5],%	21.4	21.4	21.0	20.7	20.1	18.9	18.7	18.5	18.2	17.9
Total capital ratio, excl, Basel I floor[3,5], %	24.5	24.6	24.3	24.7	24.1	22.1	21.8	21.6	21.3	20.7
Tier 1 capital[3,5] EURm	27 470	27 746	28 081	27 554	27 360	26 958	26 716	26 516	26 744	26 878
Risk Exposure Amount, excl, Basel I floor[5],EURbn	128	130	134	133	136	143	143	143	147	150
Risk Exposure Amount, incl, Basel I floor[5], EURbn	206	209	214	216	218	221	220	222	222	225
Number of employees (FTEs) [3]	31 918	31 847	31 640	31 596	31 307	30 996	30 399	29 815	29 821	29 719
Economic capital[3,] EURbn	26.7	27.3	28.9	26.3	26.4	27.3	27.0	25	24.8	25.1
ROCAR[1,2,6], %	12.1	10.6	12.3	15.5	13.2	12.5	12.1	14.0	12.4	15.2

¹ Non-recurring items (Q4 2015: gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m before tax, Q2 2016: gain related to Visa Inc,'s acquisition of Visa Europe amounting to EUR 151m net of tax, Q4 2016: additional gain related to VISA of EUR 22m before tax).

[2] Excl. Non-recurring items (Q4 2015: restructuring charge of EUR 263m before tax, Q4 2016: change in pension agreement in Norway of EUR 86m before tax).

[3] End of period,

4 Including Loans to the public reported in Assets held for sale,

5 Including the result for the period,

6 ROCAR restated due to changed definition.

7 For more detailed information regarding ratios and key figures definied as Alternative performance measures, see http://www.nordea.com/en/investor-relations/.

10 quarter overview

Balance sheet

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
Assets										
Cash and balances with central banks	48 284	59 512	61 527	32 099	49 266	48 188	48 734	35 500	43 812	45 532
Loans to central banks	5 841	9 370	4 541	11 235	10 862	8 756	11 030	13 224	15 004	8 485
Loans to credit institutions	14 362	20 999	18 764	9 026	12 752	10 470	11 986	10 762	11 887	13 319
Loans to the public	313 706	314 680	320 052	317 689	325 596	344 580	342 731	340 920	349 337	357 580
Interest-bearing securities	87 580	90 592	93 211	87 701	82 974	84 976	87 154	86 535	85 055	86 624
Financial instruments pledged as collateral	7 279	5 505	5 263	5 108	10 389	8 989	9 554	8 341	11 475	12 010
Shares	29 540	28 692	27 942	21 524	22 200	21 197	22 983	22 273	22 935	24 758
Assets in pooled schemes and unit-linked investment contact	25 472	24 772	24 382	23 102	23 149	22 040	20667	20434	19121	20262
Derivatives	48 637	53 385	56 204	69 959	80 529	87 240	87 394	80 741	89 812	86 314
Fair value changes of hedged items in portfolio hedge of interest rate risk	143	140	154	178	137	160	171	151	172	166
Investments in associated undertakings	572	567	580	588	775	781	642	515	502	496
Intangible assets	4 071	3 991	3 935	3 792	3 594	3 444	3 299	3 208	3 063	3 086
Property and equipment	634	570	559	566	572	568	573	557	554	559
Investment property	3 280	3 205	3 234	3 119	2 984	3 072	3 062	3 054	2 993	3 125
Deferred tax assets	81	84	168	60	232	124	135	76	86	61
Current tax assets	519	482	457	288	328	253	201	87	137	160
Retirement benefit assets	379	333	324	306	123	221	346	377	111	207
Other assets	16 305	17 387	18 692	18 973	20 553	24 619	23 352	18 587	22 132	18 208
Prepaid expenses and accrued income	1 620	1 638	1 561	1 449	1 590	1 558	1 541	1 526	1 689	1 700
Assets held for sale	6 972	6 852	8 722	8 897	8 585	-	-	-		
Total assets	**615 277**	**642 756**	**650 272**	**615 659**	**657 190**	**671 236**	**675 555**	**646 868**	**679 877**	**682 652**
Liabilities										
Deposits by credit institutions	54 243	69 767	70 295	38 136	58 387	63 599	58 523	44 209	63 920	63 894
Deposits and borrowings from the public	182 247	189 534	190 855	174 028	187 411	195 960	202 819	189 049	204 049	206 402
Deposits in pooled schemes and unit-linked investment contacts	25 828	25 159	24 922	23 580	23 633	22 463	21340	21088	19 883	20 862
Liabilities to policyholders	42 471	41 773	41 831	41 210	40 086	39 159	39 255	38 707	37 894	39 133
Debt securities in issue	182 625	185 164	188 441	191 750	191 380	188 003	192 764	201 937	192 003	196 467
Derivatives	45 485	52 767	56 109	68 636	77 400	83 037	87 403	79 505	87 110	83 904
Fair value changes of hedged items in portfolio hedge of interest rate risk	1 754	1 911	2 195	2 466	3 678	3 920	3 496	2 594	3 010	2 578
Current tax liabilities	565	295	649	487	833	432	273	225	356	434
Other liabilities	30 236	27 338	25 741	24 413	25 481	31 830	27 694	25 745	29 910	27 953
Accrued expenses and prepaid income	1 942	1 813	2 151	1 758	1 846	1 834	2 097	1 805	1 916	1 851
Deferred tax liabilities	823	927	772	830	620	849	952	1 028	1 009	939
Provisions	239	295	281	306	345	394	419	415	237	285
Retirement benefit obligations	246	268	274	302	492	473	447	329	449	405
Subordinated liabilities	9 181	9 333	9 603	10 459	10 096	9 140	8 945	9 200	8 147	7 736
Liabilities held for sale	5 094	5 017	5 076	4 888	4 432	-	-	-	-	-
Total liabilities	**582 979**	**611 361**	**619 195**	**583 249**	**626 120**	**641 093**	**646 427**	**615 836**	**649 893**	**652 843**
Equity										
Non-controlling interests	162	158	177	1	1	1	1	1	1	1
Share capital	4 050	4 050	4 050	4 050	4 050	4 050	4 050	4 050	4 050	4 050
Share premium reserve	1 080	1 080	1 080	1 080	1 080	1 080	1 080	1 080	1 080	1 080
Other reserves	-1 216	-1 269	-896	-1 023	-1 256	-1 298	-1 303	-1 188	-1 383	-767
Retained earnings	28 222	27 376	26 666	28 302	27 195	26 310	25 300	27 089	26 236	25 445
Total equity	**32 298**	**31 395**	**31 077**	**32 410**	**31 070**	**30 143**	**29 128**	**31 032**	**29 984**	**29 809**
Total liabilities and equity	**615 277**	**642 756**	**650 272**	**615 659**	**657 190**	**671 236**	**675 555**	**646 868**	**679 877**	**682 652**

Nordea Group

	Personal Banking			Commercial and Business Banking			Wholesale Banking			Wealth Management			Group Functions, Other and Eliminations			Nordea Group		
	Q3	Q2		Q3	Q2		Q3	Q2		Q3	Q2		Q3	Q2		Q3	Q2	
EURm	**2017**	**2017**	***Chg***	**2017**	**2017**	***Chg***	**2017**	**2017**	***Chg***	**2017**	**2017**	***Chg***	**2017**	**2017**	***Chg***	**2017**	**2017**	***Chg***
Net interest income	574	555	*4%*	285	284	*0%*	185	190	*-3%*	26	27	*-4%*	115	119	*-3%*	1 185	1 175	*1%*
Net fee and commission	182	190	*-4%*	101	114	*-11%*	140	133	*5%*	398	422	*-6%*	-7	-9		814	850	*-4%*
NFV	20	23	*-13%*	58	68	*-14%*	173	178	*-3%*	60	73	*-18%*	46	19	*142%*	357	361	*-1%*
Equity method	0	0		3	3	*4%*	0	0		0	0		0	-3	*-100%*	3	0	
Other income	2	6	*-75%*	4	6	*-30%*	0	0		8	8	*0%*	0	1	*-100%*	14	21	*-33%*
Total operating income	**778**	**774**	***1%***	**451**	**475**	***-5%***	**498**	**501**	***-1%***	**492**	**530**	***-7%***	**154**	**127**	***21%***	**2 373**	**2 407**	***-1%***
Total operating expenses	**-430**	**-455**	***-5%***	**-273**	**-281**	***-2%***	**-222**	**-228**	***-3%***	**-225**	**-248**	***-9%***	**-54**	**-79**	***-32%***	**-1 204**	**-1 291**	***-7%***
Net loan losses	-13	-26	*-51%*	-25	-16		-40	-64	*-38%*	0	0		-1	0		-79	-106	*-25%*
Operating profit	**335**	**293**	***15%***	**153**	**178**	***-16%***	**236**	**209**	***13%***	**267**	**282**		**99**	**48**		**1 090**	**1 010**	***8%***
Cost/income ratio, %	55	59		61	59		45	46		46	47					51	54	
ROCAR, %	14	12		8	9		9	7		32	34					12	11	
Economic capital (EC)	7 705	7 387	*4%*	5 957	6 330	*-6%*	8 113	8 462	*-4%*	2 595	2 534	*2%*	2 370	2 623	*-10%*	26 740	27 336	*-2%*
Risk exposure amount (REA	30 750	30 906	*-1%*	34 074	33 966	*0%*	43 417	43 492	*0%*	5 525	5 742	*-4%*	14 537	15 604	*-7%*	128 303	129 710	*-1%*
Number of employees (FTEs	12 242	12 377	*-1%*	5 555	5 554	*0%*	3 958	3 949	*0%*	3 632	3 641	*0%*	6 531	6 326	*3%*	31 918	31 847	*0%*
Volumes, EURbn:																		
Lending to corporates	6.3	6.3	*0%*	71.3	70.6	*1%*	72.4	75.1	*-4%*				-5.5	-5.7		144.5	146.3	*-1%*
Household mortgage lending	128.9	127.5	*1%*	7.1	7.2	*-1%*	0.0	0.0		7.0	7.3	*-4%*	-	-		143.0	142.0	*1%*
Consumer lending	20.5	20.6	*0%*	2.2	2.3	*-2%*				3.5	3.5	*0%*	-	-		26.2	26.4	*-1%*
Total lending	**155.7**	**154.4**	***1%***	**80.6**	**80.1**	***1%***	**72.4**	**75.1**	***-4%***	**10.5**	**10.8**	***-3%***	**-5.5**	**-5.7**		**313.7**	**314.7**	***0%***
Corporate deposits	6.1	6.0	*2%*	35.2	34.9	*1%*	54.0	59.5	*-9%*				-4.6	-3.3		90.7	97.1	*-7%*
Household deposits	75.5	75.7	*0%*	3.0	3.1	*-4%*	0.1	0.1	*0%*	12.9	13.5	*-4%*				91.5	92.4	*-1%*
Total deposits	**81.6**	**81.7**	***0%***	**38.2**	**38.0**	***1%***	**54.1**	**59.6**	***-9%***	**12.9**	**13.5**	***-4%***	**-4.6**	**-3.3**		**182.2**	**189.5**	***-4%***

Nordea Group

	Personal Banking			Commercial and Business			Wholesale Banking			Wealth Management			Group Functions, Other			Nordea Group		
	Jan-Sep			Jan-Sep			Jan-Sep			Jan-Sep			Jan-Sep			Jan-Sep		
EURm	**2017**	**2016**	***Chg***	**2017**	**2016**	***Chg***	**2017**	**2016**	***Chg***	**2017**	**2016**	***Chg***	**2017**	**2016**	***Chg***	**2017**	**2016**	***Chg***
Net interest income	1 688	1 566	*8%*	850	834	*2%*	575	627	*-8%*	82	80	*3%*	362	411	*-12%*	3 557	3 518	*1%*
Net fee and commission	565	542	*4%*	320	292	*10%*	440	470	*-6%*	1 232	1 098	*12%*	-27	-31		2 530	2 371	*7%*
NFV	62	80	*-24%*	187	210	*-11%*	542	509	*6%*	218	264	*-17%*	84	154	*-45%*	1 093	1 217	*-10%*
Equity method	0	0		11	11	*3%*	0	0		0	0		-4	97		7	108	*-94%*
Other income	10	4	*108%*	25	15	*69%*	4	1		19	14	*36%*	-4	69		54	103	*-48%*
Total operating income	**2 325**	**2 192**	***6%***	**1 393**	**1 362**	***2%***	**1 561**	**1 607**	***-3%***	**1 551**	**1 456**	***7%***	**411**	**700**	***-41%***	**7 241**	**7 317**	***-1%***
Total operating expenses	**-1 331**	**-1 280**	***4%***	**-829**	**-850**	***-2%***	**-686**	**-700**	***-2%***	**-698**	**-633**	***10%***	**-197**	**-104**		**-3 741**	**-3 567**	***5%***
Net loan losses	-46	-62	*-26%*	-58	-126	*-54%*	-194	-183	*6%*	0	0		0	-2	*-100%*	-298	-373	*-20%*
Operating profit	**948**	**850**	***12%***	**506**	**386**	***31%***	**681**	**724**	***-6%***	**853**	**823**	***4%***	**214**	**594**	***-64%***	**3 202**	**3 377**	***-5%***
Cost/income ratio, %	57	58		60	62		44	44		45	43		-	-		52	49	*6%*
ROCAR, %	13	12		8	9		8	8		33	34		-	-		12	13	
Economic capital (EC)	7 705	7 073		5 957	6 256	*-5%*	8 113	8 607	*-6%*	2 595	2 593	*0%*	2 370	1 831		26 740	26 360	*1%*
Risk exposure amount (REA	30 750	31 671		34 074	35 186	*-3%*	43 417	50 491	*-14%*	5 525	5 730	*-4%*	14 537	13 113		128 303	136 191	*-6%*
Number of employees (FTEs	12 242	12 139	*1%*	5 555	5 781	*-4%*	3 958	4 089	*-3%*	3 632	3 692	*-2%*	6 531	5 606		31 918	31 307	*2%*
Volumes, EURbn:																		
Lending to corporates	6.3	6.3	*3%*	71.3	70.8	*1%*	72.4	88.3	*-18%*				-5.5	-0.3		144.5	165.1	*-12%*
Household mortgage lending	128.9	126.8	*2%*	7.1	7.5	*-5%*	0.0	0.2	*-100%*	7.0	7.1	*-1%*	-	-		143.0	141.6	*1%*
Consumer lending	20.5	20.9	*-2%*	2.2	2.3	*-5%*				3.5	3.9	*-10%*	-	-		26.2	27.1	*-3%*
Total lending	**155.7**	**154.0**	***1%***	**80.6**	**80.6**	***0%***	**72.4**	**88.5**	***-18%***	**10.5**	**11.0**	***-5%***	**-5.5**	**-0.3**		**313.7**	**333.8**	***-6%***
Corporate deposits	6.1	5.7	*10%*	35.2	34.6	*2%*	54.0	58.1	*-7%*				-4.6	2.1		90.7	100.5	*-10%*
Household deposits	75.5	74.5	*1%*	3.0	3.3	*-8%*	0.1	0.1	*0%*	12.9	13.3	*-3%*	-	-		91.5	91.2	*0%*
Total deposits	**81.6**	**80.2**	***2%***	**38.2**	**37.9**	***1%***	**54.1**	**58.2**	***-7%***	**12.9**	**13.3**	***-3%***	**-4.6**	**2.1**		**182.2**	**191.7**	***-5%***

Change in Net interest income (EURm)

Nordea Group	Q317/Q217	Q217/Q117	Q117/Q416	Q416/Q316	Q316/Q216	YtD Sep
NII beginning of period	**1 175**	**1 197**	**1 209**	**1 178**	**1 172**	**3 518**
Margin driven NII	**-7**	**4**	**26**	**13**	**14**	**141**
Lending margin	-2	-3	16	13	0	83
Deposit margin	-5	7	10	0	14	58
Volume driven NII	**-4**	**5**	**-6**	**0**	**-2**	**-18**
Lending volume	-5	4	-6	-1	-2	-21
Deposit volume	1	1	0	1	0	3
Day count	14	14	-28	0	14	-14
Other (incl Treasury)*	7	-45	-4	18	-20	-70
* of which FX	-3	-20	10	7	-3	19
NII end of period	**1 185**	**1 175**	**1 197**	**1 209**	**1 178**	**3 557**

Personal Banking	Q317/Q217	Q217/Q117	Q117/Q416	Q416/Q316	Q316/Q216	YtD Sep
NII beginning of period	**555**	**559**	**543**	**536**	**519**	**1 566**
Margin driven NII	**2**	**-1**	**15**	**11**	**5**	**82**
Lending margin	4	-3	15	11	-5	63
Deposit margin	-2	2	0	0	10	19
Volume driven NII	**4**	**3**	**1**	**3**	**4**	**33**
Lending volume	4	2	1	3	4	31
Deposit volume	0	1	0	0	0	2
Day count	6	6	-12	0	6	-6
Other*	7	-12	12	-7	2	13
* of which FX	2	-7	5	-2	-4	-6
NII end of period	**574**	**555**	**559**	**543**	**536**	**1 688**

Commercial & Business Banking	Q317/Q217	Q217/Q117	Q117/Q416	Q416/Q316	Q316/Q216	YtD Sep
NII beginning of period	**284**	**281**	**276**	**273**	**282**	**834**
Margin driven NII	**-4**	**3**	**5**	**0**	**2**	**29**
Lending margin	-4	2	0	-1	1	10
Deposit margin	0	1	5	1	1	19
Volume driven NII	**2**	**3**	**-2**	**0**	**1**	**4**
Lending volume	2	3	-2	0	1	4
Deposit volume	0	0	0	0	0	0
Day count	3	3	-6	0	3	-3
Other*	0	-6	8	3	-15	-14
* of which FX	1	-4	2	1	-1	1
NII end of period	**285**	**284**	**281**	**276**	**273**	**850**

Wholesale Banking	Q317/Q217	Q217/Q117	Q117/Q416	Q416/Q316	Q316/Q216	YtD Sep
NII beginning of period	**190**	**200**	**203**	**204**	**209**	**627**
Margin driven NII	**-4**	**0**	**5**	**1**	**6**	**33**
Lending margin	-2	-3	2	2	4	16
Deposit margin	-2	3	3	-1	2	17
Volume driven NII	**-8**	**1**	**-5**	**-4**	**-7**	**-62**
Lending volume	-9	0	-5	-5	-7	-64
Deposit volume	1	1	0	1	0	2
Day count	3	3	-5	0	3	-3
Other*	4	-14	2	2	-6	-20
* of which FX	-4	-4	4	2	-1	12
NII end of period	**185**	**190**	**200**	**203**	**204**	**575**

Wealth Management	Q317/Q217	Q217/Q117	Q117/Q416	Q416/Q316	Q316/Q216	YtD Sep
NII beginning of period	**27**	**29**	**30**	**27**	**27**	**80**
Margin driven NII	**-1**	**0**	**0**	**1**	**1**	**4**
Lending margin	0	0	0	1	0	3
Deposit margin	-1	0	0	0	1	1
Volume driven NII	**-1**	**0**	**0**	**1**	**0**	**2**
Lending volume	-1	0	0	1	0	2
Deposit volume	0	0	0	0	0	0
Day count	1	1	-1	0	1	-1
Other*	0	-3	0	1	-2	-3
* of which FX	0	0	0	0	0	0
NII end of period	**26**	**27**	**29**	**30**	**27**	**82**

Net fee and commission income

EURm	Full year 2016	Full year 2015	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Asset management commissions	1 369	1 261	375	393	381	365	350	340	314	327	308	325	301
Life & Pensions	306	299	77	74	79	88	76	67	75	80	66	82	71
Deposit Products	30	31	7	7	7	8	7	8	7	7	8	8	8
Brokerage, securities issues and corporate finance	226	225	55	48	76	69	53	56	48	55	40	57	73
Custody and issuer services	59	55	10	17	13	18	13	18	10	16	12	18	9
Payments	297	307	75	84	75	83	70	75	69	74	77	78	78
Cards	226	271	62	64	51	54	59	55	58	63	71	70	67
Lending Products	531	548	113	115	122	133	129	134	135	140	129	139	140
Guarantees	161	177	36	36	39	39	40	40	42	41	43	47	46
Other	33	56	4	12	23	10	-2	11	14	18	13	9	16
Net fee and commission income	**3 238**	**3 230**	**814**	**850**	**866**	**867**	**795**	**804**	**772**	**821**	**767**	**833**	**809**

Other expenses

EURm	Full year 2016	Full year 2015	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Information technology	-573	-485	-151	-157	-129	-165	-142	-138	-128	-130	-114	-122	-119
Marketing and representation	-79	-84	-14	-16	-15	-33	-13	-18	-15	-26	-15	-22	-21
Postage, transportation, telephone and office expenses	-125	-145	-24	-25	-28	-33	-28	-31	-33	-37	-32	-34	-42
Rents, premises and real estate	-309	-373	-72	-76	-77	-79	-75	-78	-77	-131	-75	-82	-85
Other	-560	-398	-116	-159	-138	-165	-131	-131	-133	-131	-67	-103	-97
Total	**-1 646**	**-1 485**	**-377**	**-433**	**-387**	**-475**	**-389**	**-396**	**-386**	**-455**	**-303**	**-363**	**-364**

Net loan losses

EURm	Full year 2016	Full year 2015	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Loan losses divided by class													
Provisions	-1	0	0	-1	-	-1	0	0	0	0	-1	0	1
Reversal of previous provisions	1	1	0	0	-	1	0	0	0	0	1	-	0
Loans to credit institutions	**0**	**1**	**0**	**-1**	**-**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**
Realised loan losses	-600	-605	-116	-111	-102	-231	-119	-119	-131	-129	-142	-206	-128
Allowances to cover realised loan losses	474	448	86	86	67	193	91	90	100	82	109	172	85
Recoveries on previous realised loan losses	57	63	16	14	11	21	12	12	12	17	20	14	12
Provisions	-1 056	-1 074	-189	-215	-253	-275	-293	-248	-240	-420	-220	-220	-214
Reversal of previous provisions	639	693	122	147	171	165	174	148	152	278	122	148	145
Loans to the public	**-486**	**-475**	**-81**	**-79**	**-106**	**-127**	**-135**	**-117**	**-107**	**-172**	**-111**	**-92**	**-100**
Realised loan losses	-9	-11	-1	-1	-2	-3	-2	-2	-2	-2	-4	-1	-4
Allowances to cover realised loan losses	9	11	1	1	2	3	2	3	1	2	4	1	4
Provisions	-96	-104	-15	-38	-22	-23	-21	-30	-22	-19	-17	-29	-39
Reversal of previous provisions	80	99	17	12	15	21	21	19	19	49	16	18	16
Off-balance sheet items	**-16**	**-5**	**2**	**-26**	**-7**	**-2**	**0**	**-10**	**-4**	**30**	**-1**	**-11**	**-23**
Net loan losses	**-502**	**-479**	**-79**	**-106**	**-113**	**-129**	**-135**	**-127**	**-111**	**-142**	**-112**	**-103**	**-122**

Key ratios

	Full year 2016	Full year 2015	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Loan loss ratio, basis points	15	14	10	13	14	16	16	15	13	17	13	12	14
- of which individual	12	13	12	11	16	15	7	13	14	16	12	12	14
- of which collective	3	1	-2	2	-2	1	9	2	-1	1	1	0	0

Nordea
Personal Banking

Personal Banking - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Net interest income	574	555	559	543	536	519	4%	7%	3%	8%
Net fee and commission income	182	190	193	187	178	174	-4%	3%	-2%	5%
Net result from items at fair value	20	23	19	20	26	32	-13%	-26%	-13%	-26%
Equity method & other income	2	6	2	1	2	2	-75%	-30%	-75%	-33%
Total operating income	**778**	**774**	**773**	**751**	**742**	**727**	**1%**	**5%**	**1%**	**6%**
Total operating expenses	**-430**	**-455**	**-446**	**-420**	**-427**	**-405**	**-5%**	**1%**	**-5%**	**1%**
Profit before loan losses	**348**	**319**	**327**	**331**	**315**	**322**	**9%**	**11%**	**9%**	**12%**
Net loan losses	-13	-26	-7	2	-14	-34	-51%	-8%	-51%	-9%
Operating profit	**335**	**293**	**320**	**333**	**301**	**288**	**15%**	**12%**	**15%**	**13%**
Cost/income ratio. %	55	59	58	56	58	56				
ROCAR.%	14	12	13	14	13	13				
Economic capital (EC)	7 705	7 387	7 633	7 197	7 073	7 172	4%	9%	4%	10%
Risk Exposure Amount (REA)	30 750	30 906	30 933	31 495	31 671	30 760	-1%	-3%	-1%	-2%
Number of employees (FTEs)	12 242	12 377	12 241	12 274	12 139	12 289	-1%	1%	-1%	1%

Personal Banking excl. Distribution agreement with Wealth Management - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Net interest income	574	555	559	544	536	519	4%	7%	3%	8%
Net fee and commission income	311	313	316	314	294	291	-1%	6%	-1%	6%
Net result from items at fair value	20	23	19	20	26	32	-13%	-26%	-13%	-26%
Equity method & other income	2	6	2	1	2	2	-75%	-30%	-75%	-33%
Total operating income	**907**	**897**	**896**	**879**	**858**	**844**	**1%**	**6%**	**1%**	**6%**
Total operating expenses	**-462**	**-485**	**-478**	**-448**	**-456**	**-433**	**-5%**	**1%**	**-6%**	**1%**
Profit before loan losses	**445**	**412**	**418**	**431**	**402**	**411**	**8%**	**11%**	**8%**	**11%**
Net loan losses	-13	-26	-7	2	-14	-34	-51%	-8%	-51%	-9%
Operating profit	**432**	**386**	**411**	**433**	**388**	**377**	**12%**	**11%**	**12%**	**12%**
Cost/income ratio. %	51	54	53	51	53	51				
ROCAR.%	16	15	16	18	16	15				
Economic capital (EC)	8 184	7 866	8 103	7 663	7 541	7 636	4%	9%	4%	10%
Risk Exposure Amount (REA)	30 750	30 906	30 933	31 495	31 671	30 760	-1%	-3%	-1%	-2%
Number of employees (FTEs)	12 242	12 377	12 241	12 274	12 139	12 289	-1%	1%	-1%	1%

Personal Banking - Volumes

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Lending to corporates	6.3	6.3	6.4	6.2	6.3	6.2	0%	3%	0%	3%
Lending to households	128.9	127.5	128.0	127.7	126.8	125.9	1%	2%	1%	3%
Consumer lending	20.5	20.6	20.6	20.8	20.9	21.0	0%	-2%	0%	-2%
Total lending	**155.7**	**154.4**	**155.0**	**154.8**	**154.0**	**153.1**	**1%**	**1%**	**1%**	**2%**
Corporate deposits	6.1	6.0	6.1	5.9	5.7	5.8	2%	10%	2%	11%
Household deposits	75.5	75.7	74.2	74.6	74.5	75.3	0%	1%	0%	2%
Total deposits	**81.6**	**81.7**	**80.3**	**80.5**	**80.2**	**81.1**	**0%**	**2%**	**0%**	**3%**

Personal Banking - Divisional breakdown

Q3 2017

EURm	DEN	FIN	NOR	SWE	BALT	Other	Total
Net interest income	144	101	95	187	41	6	574
Net fee and commission income	33	49	22	65	10	3	182
Net result from items at fair value	2	5	3	5	4	1	20
Equity method & other income	-1	0	0	1	0	2	2
Total operating income	**178**	**155**	**120**	**258**	**55**	**12**	**778**
Total operating expenses	**-131**	**-105**	**-56**	**-115**	**-27**	**4**	**-430**
Profit before loan losses	**47**	**50**	**64**	**143**	**28**	**16**	**348**
Net loan losses	1	-1	-3	-2	-9	1	-13
Operating profit	**48**	**49**	**61**	**141**	**19**	**17**	**335**
Employees (FTEs)	2 353	2 471	859	2 024	822	3 713	12 242

Personal Banking Denmark

Personal Banking Denmark - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	144	148	151	155	150	148	-3%	-4%
Net fee and commission income	33	39	45	43	37	32	-15%	-13%
Net result from items at fair value	2	2	2	0	3	2	4%	-11%
Equity method & other income	-1	0	0	-1	0	-1	249%	393%
Total operating income	**178**	**189**	**198**	**197**	**190**	**181**	**-5%**	**-6%**
Total operating expenses	**-131**	**-130**	**-133**	**-134**	**-138**	**-140**	**0%**	**-5%**
Profit before loan losses	**47**	**59**	**65**	**63**	**52**	**41**	**-19%**	**-7%**
Net loan losses	1	-11	-3	10	-6	-10		
Operating profit	**48**	**48**	**62**	**73**	**46**	**31**	**3%**	**7%**
Cost/income ratio. %	74	69	67	68	73	77		
ROCAR.%	12	11	14	16	10	7		
Economic capital (EC)	1 284	1 260	1 426	1 370	1 391	1 428	2%	-8%
Risk Exposure Amount (REA)	7 363	7 541	8 271	8 643	8 780	8 855	-2%	-16%
Number of employees (FTEs)	2 353	2 368	2 368	2 319	2 309	2 414	-1%	2%

Personal Banking Denmark - Volumes

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3
Lending to corporates	0.2	0.2	0.2	0.3	0.3	0.3	6%	7%
Lending to households	29.4	29.5	29.5	29.5	29.5	29.5	0%	0%
Consumer lending	9.1	9.2	9.3	9.5	9.7	9.8	-1%	-7%
Total lending	**38.7**	**38.9**	**39.0**	**39.3**	**39.5**	**39.6**	**-1%**	**-2%**
Corporate deposits	1.9	2.0	2.0	2.0	2.0	2.2	0%	-3%
Household deposits	22.4	22.6	22.1	22.2	22.3	22.4	-1%	0%
Total deposits	**24.3**	**24.6**	**24.1**	**24.2**	**24.3**	**24.6**	**-1%**	**0%**

Personal Banking Finland

Personal Banking Finland - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	101	96	95	95	96	95	4%	3%
Net fee and commission income	49	51	52	45	50	46	-3%	-1%
Net result from items at fair value	5	5	6	6	7	8	0%	-21%
Equity method & other income	0	4	0	0	0	0	-99%	-78%
Total operating income	**155**	**156**	**153**	**146**	**153**	**149**	**-1%**	**1%**
Total operating expenses	**-105**	**-108**	**-108**	**-110**	**-110**	**-114**	**-2%**	**-4%**
Profit before loan losses	**50**	**48**	**45**	**36**	**43**	**35**	**3%**	**14%**
Net loan losses	-1	-3	-1	-2	-2	-5		
Operating profit	**49**	**45**	**44**	**34**	**41**	**30**	**10%**	**16%**
Cost/income ratio. %	68	69	71	75	72	77		
ROCAR.%	11	11	11	9	12	9		
Economic capital (EC)	1 305	1 315	1 174	1 173	1 147	1 112	-1%	14%
Risk Exposure Amount (REA)	6 858	6 876	5 900	6 235	6 280	6 267	0%	9%
Number of employees (FTEs)	2 471	2 625	2 560	2 629	2 599	2 698	-6%	-5%

Personal Banking Finland - Volumes

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3
Lending to corporates	0.1	0.1	0.1	0.0	0.1	0.1	-4%	-27%
Lending to households	26.5	26.3	26.0	26.0	25.9	25.8	1%	2%
Consumer lending	5.6	5.5	5.5	5.5	5.4	5.4	1%	3%
Total lending	**32.2**	**31.9**	**31.6**	**31.5**	**31.4**	**31.3**	**1%**	**3%**
Corporate deposits	0.1	0.1	0.1	0.1	0.1	0.1	-4%	-27%
Household deposits	20.6	20.7	20.3	20.4	20.3	20.5	0%	2%
Total deposits	**20.7**	**20.8**	**20.4**	**20.5**	**20.4**	**20.6**	**0%**	**2%**

Personal Banking Norway

Personal Banking Norway - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Net interest income	95	90	87	77	76	80	7%	25%	7%	26%
Net fee and commission income	22	23	20	21	22	22	-7%	-1%	-2%	0%
Net result from items at fair value	3	3	2	4	4	4	-8%	-27%	-8%	-27%
Equity method & other income	0	1	0	0	2	1	-99%	-100%	-99%	-99%
Total operating income	**120**	**117**	**109**	**102**	**104**	**107**	**3%**	**15%**	**4%**	**16%**
Total operating expenses	**-56**	**-56**	**-62**	**-61**	**-60**	**-61**	**-1%**	**-7%**	**-1%**	**-6%**
Profit before loan losses	**64**	**61**	**47**	**41**	**44**	**46**	**6%**	**45%**	**8%**	**46%**
Net loan losses	-3	0	-1	0	-1	-2				
Operating profit	**61**	**61**	**46**	**41**	**43**	**44**	**1%**	**44%**	**3%**	**44%**
Cost/income ratio. %	47	48	57	60	58	57				
ROCAR.%	15	15	11	11	12	13				
Economic capital (EC)	1 294	1 186	1 306	1 158	1 138	1 054	9%	14%	7%	20%
Risk Exposure Amount (REA)	4 539	4 849	4 953	5 080	5 081	4 818	-6%	-11%	-8%	-6%
Number of employees (FTEs)	859	843	867	892	902	916	2%	-5%	2%	-5%

Personal Banking Norway - Volumes

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Lending to corporates	0.0	0.0	0.0	0.0	0.0	0.0	15%	-11%	13%	-6%
Lending to households	26.6	25.4	26.2	26.4	26.7	25.7	4%	-1%	3%	4%
Consumer lending	1.3	1.3	1.3	1.3	1.3	1.2	5%	7%	3%	12%
Total lending	**27.9**	**26.7**	**27.5**	**27.7**	**28.0**	**26.9**	**4%**	**0%**	**3%**	**4%**
Corporate deposits	0.3	0.2	0.3	0.3	0.4	0.3	-1%	-18%	-3%	-14%
Household deposits	8.4	8.5	8.3	8.5	8.7	8.8	-1%	-4%	-2%	1%
Total deposits	**8.7**	**8.7**	**8.6**	**8.8**	**9.1**	**9.1**	**-1%**	**-4%**	**-2%**	**0%**

Personal Banking Sweden

Personal Banking Sweden - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q2/Q1	Chg % Q2/Q2	Chg local curr. % Q2/Q1	Chg local curr. % Q2/Q2
Net interest income	187	176	183	179	180	169	6%	4%	5%	5%
Net fee and commission income	65	63	63	63	57	63	3%	13%	1%	14%
Net result from items at fair value	5	5	4	7	6	8	-1%	-14%	-2%	-13%
Equity method & other income	1	0	0	0	0	1				
Total operating income	**258**	**244**	**250**	**249**	**243**	**241**	**6%**	**6%**	**4%**	**7%**
Total operating expenses	**-115**	**-117**	**-120**	**-114**	**-113**	**-123**	**-2%**	**2%**	**-3%**	**4%**
Profit before loan losses	**143**	**127**	**130**	**135**	**130**	**118**	**13%**	**10%**	**10%**	**10%**
Net loan losses	-2	-2	-3	-4	0	-3				
Operating profit	**141**	**125**	**127**	**131**	**130**	**115**	**13%**	**8%**	**11%**	**8%**
Cost/income ratio. %	45	48	48	46	47	51				
ROCAR.%	17	15	16	17	18	17				
Economic capital (EC)	2 581	2 475	2 554	2 359	2 327	2 124	4%	11%	5%	11%
Risk Exposure Amount (REA)	4 948	4 956	5 215	4 977	5 312	4 917	0%	-7%	0%	-7%
Number of employees (FTEs)	2 024	2 064	2 075	2 119	2 121	2 171	-2%	-5%	-2%	-5%

Personal Banking Sweden - Volumes

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Lending to corporates	0.7	0.6	0.7	0.6	0.5	0.6	3%	14%	3%	15%
Lending to households	43.7	43.6	43.7	43.2	42.1	42.3	0%	4%	0%	4%
Consumer lending	4.0	4.1	4.0	4.1	4.1	4.2	-1%	-2%	-1%	-2%
Total lending	**48.4**	**48.3**	**48.4**	**47.9**	**46.7**	**47.1**	**0%**	**4%**	**0%**	**4%**
Corporate deposits	0.1	0.1	0.0	0.1	0.1	0.1	-4%	6%	-3%	6%
Household deposits	22.8	22.6	22.2	22.1	21.9	22.3	1%	4%	1%	4%
Total deposits	**22.9**	**22.7**	**22.2**	**22.2**	**22.0**	**22.4**	**1%**	**4%**	**1%**	**4%**

Banking Baltic countries

Banking Baltic countries - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	41	38	38	37	38	38	9%	9%
Net fee and commission income	10	10	9	11	9	9	-4%	8%
Net result from items at fair value	4	5	3	4	8	6	-22%	-54%
Equity method & other income	0	0	0	1	0	0	10%	64%
Total operating income	**55**	**53**	**50**	**53**	**55**	**53**	**4%**	**0%**
Total operating expenses	**-27**	**-27**	**-26**	**-26**	**-22**	**-24**	**-1%**	**25%**
Profit before loan losses	**28**	**26**	**24**	**27**	**33**	**29**	**9%**	**-15%**
Net loan losses	-9	-2	1	-2	-1	-11		
Operating profit	**19**	**24**	**25**	**25**	**32**	**18**	**-18%**	**-40%**
Cost/income ratio. %	49	51	52	49	40	45		
ROCAR, %	7	8	9	9	13	7		
Economic capital (EC)	933	850	873	786	777	795	10%	20%
Risk Exposure Amount (REA)	5 357	4 994	4 943	4 831	4 849	5 051	7%	10%
Number of employees (FTEs)	822	836	844	854	820	781	-2%	0%

Banking Baltic countries - Volumes

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q2/Q1	Chg % Q2/Q2
Lending to corporates	5.3	5.4	5.4	5.3	5.4	5.2	-1%	2%
Lending to households	2.7	2.7	2.6	2.6	2.6	2.6	0%	2%
Consumer lending	0.5	0.5	0.5	0.5	0.4	0.4	2%	6%
Total lending	**8.5**	**8.6**	**8.5**	**8.4**	**8.4**	**8.2**	**0%**	**2%**
Corporate deposits	3.7	3.6	3.7	3.4	3.1	3.1	4%	24%
Household deposits	1.3	1.3	1.3	1.4	1.3	1.3	-3%	-2%
Total deposits	**5.0**	**4.9**	**5.0**	**4.8**	**4.4**	**4.4**	**2%**	**16%**

Personal Banking Other

Personal Banking Other - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q2/Q1	Chg % Q2/Q2
Net interest income	6	7	5	0	-4	-11	-12%	
Net fee and commission income	3	4	4	4	3	2	-7%	95%
Net result from items at fair value	1	3	2	-1	-2	4	-84%	
Equity method & other income	2	1	2	1	0	1	-74%	
Total income incl. allocations	**12**	**15**	**13**	**4**	**-3**	**-4**	**-22%**	
Total expenses incl. allocations	**4**	**-17**	**3**	**25**	**16**	**57**		**-76%**
Profit before loan losses	**16**	**-2**	**16**	**29**	**13**	**53**		**29%**
Net loan losses	1	-8	0	0	-4	-3		
Operating profit	**17**	**-10**	**16**	**29**	**9**	**50**		**99%**
Economic capital (EC)	308	301	300	351	293	659	2%	5%
Number of employees (FTEs)	3 713	3 641	3 527	3 461	3 388	3 309	2%	10%

Nordea

Commercial & Business Banking

Commercial & Business Banking - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Net interest income	285	284	281	276	273	282	0%	4%	0%	4%
Net fee and commission income	101	114	105	116	98	101	-11%	3%	-10%	4%
Net result from items at fair value	58	68	61	69	67	74	-14%	-13%	-15%	-13%
Equity method & other income	7	9	20	8	7	8	-18%	-2%	-18%	-2%
Total operating income	**451**	**475**	**467**	**469**	**445**	**465**	**-5%**	**1%**	**-5%**	**2%**
Total operating expenses	**-273**	**-281**	**-275**	**-298**	**-282**	**-307**	**-3%**	**-3%**	**-3%**	**-3%**
Profit before loan losses	**178**	**194**	**192**	**171**	**163**	**158**	**-8%**	**9%**	**-8%**	**9%**
Net loan losses	-25	-16	-17	-35	-49	-36	59%	-48%	56%	-49%
Operating profit	**153**	**178**	**175**	**136**	**114**	**122**	**-14%**	**33%**	**-14%**	**34%**
Cost/income ratio. %	61	59	59	64	63	66				
ROCAR.%	8	9	9	7	6	6				
Economic capital (EC)	5 957	6 330	6 153	5 966	6 256	6 364	-6%	-5%	-6%	-7%
Risk Exposure Amount (REA)	34 074	33 966	33 611	33 041	35 186	37 964	0%	-3%	0%	-2%
Number of employees (FTEs)	5 555	5 554	5 570	5 698	5 781	5 775	0%	-4%	0%	-4%

Commercial & Business Banking excl. Distribution agreement with Wealth Management - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Net interest income	284	284	281	275	273	282	0%	4%	0%	4%
Net fee and commission income	130	143	133	141	123	129	-9%	6%	-9%	6%
Net result from items at fair value	58	68	61	69	67	74	-14%	-13%	-15%	-13%
Equity method & other income	7	9	20	8	7	8	-18%	-2%	-18%	-2%
Total operating income	**479**	**504**	**495**	**493**	**470**	**493**	**-5%**	**2%**	**-5%**	**2%**
Total operating expenses	**-282**	**-290**	**-285**	**-306**	**-289**	**-314**	**-3%**	**-2%**	**-3%**	**-2%**
Profit before loan losses	**197**	**214**	**210**	**187**	**181**	**179**	**-8%**	**9%**	**-8%**	**9%**
Net loan losses	-25	-16	-17	-35	-49	-36	59%	-48%	56%	-49%
Operating profit	**172**	**198**	**193**	**152**	**132**	**143**	**-13%**	**30%**	**-13%**	**31%**
Cost/income ratio. %	59	58	58	62	62	64				
ROCAR.%	8	9	9	7	6	7				
Economic capital (EC)	6 186	6 558	6 382	6 194	6 484	6 592	-6%	-5%	-3%	-2%
Risk Exposure Amount (REA)	34 074	33 966	33 611	33 041	35 186	37 964	0%	-3%	4%	0%
Number of employees (FTEs)	5 555	5 554	5 570	5 698	5 781	5 775	0%	-4%	0%	-4%

Commercial & Business Banking - Volumes

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Lending to corporates	71.4	70.6	70.1	70.3	70.8	70.5	1%	1%	1%	2%
Lending to households	7.1	7.2	7.3	7.4	7.5	7.5	-1%	-5%	-1%	-5%
Consumer lending	2.2	2.3	2.4	2.4	2.3	2.3	-2%	-5%	-2%	-5%
Total lending	**80.7**	**80.1**	**79.8**	**80.1**	**80.6**	**80.3**	**1%**	**0%**	**0%**	**1%**
Corporate deposits	35.2	34.9	35.3	36.0	34.6	36.0	1%	2%	1%	3%
Household deposits	3.0	3.1	3.1	3.3	3.3	3.3	-4%	-8%	-4%	-8%
Total deposits	**38.2**	**38.0**	**38.4**	**39.3**	**37.9**	**39.3**	**1%**	**1%**	**0%**	**2%**

Commercial & Business Banking - Divisional breakdown

Q3 2017

EURm	CB	BB	Other	Total
Net interest income	129	153	3	285
Net fee and commission income	54	62	-15	101
Net result from items at fair value	42	19	-3	58
Equity method & other income	2	0	5	7
Total operating income	**227**	**234**	**-10**	**451**
Total operating expenses	**-122**	**-142**	**-9**	**-273**
Profit before loan losses	**105**	**92**	**-19**	**178**
Net loan losses	-23	-1	-1	-25
Operating profit	**82**	**91**	**-20**	**153**
Employees (FTEs)	836	1 776	2 943	5 555

Commercial & Business Banking

Commercial Banking - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Net interest income	129	126	126	119	116	119	2%	12%	3%	12%
Net fee and commission income	54	57	56	58	48	57	-6%	13%	-5%	14%
Net result from items at fair value	42	53	51	53	49	57	-21%	-15%	-20%	-15%
Equity method & other income	2	2	15	2	1	2	-6%	38%	-6%	38%
Total operating income	**227**	**238**	**248**	**232**	**214**	**235**	**-5%**	**6%**	**-4%**	**6%**
Total operating expenses	**-122**	**-123**	**-126**	**-120**	**-122**	**-124**	**-2%**	**0%**	**-2%**	**0%**
Profit before loan losses	**105**	**115**	**122**	**112**	**92**	**111**	**-8%**	**14%**	**-7%**	**14%**
Net loan losses	-23	-14	-25	-21	-24	-7	72%	-4%	67%	-6%
Operating profit	**82**	**101**	**97**	**91**	**68**	**104**	**-19%**	**21%**	**-17%**	**22%**
Cost/income ratio. %	54	52	51	52	57	53				
ROCAR.%	6	8	8	7	5	8				
Economic capital (EC)	3 713	3 999	3 826	3 645	3 884	3 922	-7%	-4%	-8%	-5%
Risk Exposure Amount (REA)	21 322	21 396	20 971	20 510	22 223	23 278	0%	-4%	-1%	-2%
Number of employees (FTEs)	836	833	854	925	953	971	0%	-12%	0%	-12%

Commercial Banking - Volumes

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Lending to corporates	42.8	42.4	42.1	42.3	42.9	42.8	1%	0%	0%	1%
Lending to households	0.2	0.2	0.2	0.2	0.2	0.2	-3%	-5%	-3%	-5%
Consumer lending	0.6	0.7	0.7	0.7	0.6	0.6	-2%	4%	-2%	4%
Total lending	**43.6**	**43.3**	**43.0**	**43.2**	**43.7**	**43.6**	**1%**	**0%**	**0%**	**1%**
Corporate deposits	16.7	16.0	16.4	17.0	16.6	17.8	4%	0%	4%	2%
Household deposits	0.1	0.2	0.1	0.2	0.2	0.2	-18%	-26%	-18%	-26%
Total deposits	**16.8**	**16.2**	**16.5**	**17.2**	**16.8**	**18.0**	**4%**	**0%**	**3%**	**1%**

Business Banking - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Net interest income	153	155	150	150	151	152	-1%	1%	-2%	1%
Net fee and commission income	62	63	65	67	62	65	-1%	1%	-2%	1%
Net result from items at fair value	19	19	14	21	17	17	2%	12%	-2%	11%
Equity method & other income	0	0	0	0	0	0	-59%		-59%	
Total operating income	**234**	**237**	**229**	**238**	**230**	**234**	**-1%**	**2%**	**-2%**	**2%**
Total operating expenses	**-142**	**-144**	**-146**	**-143**	**-143**	**-149**	**-1%**	**0%**	**-2%**	**0%**
Profit before loan losses	**92**	**93**	**83**	**95**	**87**	**85**	**0%**	**5%**	**-2%**	**5%**
Net loan losses	-1	-2	11	-14	-24	-27	-52%	-96%	-50%	-96%
Operating profit	**91**	**91**	**94**	**81**	**63**	**58**	**1%**	**42%**	**-1%**	**43%**
Cost/income ratio. %	61	61	64	60	62	64				
ROCAR.%	12	11	12	10	8	7				
Economic capital (EC)	2 347	2 458	2 457	2 440	2 470	2 401	-5%	-5%	-5%	-8%
Risk Exposure Amount (REA)	13 534	13 490	13 601	13 492	13 834	14 545	0%	-2%	0%	-1%
Number of employees (FTEs)	1 776	1 770	1 790	1 834	1 881	1 869	0%	-6%	0%	-6%

Business Banking - Volumes

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Lending to corporates	28.5	28.2	28.0	28.0	27.9	27.7	1%	2%	1%	3%
Lending to households	6.9	7.0	7.1	7.2	7.3	7.3	-1%	-5%	-1%	-5%
Consumer lending	1.6	1.6	1.7	1.7	1.7	1.7	-1%	-8%	-1%	-8%
Total lending	**37.0**	**36.8**	**36.8**	**36.9**	**36.9**	**36.7**	**1%**	**0%**	**1%**	**1%**
Corporate deposits	18.5	18.9	18.9	19.0	18.0	18.2	-1%	3%	-2%	4%
Household deposits	2.9	2.9	3.0	3.1	3.1	3.1	-3%	-7%	-3%	-7%
Total deposits	**21.4**	**21.8**	**21.9**	**22.1**	**21.1**	**21.3**	**-2%**	**2%**	**-2%**	**3%**

Commercial & Business Banking

Commercial & Business Banking Other - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	3	3	5	7	6	11	-42%	-61%
Net fee and commission income	-15	-6	-16	-9	-12	-21	128%	31%
Net result from items at fair value	-3	-4	-4	-5	1	0	-21%	
Equity method & other income	5	7	5	6	6	6	-20%	-13%
Total income incl. allocations	**-10**	**0**	**-10**	**-1**	**1**	**-4**		
Total expenses incl. allocations	**-9**	**-14**	**-3**	**-35**	**-17**	**-34**	**-31%**	**-47%**
Profit before loan losses	**-19**	**-14**	**-13**	**-36**	**-16**	**-38**	**45%**	**20%**
Net loan losses	-1	0	-3	0	-1	-2	103%	11%
Operating profit	**-20**	**-14**	**-16**	**-36**	**-17**	**-40**	**47%**	**19%**
Economic capital (EC)	-103	-127	-130	-119	-98	41	-18%	4%
Number of employees (FTEs)	2 943	2 951	2 926	2 939	2 947	2 935	0%	0%

Nordea Finance - Financial highlights

Nordea Finance is a product responsible unit where the result is included in the Business areas Retail Banking and Wholesale Banking

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Net interest income	118	115	114	120	115	110	109	122	121
Net fee and commission income	29	30	29	30	30	31	31	33	33
Net result from items at fair value	0	0	0	0	0	0	0	0	0
Equity method & other income	5	6	6	7	6	6	5	7	6
Total operating income	**153**	**151**	**149**	**158**	**151**	**146**	**145**	**161**	**160**
Net loan losses	-11	-11	-6	-7	-7	-8	-9	-40	-12
Economic capital (EC)	1 714	1 667	1 681	1 704	1 694	1 632	1 526	1 535	1 550
Risk Exposure Amount (REA)	11 005	10 447	10 447	10 363	10 431	10 062	9 397	10 146	10 078
Number of employees (FTEs)	1 171	1 196	1 189	1 189	1 181	1 218	1 163	1 143	1 147

Nordea Finance - Volumes by Product Class

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Investment credits	12.4	12.3	12.2	12.1	12.0	11.8	11.5	11.5	11.4
Working capital	2.6	2.8	2.6	2.7	2.5	2.5	2.3	2.5	2.4
Consumer credits	2.5	2.5	2.5	2.6	2.6	2.7	2.7	2.7	2.7
Total volume	**17.6**	**17.6**	**17.3**	**17.4**	**17.1**	**17.0**	**16.5**	**16.6**	**16.5**

Nordea Finance - New business volume by Concept

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Sales Finance									
Equipment Finance	385	386	340	382	368	392	277	343	309
Car Finance	527	595	552	544	526	557	451	447	465
Point of Sale (POS)	440	458	423	512	468	541	442	542	501
Bank Channel									
Asset Finance Solutions	578	792	577	753	592	908	681	671	672
Unsecured Lending	572	600	553	582	568	620	543	588	564
Total volume	**2 500**	**2 831**	**2 445**	**2 783**	**2 522**	**3 018**	**2 394**	**2 590**	**2 512**

Nordea
Wholesale Banking

Wholesale Banking - Financial highlights

EURm	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Net interest income	185	190	200	203	204	209	-3%	-9%	-1%	-9%
Net fee and commission income	140	133	167	159	145	163	5%	-3%	5%	-5%
Net result from items at fair value	173	178	191	294	226	170	-3%	-23%	-3%	-23%
Equity method & other income	0	0	4	-1	1	0				
Total income incl. allocations	**498**	**501**	**562**	**655**	**576**	**542**	**-1%**	**-14%**	**0%**	**-13%**
Total expenses incl. allocations	**-222**	**-228**	**-236**	**-267**	**-234**	**-243**	**-3%**	**-5%**	**-1%**	**-4%**
Profit before loan losses	**276**	**273**	**326**	**388**	**342**	**299**	**1%**	**-19%**	**1%**	**-19%**
Net loan losses	-40	-64	-90	-96	-71	-56	-38%	-44%	-32%	-41%
Operating profit	**236**	**209**	**236**	**292**	**271**	**243**	**13%**	**-13%**	**11%**	**-13%**
Cost/income ratio, %	45	46	42	41	41	45				
ROCAR, %	9	7	8	11	10	8				
Economic capital (EC)	8 113	8 462	9 226	8 365	8 607	9 109	-4%	-6%		
Risk exposure amount (REA)	43 417	43 492	46 757	48 564	50 491	53 440	0%	-14%		
Number of employees (FTEs)	3 958	3 949	4 016	4 059	4 089	4 046	0%	-3%		

Wholesale Banking - Volumes

EURbn	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Total lending	72.4	75.1	82.1	80.5	88.5	100.3	-4%	-18%	-3%	-17%
Total deposits	54.1	59.6	59.4	47.2	58.2	60.8	-9%	-7%	-9%	-6%

Wholesale Banking - Divisional breakdown

Q3 2017

EURm	CIB	SOO	Russia	Other	Total
Net interest income	134	56	25	-30	185
Net fee and commission income	117	9	4	10	140
Net result from items at fair value	60	-2	4	111	173
Equity method & other income	0	0	0	0	0
Total operating income	**311**	**63**	**33**	**91**	**498**
Total operating expenses	**-131**	**-15**	**-12**	**-64**	**-222**
Profit before loan losses	**180**	**48**	**21**	**27**	**276**
Net loan losses	-13	-25	-4	2	-40
Operating profit	**167**	**23**	**17**	**29**	**236**
Number of employees (FTEs)	167	66	545	3 180	3 958

Corporate & Investment Banking - Financial highlights

EURm	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	134	134	127	129	130	131	0%	3%
Net fee and commission income	117	138	141	144	130	157	-15%	-10%
Net result from items at fair value	60	77	84	102	63	79	-22%	-5%
Equity method & other income	0	0	0	0	0	0		
Total income incl. allocations	**311**	**349**	**352**	**375**	**323**	**367**	**-11%**	**-4%**
Total expenses incl. allocations	**-131**	**-132**	**-134**	**-143**	**-142**	**-146**	**-1%**	**-8%**
Profit before loan losses	**180**	**217**	**218**	**232**	**181**	**221**	**-17%**	**-1%**
Net loan losses	-13	-17	-17	-38	-9	-17	-24%	44%
Operating profit	**167**	**200**	**201**	**194**	**172**	**204**	**-17%**	**-3%**
Cost/income ratio, %	42	38	38	38	44	40		
ROCAR, %	11	13	12	14	12	13		
Economic capital (EC)	4 593	4 578	5 344	4 398	4 581	5 028	0%	0%
Risk exposure amount (REA)	24 587	23 930	27 126	26 750	28 018	30 807	3%	-12%
Number of employees (FTEs)	167	167	169	168	171	168	0%	-2%

Corporate & Investment Banking - Volumes

EURbn	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Total lending	36.2	37.5	38.4	37.9	38.7	40.8	-3%	-6%
Total deposits	35.9	35.9	36.4	35.5	34.8	33.7	0%	3%

Shipping, Offshore and Oil Services - Financial highlights

EURm	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	56	62	64	64	63	61	-10%	-11%
Net fee and commission income	9	10	11	14	15	14	-10%	-40%
Net result from items at fair value	-2	-37	5	5	13	7		
Equity method & other income	0	0	0	0	0	0		
Total operating income	**63**	35	80	**83**	**91**	**82**	**80%**	**-31%**
Total operating expenses	**-15**	**-16**	**-16**	**-16**	**-16**	**-15**	**-6%**	**-6%**
Profit before loan losses	**48**	**19**	**64**	**67**	**75**	**67**	**153%**	**-36%**
Net loan losses	-25	-39	-58	-49	-59	-24	-36%	-58%
Operating profit	**23**	**-20**	**6**	**18**	**16**	**43**		**44%**
Cost/income ratio. %	24	46	20	19	18	18		
ROCAR.%	4	-3	1	3	3	9		
Economic capital (EC)	1 802	1 831	1 701	1 595	1 528	1 537	-2%	18%
Risk Exposure Amount (REA)	9 959	9 931	9 399	9 697	9 355	9 390	0%	6%
Number of employees (FTEs)	66	72	76	79	81	76	-8%	-19%

Shipping, Offshore and Oil Services - Volumes

EURbn	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Total lending	9.9	10.7	11.6	12.0	11.8	12.0	-7%	-16%
Total deposits	3.8	5.1	5.7	5.1	4.7	4.6	-25%	-19%

Banking Russia - Financial highlights

EURm	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Net interest income	25	25	30	39	41	45	0%	-39%	9%	-40%
Net fee and commission income	4	3	5	4	4	3	33%	0%	24%	0%
Net result from items at fair value	4	3	3	4	3	4	33%	33%	44%	3%
Equity method & other income	0	0	0	0	0	0				
Total income incl. allocations	**33**	**31**	**38**	**47**	**48**	**52**	**6%**	**-31%**	**16%**	**-33%**
Total expenses incl. allocations	**-12**	**-12**	**-15**	**-16**	**-14**	**-12**	**0%**	**-14%**	**13%**	**-19%**
Profit before loan losses	**21**	**19**	**23**	**31**	**34**	**40**	**11%**	**-38%**	**15%**	**-40%**
Net loan losses	-4	-7	-15	-9	-3	-15	-43%	33%	-36%	17%
Operating profit	**17**	**12**	**8**	**22**	**31**	**25**	**42%**	**-45%**	**41%**	**-46%**
Cost/income ratio. %	36	39	39	34	29	23				
ROCAR.%	13	8	5	16	21	16				
Economic capital (EC)	368	428	457	430	459	484	-14%	-20%		
Risk Exposure Amount (REA)	2 174	2 411	2 575	2 744	2 911	3 140	-10%	-25%		
Number of employees (FTEs)	545	584	619	722	776	792	-7%	-30%		

Banking Russia - Volumes

EURbn	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Lending to corporates	2.6	3.2	3.7	3.8	3.8	4.7	-19%	-32%		
Lending to households	0.0	0.0	0.0	0.2	0.2	0.3				
Total lending	**2.6**	**3.2**	**3.7**	**4.0**	**4.0**	**5.0**	**-19%**	**-35%**	**-14%**	**-31%**
Corporate deposits	0.6	0.6	0.7	0.6	0.6	0.6	0%	0%		
Household deposits	0.1	0.1	0.2	0.1	0.1	0.1	0%	0%		
Total deposits	**0.7**	**0.7**	**0.9**	**0.7**	**0.7**	**0.7**	**0%**	**0%**	**2%**	**2%**

Wholesale Banking - Other

EURm	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	-30	-31	-21	-29	-30	-28	-3%	0%
Net fee and commission income	10	-18	10	-3	-4	-11		
Net result from items at fair value	111	135	99	183	147	80	-18%	-24%
Equity method & other income	0	0	4	-1	1	0		
Total income incl. allocations	**91**	**86**	**92**	**150**	**114**	**41**	**6%**	**-20%**
Total expenses incl. allocations	**-64**	**-68**	**-71**	**-92**	**-62**	**-70**	**-6%**	**3%**
Profit before loan losses	**27**	**18**	**21**	**58**	**52**	**-29**	**50%**	**-48%**
Net loan losses	2	-1	0	0	0	0		
Operating profit	**29**	**17**	**21**	**58**	**52**	**-29**	**71%**	**-44%**
Economic capital (EC)	1 350	1 625	1 724	1 942	2 039	2 060	-17%	-34%
Risk Exposure Amount (REA)	6 697	7 220	7 657	9 373	10 207	10 103	-7%	-34%
Number of employees (FTEs)	3 180	3 126	3 152	3 090	3 061	3 010	2%	4%

Wholesale Banking Other - Volumes

EURbn	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Total lending	23.7	23.7	28.4	26.6	34.0	42.5	0%	-30%
Total deposits	13.7	17.9	16.4	5.9	18.0	21.8	-24%	-24%

Nordea

Wealth Management

Wealth Management - Financial highlights

EURm	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Net interest income	26	27	29	30	27	27	-4%	-4%	-5%	-4%
Net fee and commission income	398	422	412	422	384	378	-6%	4%	-7%	4%
Net result from items at fair value	60	73	85	86	70	85	-18%	-14%	-19%	-15%
Equity method & other income	8	8	3	6	4	5	0%	100%	0%	100%
Total income incl. allocations	**492**	**530**	**529**	**544**	**485**	**495**	**-7%**	**1%**	**-8%**	**0%**
Total expenses incl. allocations	**-225**	**-248**	**-225**	**-225**	**-213**	**-212**	**-9%**	**6%**	**-10%**	**4%**
Profit before loan losses	**267**	**282**	**304**	**319**	**272**	**283**	**-5%**	**-2%**	**-6%**	**-3%**
Net loan losses	0	0	0	0	0	0			0%	0%
Operating profit	**267**	**282**	**304**	**319**	**272**	**283**	**-5%**	**-2%**	**-6%**	**-3%**
Cost/income ratio. %	46	47	42	41	44	43	-2%	5%	-2%	5%
ROCAR.%	32	34	34	36	33	36	0%	0%	0%	0%
Economic capital (EC)	2 595	2 534	2 639	2 809	2 593	2 459	2%	0%	2%	0%
Risk Exposure Amount (REA)	5 525	5 742	6 733	5 977	5 730	5 579	-4%	-4%	-4%	-4%
Number of employees (FTEs)	3 632	3 641	3 637	3 640	3 692	3 673	0%	-2%	0%	-2%

Asset Management - Financial highlights

EURm	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	0	0	1	0	0	0		
Net fee and commission income	231	242	232	242	214	210	-5%	8%
Net result from items at fair value	-2	-1	3	-2	1	2	100%	
Equity method & other income	2	2	2	2	1	1	0%	100%
Total income incl. allocations	**231**	**243**	**238**	**242**	**216**	**213**	**-5%**	**7%**
Total expenses incl. allocations	**-66**	**-72**	**-69**	**-68**	**-65**	**-62**	**-8%**	**2%**
Profit before loan losses	**165**	**171**	**169**	**174**	**151**	**151**	**-4%**	**9%**
Net loan losses	0	0	0	0	0	0		
Operating profit	**165**	**171**	**169**	**174**	**151**	**151**	**-4%**	**9%**
Income/AuM in bp p.a.	29	44	44	45	42	43	-3%	-3%
Economic capital (EC)	250	237	205	175	175	169	5%	43%
Risk exposure amount (REA)	829	869	794	697	691	676	-5%	20%
AuM, Nordea Retail, Private Banking and Life, EURbn	126.8	125.3	125.0	125.3	121.9	117.1	1%	4%
AuM, External Institutional & 3rd party distribution, EURbn	94.7	94.4	93.8	91.7	92.6	84.6	0%	2%
Net inflow, Nordea Retail, Private Banking and Life, EURbn	-0.1	0.3	0.2	1.1	1.8	-0.1		
Net inflow, External Institutional & 3rd party distribution, EURbn	0.4	1.0	-0.2	-1.5	7.0	5.3	-60%	-94%
Number of employees (FTEs)	711	688	669	660	651	634	3%	9%

Wealth Management- Volumes

EURbn	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3	Chg local curr. % Q3/Q2	Chg local curr. % Q3/Q3
Total lending	10.5	10.8	11.3	11.5	11.0	10.8	-3%	-5%	-3%	-5%
Total deposits	12.9	13.5	13.5	13.5	13.3	13.5	-4%	-3%	-4%	-3%

Wealth Management - Divisional breakdown

Q217

EURm	Asset Mgmt	Life & Pensions	Private Banking	Other	Total
Net interest income	0	0	26	0	26
Net fee and commission income	231	100	67	0	398
Net result from items at fair value	-2	51	11	0	60
Equity method & other income	2	4	2	0	8
Total income incl. allocations	**231**	**155**	**106**	**0**	**492**
Total expenses incl. allocations	**-66**	**-51**	**-108**	**0**	**-225**
Profit before loan losses	**165**	**104**	**-2**	**0**	**267**
Net loan losses	0	0	0	0	0
Operating profit	**165**	**104**	**-2**	**0**	**267**
Employees (FTEs)	711	1 127	1 193	601	3 632

Private Banking - Financial highlights

EURm	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	26	27	28	30	27	27	-4%	-4%
Net fee and commission income	67	88	85	93	78	85	-24%	-14%
Net result from items at fair value	11	17	23	21	16	23	-35%	-31%
Equity method & other income	2	1	1	3	3	3	100%	-33%
Total income incl. allocations	**106**	**133**	**137**	**147**	**124**	**138**	**-20%**	**-15%**
Total expenses incl. allocations	**-108**	**-118**	**-102**	**-96**	**-101**	**-105**	**-8%**	**7%**
Profit before loan losses	**-2**	**15**	**35**	**51**	**23**	**33**		
Net loan losses	0	0	0	0	0	0		
Operating profit	**-2**	**15**	**35**	**51**	**23**	**33**		
Cost/income ratio. %	102	89	75	66	81	76	14%	26%
ROCAR.%	-1	6	15	26	12	18	0%	0%
Economic capital (EC)	574	615	785	624	595	563	-7%	-4%
Risk Exposure Amount (REA)	2903	3080	4146	3487	3246	3110	-6%	-11%
Number of employees (FTEs)	1193	1180	1176	1173	1217	1235	1%	-2%

Wealth Management- Volumes

EURbn	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Total lending	10.5	10.8	11.3	11.5	11.0	10.8	-3%	-5%
Total deposits	12.9	13.5	13.5	13.5	13.3	13.5	-4%	-3%

Wealth Management - Other

EURm	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	0	0	0	0	0	0		
Net fee and commission income	0	0	0	0	1	0		-100%
Net result from items at fair value	0	0	0	0	0	0		
Equity method & other income	0	0	-5	-3	-4	-4		-100%
Total income incl. allocations	0	0	-5	-3	-3	-4		**-100%**
Total expenses incl. allocations	0	-5	0	-8	1	3	**-100%**	**-100%**
Profit before loan losses	0	-5	-5	-11	-2	-1	**-100%**	**-100%**
Net loan losses	0	0	0	0	0	0		
Operating profit	**0**	**-5**	**-5**	**-11**	**-2**	**-1**	**-100%**	**-100%**
Economic capital (EC)	60	58	57	49	43	40	3%	40%
Number of employees (FTEs)	601	644	657	652	657	644	-7%	-9%

Wealth Management- Volumes

EURbn	Q317	Q217	Q117	Q416	Q316	Q216	Chg % Q3/Q2	Chg % Q3/Q3
Total lending	10.5	10.8	11.3	11.5	11.0	10.8	-3%	-5%
Total deposits	12.9	13.5	13.5	13.5	13.3	13.5	-4%	-3%

Life & Pensions - Financial highlights

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16
Net interest income	0	0	0	0	0	0
Net fee and commission income	100	92	95	87	91	83
Net result from items at fair value	51	57	59	67	53	60
Equity method & other income	4	5	5	4	4	5
Total income incl. allocations	**155**	**154**	**159**	**158**	**148**	**148**
Total expenses incl. allocations	**-51**	**-53**	**-54**	**-53**	**-48**	**-48**
Profit before loan losses	**104**	**101**	**105**	**105**	**100**	**100**
Net loan losses	0	0	0	0	0	0
Operating profit	**104**	**101**	**105**	**105**	**100**	**100**
Cost/income ratio, %	33	34	34	34	32	32
Return on Equity %	19	20	19	19	18	20
Equity	1 711	1 624	1 592	1 965	1 780	1 687
AuM, EURbn	67.3	68.3	68.0	65.7	64.8	62.7
Premiums	1 600	1 889	1 999	1 671	1 558	1 532
Number of employees (FTEs)	1 127	1 129	1 135	1 155	1 167	1 160

Life & Pensions - Gross written premiums by market

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16
Denmark	696	627	617	551	591	503
Finland	262	383	387	363	327	326
Norway	271	295	407	323	276	283
Sweden	370	576	581	427	356	414
Poland	0	8	8	7	8	7
Other	0	0	0	0	0	0
Total	**1 600**	**1 889**	**1 999**	**1 671**	**1 558**	**1 532**

Life & Pensions - Asset allocation

	Total EURbn			Net equity exposure %		
EURm	Q3/17	Q2/17	Q1/17	Q3/17	Q2/17	Q1/17
Denmark	23.9	23.4	23.2	8.5	8.2	8.0
Finland	17.4	17.3	17.2	6.1	5.4	5.3
Norway	12.3	11.9	12.1	9.2	9.2	9.2
Sweden	13.6	13.3	13.1	12.0	11.5	11.1
Poland	0.0	1.9	1.9	0.0	0.0	0.0
Other	0.0	0.5	0.5	0.0	0.0	0.0
Total	**67.3**	**68.3**	**68.0**			

Life & Pensions - Guaranteed client returns per category

EURbn	Denmark	Finland	Norway	Sweden	Poland	Other
Total Traditional AuM	**14.3**	**2.7**	**6.5**	**1.7**	**0.0**	**0.0**
of which >5%	0.1	0.0	0.0	0.0	0.0	0.0
of which 3-5%	4.6	1.4	2.7	0.0	0.0	0.0
of which 0-3%	8.0	0.0	3.4	1.6	0.0	0.0
of which 0%	0.1	0.6	0.0	0.0	0.0	0.0
of which non-guaranteed *)	1.6	0.7	0.5	0.1	0.0	0.0
Total Market Return AuM	**9.6**	**14.7**	**5.8**	**11.8**	**0.0**	**0.0**
of which guaranteed	0.8	0.0	0.9	1.3	0.0	0.0
Of which non-guaranteed	8.8	14.7	4.9	10.5	0.0	0.0
Total Assets under Management	**23.9**	**17.4**	**12.3**	**13.6**	**0.0**	**0.0**

Life & Pensions - Profit drivers

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16
Traditional insurance						
Fee contribution	29	29	30	30	30	29
Profit sharing	3	3	-2	7	0	3
Contribution from cost result	1	2	1	-2	1	1
Contribution from risk result	-4	-2	-3	0	-3	-3
Profit Traditional	**24**	**21**	**17**	**32**	**24**	**26**
Profit Market Return products	**61**	**65**	**65**	**61**	**59**	**52**
Profit Risk products	**21**	**20**	**23**	**22**	**21**	**21**
Total product result	**106**	**106**	**105**	**115**	**103**	**99**
Net funding costs / other profits	-2	-5	0	-10	-3	1
Operating profit	**104**	**101**	**105**	**105**	**100**	**100**
Of which commissions paid to Nordea Bank	*5*	*5*	*6*	*5*	*5*	*5*

Fee contribution	*Fee income based on the volume of Traditional "with profit" portfolios in DK, FI and NO.*
Profit sharing	*Profit-sharing of investment return from the Norwegian and Swedish business (individual portfolio).*
Contribution from cost result	*Profit originating from administration of insurance policies. Fully in favour of owner, except for DK with 50% of profit and 100% of loss.*
Contribution from risk result	*Profit originating from risk products sold (bundled) with the traditional products. Fully in favour of owner, except for DK with 50% of profit and 100% of loss.*
Profit Market Return products	*Profit from unit linked and premium guarantee products including cost result and risk result.*
Profit Risk products	*Profit from Pure risk products (not bundled with pension schemes) including Health & Accident result.*

Financial buffers

	EURm			% of provisions		
EURm	**Q3/17**	**Q2/17**	**Q1/17**	**Q3/17**	**Q2/17**	**Q1/17**
Denmark	1 345	1 338	1 286	11	11	10
Finland	1 203	1 193	1 174	60	58	56
Norway	285	291	287	6	6	6
Sweden	1 143	1 139	1 110	44	44	41
Total	**3 976**	**3 960**	**3 856**	**18**	**18**	**17**

Life & Pensions - Solvency II position as of August 31, 2017

EURm	Denmark	Finland	Norway	Sweden	Life Group
Required solvency	991	650	713	259	2 689
Actual solvency capital	1 899	1 329	1 195	627	4 477
Solvency buffer	908	679	481	368	1 788
Solvency in % of req	192%	204%	167%	242%	166%

Life & Pensions - Solvency II sensitivity as of August 31, 2017

Percentage	Denmark	Finland	Norway	Sweden	Life Group
Solvency in % of requirement	192%	204%	167%	242%	166%
Equities drop 12%	193%	206%	177%	255%	171%
Interest rates down 50bp	184%	195%	186%	241%	167%
Interest rates up 50bp	200%	212%	165%	249%	172%

Net inflow and Assets under Management

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
AuM	330 900	332 128	330 055	322 710	318 051	300 538	291 126	288 695	274 146	286 170
Inflow	311	1 926	1 276	-183	9 589	5 802	4 091	1 823	2 756	3 133

EURm	Q1/15	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12
AuM	290 114	248 859	238 762	232 108	226 323	217 390	220 835	218 151	210 589
Inflow	7 173	4 861	3 820	2 123	2 335	2 680	-726	3 087	2 643

EURm	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10
AuM	199 951	197 521	187 222	178 233	190 046	189 844	189 287	180 427	170 360
Inflow	2 176	1 221	1 749	-713	1 724	2 297	816	3 244	2 105

EURm	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08
AuM	170 214	159 396	148 848	136 081	124 444	125 546
Inflow	3 365	3 435	2 978	2 818	68	-2 414

Broad based Assets under Management

Q3 2017

	Retail Funds	PB	Inst Sales	L&P	All Products
Denmark	14.9	32.2	20.6	28.2	**95.9**
Finland	7.4	29.4	3.8	17.8	**58.5**
Norway	4.0	6.3	4.9	12.9	**28.1**
Sweden	29.0	20.6	7.2	14.3	**71.1**
International	5.8	13.3	58.1	0.0	**77.3**
All Countries	**61.2**	**101.8**	**94.7**	**73.3**	**330.9**

Net inflow

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
Retail funds	-0.1	0.3	0.3	0.9	1.4	0.2	-0.2	-0.3	0.2	0.6
Private Banking	-0.3	0.3	0.8	0.4	0.9	0.2	0.5	1.7	0.3	1.2
Institutional sales	0.4	0.9	-0.2	-1.5	7.0	5.3	3.5	0.1	1.9	0.9
Life & Pensions	0.3	0.4	0.4	0.0	0.3	0.1	0.2	0.3	0.4	0.5
Total	**0.3**	**1.9**	**1.3**	**-0.2**	**9.6**	**5.8**	**4.1**	**1.8**	**2.8**	**3.1**

Asset mix

%	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
Equities	41	40	38	40	39	38	39	39	37	38
Fixed income	57	58	59	58	59	60	60	60	62	62
Other	2	2	2	2	2	2	1	1	1	1

Nordea

Group functions and others

Group functions, Other & Eliminations

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg % Q3/Q2	Chg % Q3/Q3
Net interest income	115	119	128	157	138	135	-3%	-17%
Net fee and commission income	-7	-9	-11	-17	-10	-12	-22%	-30%
Net result from items at fair value	46	19	19	29	91	44		-49%
Equity method & other income	0	-2	-6	22	-1	160		
Total operating income	**154**	**127**	**130**	**191**	**218**	**327**	**21%**	**-29%**
Total operating expenses	**-54**	**-79**	**-64**	**-23**	**-27**	**-39**	**-32%**	
Profit before loan losses	**100**	**48**	**66**	**168**	**191**	**288**		**-48%**
Net loan losses	-1	0	1	0	-1	-1		**0%**
Operating profit	**99**	**48**	**67**	**168**	**190**	**287**		**-48%**
Economic capital (EC)	2 370	2 623	3 233	2 010	1 831	2 243	-10%	29%
Risk Exposure Amount (REA)	14 537	15 604	15 554	14 080	13 113	15 170	-7%	11%
Number of employees (FTEs)	6 531	6 326	6 176	5 925	5 606	5 213	3%	17%

Nordea

Risk liquidity and capital management

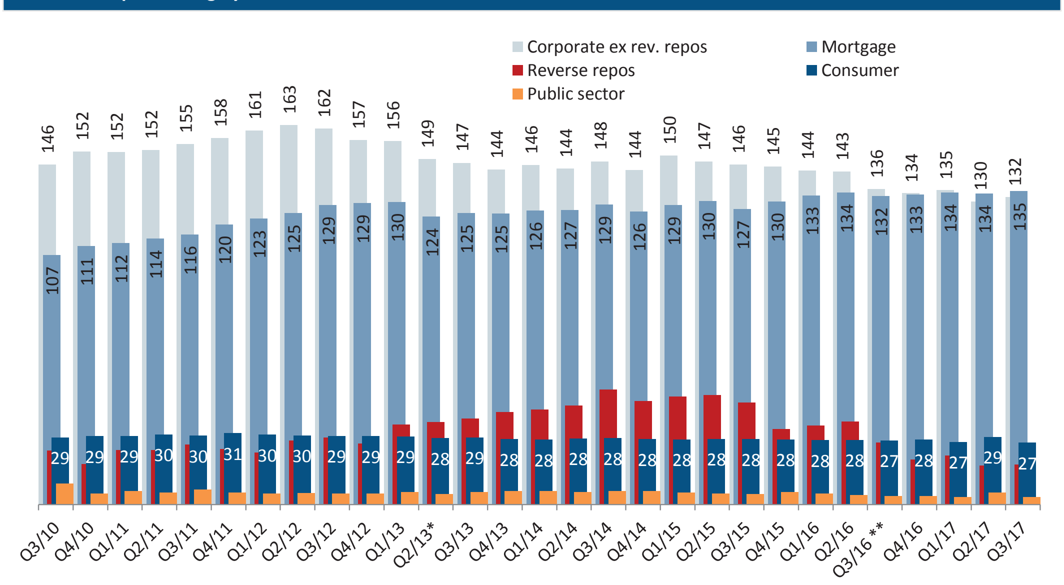
Lending to the public by sector, excluding held for sale operations (EUR bn, Q3 2017) - 7 years

EURbn	Corporate	Mortgage	Consumer	Reverse repos	Public sector	Total
Q3/10	146	107	29	23	9	314
Q4/10	152	111	29	17	5	314
Q1/11	152	112	29	23	6	322
Q2/11	152	114	30	23	5	325
Q3/11	155	116	30	26	6	333
Q4/11	158	120	31	24	5	337
Q1/12	161	123	30	22	5	341
Q2/12	163	125	30	27	5	350
Q3/12	162	129	29	29	5	353
Q4/12	157	129	29	26	5	346
Q1/13	156	130	29	34	5	355
Q2/13*	149	124	28	35	4	340
Q3/13	147	125	29	37	5	343
Q4/13	144	125	28	40	6	342
Q1/14	146	126	28	41	6	346
Q2/14	144	127	28	43	5	347
Q3/14	148	129	28	49	6	360
Q4/14	144	126	28	45	6	348
Q1/15	150	129	28	46	5	358
Q2/15	147	130	28	47	5	358
Q3/15	146	127	28	44	4	349
Q4/15	145	130	28	32	5	341
Q1/16	144	133	28	34	5	343
Q2/16	143	134	28	36	4	345
Q3/16 **	136	132	27	26	4	326
Q4/16	134	133	28	19	4	318
Q1/17	135	134	27	21	3	320
Q2/17	130	134	29	17	5	315
Q3/17	**132**	**135**	**27**	**17**	**3**	**314**

* Excluding Poland onwards

** Excluding held for sale operations onwards

Nordea Group[1] Lending by sector, EURbn



Lending to the public by country and industry, excluding held for sale operations (EUR bn, Q3 2017)

EURm	Nordea	TOT	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic
Energy (oil, gas etc)	1 807	1%	2	56	591	385	118	656
Metals and mining materials	642	0%	17	192	124	202	107	0
Paper and forest materials	1 407	0%	288	729	58	195	0	137
Other materials (chemical, building materials et	4 042	1%	368	1 379	505	1 429	306	56
Industrial capital goods	1 628	1%	422	595	92	427	0	93
Industrial commercial services etc	11 416	4%	4 962	1 154	2 019	3 053	0	228
Construction and engineering	5 019	2%	969	813	2 185	1 044	0	9
Shipping and offshore	8 798	3%	99	229	5 051	328	0	3 092
Transportation	3 406	1%	388	1 048	543	1 238	117	73
Consumer durables (cars, appliances etc)	1 735	1%	285	346	392	623	30	59
Media and leisure	2 417	1%	841	519	291	766	0	0
Retail trade	9 115	3%	2 943	1 812	905	3 232	5	218
Consumer staples (food, agriculture etc)	9 786	3%	6 729	1 002	1 479	551	0	26
Health care and pharmaceuticals	1 426	0%	687	374	174	180	0	12
Banks	0	0%	0	0	0	0	0	0
Other financial institutions	14 707	5%	2 717	1 851	1 230	8 686	136	88
Real estate management and investment	42 497	14%	9 430	7 943	8 730	15 984	340	70
IT software, hardware and services	2 025	1%	757	406	278	553	1	30
Telecommunication equipment	28	0%	5	15	0	6	0	1
Telecommunication operators	1 065	0%	80	292	252	440	2	0
Utilities (distribution and production)	5 077	2%	891	1 644	1 006	1 172	346	17
Other, public and organisations	4 060	1%	3 177	88	266	528	0	1
Total Corporate	**132 104**		**36 057**	**22 485**	**26 170**	**41 019**	**1 507**	**4 865**
Reversed repurchase agreements	17 125	5%				17 125		
Corporate	**149 230**	**48%**	**36 057**	**22 485**	**26 170**	**58 144**	**1 507**	**4 865**
Household	**161 242**	**51%**	**41 443**	**38 057**	**29 224**	**50 934**	**0**	**1 584**
Public sector	**3 234**	**1%**	**915**	**1 135**	**33**	**1 150**	**0**	**0**
Lending to the public by country	**313 706**	**100%**	**78 415**	**61 678**	**55 427**	**110 229**	**1 507**	**6 449**
Excl. reversed repurchase agreements	**296 580**		**78 415**	**61 678**	**55 427**	**93 103**	**1 507**	**6 449**

Lending to the public by country and industry, excluding held for sale operations (EUR bn, Q2 2017)

EURm	Nordea	TOT	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic
Energy (oil, gas etc)	1 957	1%	2	68	668	353	146	720
Metals and mining materials	764	0%	16	200	128	307	113	0
Paper and forest materials	1 449	0%	295	755	60	196	0	142
Other materials (chemical, building materials et	4 311	1%	420	1 391	478	1 448	512	62
Industrial capital goods	1 705	1%	490	622	65	417	0	110
Industrial commercial services etc	11 721	4%	5 203	1 203	2 126	2 909	0	279
Construction and engineering	4 981	2%	995	810	2 145	1 021	0	11
Shipping and offshore	9 405	3%	167	245	5 169	372	0	3 452
Transportation	3 343	1%	350	1 056	575	1 068	218	76
Consumer durables (cars, appliances etc)	1 860	1%	276	391	570	558	1	65
Media and leisure	2 460	1%	856	526	287	791	0	0
Retail trade	8 973	3%	3 004	1 782	942	3 006	6	234
Consumer staples (food, agriculture etc)	9 942	3%	6 787	1 017	1 569	535	0	33
Health care and pharmaceuticals	1 357	0%	687	380	102	160	0	28
Banks	0	0%	0	0	0	0	0	0
Other financial institutions	10 978	3%	2 813	1 918	1 103	4 934	140	70
Real estate management and investment	41 463	13%	9 175	7 947	8 742	14 959	564	76
IT software, hardware and services	1 886	1%	738	410	272	441	0	25
Telecommunication equipment	39	0%	5	24	0	9	0	1
Telecommunication operators	1 017	0%	30	327	254	399	4	3
Utilities (distribution and production)	5 041	2%	936	1 654	1 041	1 043	356	12
Other, public and organisations	5 618	2%	2 756	138	263	2 708	-236	-11
Total Corporate	**130 270**		**36 002**	**22 865**	**26 558**	**37 635**	**1 823**	**5 387**
Reversed repurchase agreements	16 773	5%				16 773		
Corporate	**147 043**	**47%**	**36 002**	**22 865**	**26 558**	**54 407**	**1 823**	**5 387**
Household	**162 645**	**52%**	**41 542**	**37 615**	**28 375**	**53 539**	**0**	**1 575**
Public sector	**4 992**	**2%**	**1 194**	**1 146**	**34**	**2 619**	**0**	**0**
Lending to the public by country	**314 680**	**100%**	**78 738**	**61 626**	**54 966**	**110 565**	**1 823**	**6 962**
Excl. reversed repurchase agreements	**297 907**		**78 738**	**61 626**	**54 966**	**93 792**	**1 823**	**6 962**

Credit portfolio by industry excluding held for sale operations (EUR bn, Q3 2017)

EURm	Net loan losses	Loan loss ratio, bps	Impaired loans	Impairment ratio bps[1]	Allowances total	Provisioning ratio[2], %	Allowances Individual	Coll.	Lending to the public
Energy (oil, gas etc)	20	447	618	3 418	166	27	146	20	1 807
Metals and mining materials	0	4	42	661	20	47	18	2	642
Paper and forest materials	-2	-48	5	38	4	69	2	2	1 407
Other materials (chemical, building materials et	29	289	239	590	138	58	131	6	4 042
Industrial capital goods	4	95	65	399	59	91	36	23	1 628
Industrial commercial services etc	-21	-74	387	339	170	44	158	12	11 416
Construction and engineering	6	45	162	323	105	65	96	9	5 019
Shipping and offshore	11	48	221	251	239	108	77	162	8 798
Transportation	0	-3	91	268	34	37	29	6	3 406
Consumer durables (cars, appliances etc)	-3	-65	238	1 371	97	41	87	11	1 735
Media and leisure	0	-6	59	246	24	40	22	2	2 417
Retail trade	4	19	329	361	189	57	175	13	9 115
Consumer staples (food, agriculture etc)	-1	-5	756	772	259	34	218	41	9 786
Health care and pharmaceuticals	0	-7	17	117	6	39	5	1	1 426
Banks	0		0		1		0	1	
Other financial institutions	12	66	342	482	160	47	159	0	14 707
Real estate management and investment	-3	-3	389	92	181	47	120	62	42 497
IT software, hardware and services	0	5	52	258	33	64	32	1	2 025
Telecommunication equipment	0	-54	2	548	1	45	1	0	28
Telecommunication operators	1	49	29	272	30	103	29	1	1 065
Utilities (distribution and production)	7	56	45	89	26	59	25	1	5 077
Other, public and organisations	4	13	18	16	36	195	26	9	4 060
CORPORATE BY INDUSTRY	**67**	**20**	**4 106**	**311**	**1 978**	**48**	**1 595**	**383**	**132 104**
Housing loans	3	1	1 161	86	85	7	48	37	134 738
Collateralised lending	10	21	419	223	47	11	39	8	18 787
Non-Collateralised lending	-2	-10	407	528	361	89	299	62	7 717
HOUSEHOLD	**12**	**3**	**1 987**	**123**	**493**	**25**	**386**	**107**	**161 242**
PUBLICSECTOR	**0**	**0**	**0**	**0**	**0**		**0**	**0**	**3 234**
Reversed repurchase agreements									**17 125**
Total	**79**	**10**	**6 093**	**194**	**2 471**	**41**	**1 981**	**490**	**313 706**
Total excl. off-balance			**5 853**		**2 374**		**1 884**	**490**	
Total incl. loans to central banks and credit inst.									**333 908**

Credit portfolio by industry, excluding held for sale operations (EUR bn, Q2 2017)

EURm	Net loan losses	Loan loss ratio, bps	Impaired loans	Impairment ratio bps1	Allowances total	Provisioning ratio2, %	Allowances Individual	Coll.	Lending to the public
Energy (oil, gas etc)	29	591	587	2 998	150	26	132	18	1 957
Metals and mining materials	-1	-57	44	576	20	46	19	1	764
Paper and forest materials	1	33	9	64	6	61	3	2	1 449
Other materials (chemical, building materials et	6	52	250	581	109	44	99	10	4 311
Industrial capital goods	4	100	94	549	59	63	35	23	1 705
Industrial commercial services etc	-9	-30	450	384	218	49	205	13	11 721
Construction and engineering	10	80	179	360	100	56	91	9	4 981
Shipping and offshore	15	65	225	239	175	78	21	154	9 405
Transportation	0	2	95	284	35	37	29	6	3 343
Consumer durables (cars, appliances etc)	17	367	292	1 567	98	34	85	13	1 860
Media and leisure	0	0	60	243	30	50	29	2	2 460
Retail trade	0	0	318	354	187	59	174	13	8 973
Consumer staples (food, agriculture etc)	-4	-14	827	832	284	34	242	42	9 942
Health care and pharmaceuticals	0	9	18	134	7	37	6	1	1 357
Banks	2		0		5		0	5	
Other financial institutions	2	6	268	244	147	55	147	1	10 978
Real estate management and investment	9	9	407	98	182	45	117	64	41 463
IT software, hardware and services	-1	-20	56	295	33	59	32	1	1 886
Telecommunication equipment	0	118	2	405	1	45	1	0	39
Telecommunication operators	0	4	28	280	29	101	28	1	1 017
Utilities (distribution and production)	3	21	45	89	20	45	19	1	5 041
Other, public and organisations	-2	-13	25	45	89	353	81	7	5 618
CORPORATE BY INDUSTRY	**82**	**25**	**4 277**	**328**	**1 984**	**46**	**1 596**	**388**	**130 270**
Housing loans	8	2	1 084	81	85	8	49	35	133 682
Collateralised lending	0	0	423	227	49	11	41	8	18 664
Non-Collateralised lending	17	65	452	439	377	83	310	67	10 300
HOUSEHOLD	**24**	**6**	**1 960**	**121**	**511**	**26**	**400**	**111**	**162 645**
PUBLICSECTOR	**0**	**0**	**0**	**0**	**0**		**0**	**0**	**4 992**
Reversed repurchase agreements									**16 773**
Total	**106**	**13**	**6 237**	**198**	**2 495**	**40**	**1 996**	**499**	**314 680**
Total excl. off-balance			**5 975**		**2 395**		**1 896**	**499**	
Total incl. loans to central banks and credit inst.									**345 049**

1) For both on- and off-balance impaired loans

2) For both on- and off-balance allowances and impaired loans

Credit portfolio by business unit excluding, held for sale operations

Q3 2017

EURm		Loan losses net	Loan loss ratio, bps	Impaired loans	Impairment ratio, bps1	Allowances	Provisioning ratio2, %	Lending to the public
	Individually	4	4			357		
	Collectively	-5	-5			25		
	DENMARK	**-1**	**-1**	**1 140**	**294**	**382**	**34**	**38 700**
		4	5			25		
	Collectively	-3	-3			20		
	FINLAND	**1**	**1**	**434**	**135**	**44**	**10**	**32 200**
	Individually	0	0			11		
	Collectively	3	5			15		
	NORWAY	**3**	**4**	**165**	**59**	**26**	**16**	**27 900**
	Individually	2	2			4		
	Collectively	0	0			14		
	SWEDEN	**2**	**2**	**119**	**25**	**18**	**15**	**48 400**
	Individually	10	45					
	Collectively	-1	-3					
	BALTICS	**9**	**42**					
	Other	**-1**						**100**
	Individually	18	5			397		
	Collectively	-5	-1			73		
PERSONAL BANKING		**13**	**4**	**1 857**	**126**	**471**	**25**	**147 300**
	Individually	27	25			495		
	Collectively	-4	-4			59		
	COMMERCIAL BANKING	**23**	**21**	**1 268**	**291**	**554**	**44**	**43 600**
	Individually	5	5			395		
	Collectively	-4	-4			74		
	BUSINESS BANKING	**1**	**1**	**1 164**	**299**	**469**	**40**	**38 900**
	Other	**1**		**154**		**111**		
	Individually	35	17			952		
	Collectively	-10	-5			182		
COMMERCIAL AND BUSINESS BANKING		**25**	**12**	**2 586**	**313**	**1 134**	**44**	**82 500**
	Individually	15	16			415		
	Collectively	-2	-2			56		
	CIB	**13**	**14**	**653**	**180**	**471**	**72**	**36 200**
	Individually	21	86			155		
	Collectively	4	15			162		
	SOO	**25**	**101**	**869**	**878**	**317**	**37**	**9 900**
	Individually	4	55			50		
	Collectively	0	7			17		
	RUSSIA	**4**	**62**	**102**	**392**	**67**	**66**	**2 600**
	Other	-2		6	2	0		**23 700**
	Individually	38	21			620		
	Collectively	2	1			235		
WHOLESALE BANKING		**40**	**22**	**1 629**	**225**	**855**	**52**	**72 400**
WEALTH MANAGEMENT		**0**		**1**		**0**		**10 500**
OTHER	**Other**	**1**		**19**	**187**	**11**	**60**	**1 000**
	Individually	93	12			1 981		
	Collectively	-14	-2			490		
TOTAL: NORDEA GROUP		**79**	**10**	**6 093**	**194**	**2 471**	**41**	**313 700**
Total excl. off-balance				**5 853**		**2 374**		
Total incl. loans to central banks and credit inst.					**174**			**333 908**

1) For both on- and off-balance impaired loans

2) For both on- and off-balance allowances and impaired loans

Credit portfolio by business unit, excluding held for sale operations

Q2 2017

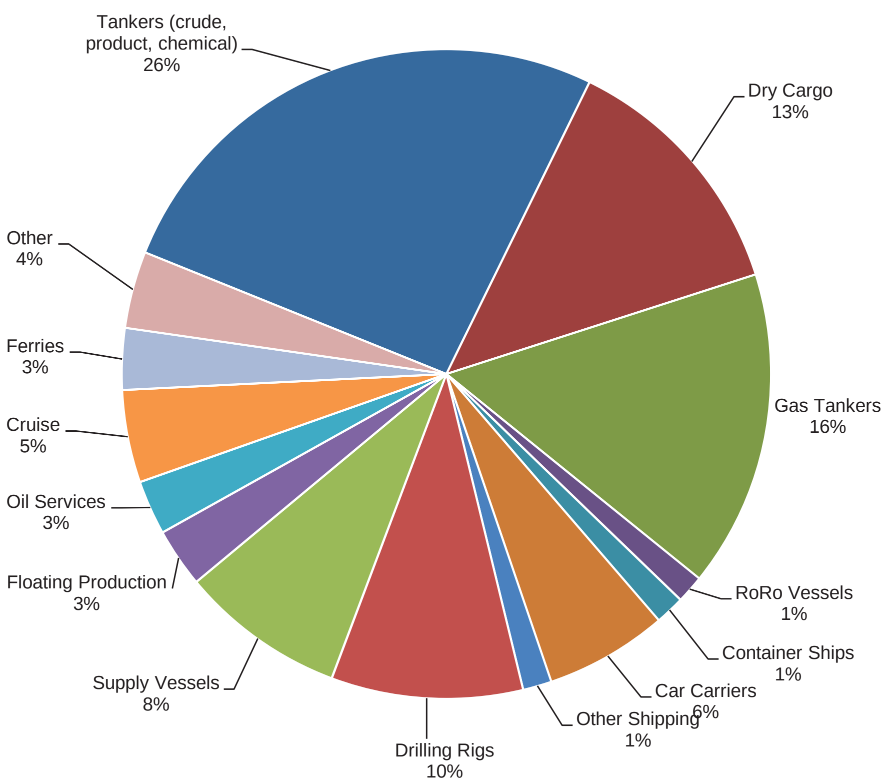
EURm	Loan losses net	Loan loss ratio, bps	Impaired loans	Impairment ratio, bps1	Allowances	Provisioning ratio2, %	Lending to the public
Individually	8	8			369		
Collectively	3	3			30		
DENMARK	**11**	**11**	**1 247**	**321**	**398**	**32**	**38 900**
Individually	2	2			31		
Collectively	1	2			22		
FINLAND	**3**	**4**	**425**	**134**	**53**	**13**	**31 800**
Individually	0	0			11		
Collectively	0	0			11		
NORWAY	**0**	**0**	**123**	**46**	**22**	**18**	**26 700**
Individually	2	2			6		
Collectively	0	0			14		
SWEDEN	**2**	**2**	**126**	**26**	**20**	**16**	**48 300**
Individually	1	6					
Collectively	1	3					
BALTICS	**2**	**9**					
Other	**8**						
Individually	21	6			417		
Collectively	5	1			77		
PERSONAL BANKING	**26**	**7**	**1 921**	**132**	**494**	**26**	**145 700**
Individually	12	11			482		
Collectively	1	1			62		
COMMERCIAL BANKING	**13**	**12**	**1 319**	**304**	**545**	**41**	**43 400**
Individually	3	3			419		
Collectively	-1	-1			75		
BUSINESS BANKING	**2**	**2**	**1 227**	**318**	**494**	**40**	**38 580**
Other (Transaction Banking)	**1**		**187**		**115**		
Individually	14	7			965		
Collectively	2	1			189		
COMMERCIAL AND BUSINESS BANKING	**16**	**8**	**2 733**	**333**	**1 154**	**42**	**81 980**
Individually	15	16			418		
Collectively	2	2			57		
CIB	**17**	**18**	**628**	**167**	**475**	**76**	**37 500**
Individually	32	121			117		
Collectively	7	25			158		
SOO	**39**	**146**	**853**	**798**	**276**	**32**	**10 700**
Individually	8	99			47		
Collectively	-1	-12			17		
RUSSIA	**7**	**88**	**76**	**239**	**64**	**83**	**3 200**
OTHER	1	2	6	2	21		23 700
Individually	57	30			603		
Collectively	7	4			232		
WHOLESALE BANKING	**64**	**34**	**1 564**	**208**	**835**	**53**	**75 100**
WEALTH MANAGEMENT	**0**		**0**		**0**		**10 800**
OTHER	**0**		**19**	**176**	**12**	**60**	**1 100**
Individually	90	11			1 996		
Collectively	16	2			499		
TOTAL: NORDEA GROUP	**106**	**13**	**6 237**	**198**	**2 495**	**40**	**314 680**
Total excl. off-balance			**5 975**		**2 395**		
Total incl. loans to central banks and credit inst.				**172**			**345 049**

1) For both on- and off-balance impaired loans

2) For both on- and off-balance allowances and impaired loans

Shipping, Offshore and Oil Services - Loan Portfolio (EURbn)

EURbn	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Tankers (crude, product, chemical)	2.6	2.7	2.9	3.1	2.9	2.9	3.0	3.0	3.2
Dry Cargo	1.3	1.3	1.4	1.5	1.5	1.5	1.6	1.7	1.7
Gas Tankers	1.6	1.9	1.8	2.0	1.9	1.9	1.8	1.9	1.5
RoRo Vessels	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Container Ships	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Car Carriers	0.6	0.6	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other Shipping	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2
Drilling Rigs	0.9	1.0	1.1	1.1	1.1	1.1	1.2	1.2	1.2
Supply Vessels	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.8
Floating Production	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Oil Services	0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3
Cruise	0.5	0.4	0.5	0.5	0.4	0.5	0.4	0.4	0.4
Ferries	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.4	0.6	0.8	0.6	0.6	0.8	0.7	0.9	1.2
Total	9.9	10.7	11.6	12.0	11.9	12.0	11.9	12.4	12.4



Impaired loans on and off balance gross by country and industry, excluding held for sale operations

Q3 2017

EURm	Nordea	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic
Energy (oil, gas etc)	618	0	2	149	0	7	459
Metals and mining materials	42	0	13	29	0	0	0
Paper and forest materials	5	4	1	0	1	0	0
Other materials (chemical, building materials etc)	239	17	191	14	17	0	0
Industrial capital goods	65	24	36	0	2	0	3
Industrial commercial services etc	387	95	64	57	90	0	80
Construction and engineering	162	87	37	33	5	0	0
Shipping and offshore	221	22	4	130	0	0	65
Transportation	91	21	12	54	4	0	0
Consumer durables (cars, appliances etc)	238	31	31	159	16	0	1
Media and leisure	59	19	12	6	23	0	0
Retail trade	329	167	68	8	86	0	0
Consumer staples (food, agriculture etc)	756	681	54	21	0	0	0
Health care and pharmaceuticals	17	11	5	0	0	0	0
Banks	0	0	0	0	0	0	0
Other financial institutions	342	225	6	60	51	0	0
Real estate management and investment	389	196	84	63	1	45	0
IT software, hardware and services	52	23	28	0	0	0	0
Telecommunication equipment	2	0	1	0	0	0	0
Telecommunication operators	29	0	10	4	15	0	0
Utilities (distribution and production)	45	2	1	31	12	0	0
Other, public and organisations	18	12	5	1	0	0	0
Corporate	**4 106**	**1 639**	**665**	**820**	**322**	**52**	**608**
Household	**1 987**	**990**	**660**	**174**	**151**	**0**	**12**
Public sector	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Nordea	**6 093**	**2 630**	**1 325**	**993**	**474**	**52**	**620**

Impaired loans on and off balance gross by country and industry, excluding held for sale operations

Q2 2017

EURm	Nordea	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic
Energy (oil, gas etc)	587	0	1	95	0	0	490
Metals and mining materials	44	0	13	29	2	0	0
Paper and forest materials	9	5	1	0	3	0	0
Other materials (chemical, building materials etc)	250	20	195	14	22	0	0
Industrial capital goods	94	25	62	0	4	0	3
Industrial commercial services etc	450	112	103	57	95	0	83
Construction and engineering	179	101	38	35	5	0	0
Shipping and offshore	225	23	4	134	0	0	63
Transportation	95	23	12	56	4	0	0
Consumer durables (cars, appliances etc)	292	32	24	218	16	0	1
Media and leisure	60	25	19	4	12	0	0
Retail trade	318	176	71	9	61	0	0
Consumer staples (food, agriculture etc)	827	768	52	5	2	0	0
Health care and pharmaceuticals	18	13	5	0	0	0	0
Banks	0	0	0	0	0	0	0
Other financial institutions	268	160	7	59	41	0	0
Real estate management and investment	407	224	82	53	0	47	0
IT software, hardware and services	56	27	29	0	0	0	0
Telecommunication equipment	2	0	1	0	0	0	0
Telecommunication operators	28	0	10	4	14	0	0
Utilities (distribution and production)	45	2	1	29	12	0	0
Other, public and organisations	25	20	5	0	0	0	0
Corporate	**4 277**	**1 759**	**734**	**803**	**293**	**47**	**641**
Household	**1 960**	**998**	**656**	**132**	**161**	**0**	**12**
Public sector	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Nordea	**6 237**	**2 758**	**1 390**	**935**	**454**	**47**	**653**

Loan losses quarterly (EUR m)

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Gross	234	279	310	341	316	306	294	491	271
Reversals	-155	-172	-197	-212	-181	-179	-183	-349	-159
Net	79	106	113	129	135	127	111	142	112

EURm	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13
Gross	283	296	347	316	316	308	352	296	354
Reversals	-180	-174	-218	-204	-181	-150	-172	-126	-169
Net	103	122	129	112	135	158	180	171	186

EURm	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11
Gross	355	417	423	488	349	440	332	302	392
Reversals	-156	-173	-168	-272	-130	-177	-220	-183	-150
Net	199	244	254	217	218	263	112	118	242

Impaired loans on balance and total allowances (9 quarters)

EURm	Q3/17 1)	Q2/17 1)	Q1/17 1)	Q4/16 1)	Q3/16 1)	Q2/16	Q1/16	Q4/15	Q3/15
Impaired loans gross	5 853	5 975	5 618	5 550	5 734	6 309	6 084	5 960	5 486
Allowances for individually assessed loans	1 884	1 896	1 951	1 913	1 989	2 192	2 198	2 213	2 173
Impaired loans net	3 969	4 079	3 667	3 637	3 745	4 117	3 886	3 747	3 313
Impairment rate, gross, basis points	174	172	162	163	163	172	165	162	145
Allowances individually assessed / Impaired loans gross (%)	32	32	35	34	35	35	36	37	40
Allowances for collectively assessed loans / Impaired loans gross (%)	8	8	9	9	9	7	7	8	8
Total allowances / Impaired loans gross individually assessed (%)	**41**	**40**	**44**	**44**	**44**	**42**	**43**	**45**	**48**
Allowances for individually assessed loans	1 884	1 896	1 951	1 913	1 989	2 192	2 198	2 213	2 173
Allowances for collectively assessed loans	490	499	496	513	520	466	447	451	433
Total allowances and provisions	**2 374**	**2 395**	**2 447**	**2 426**	**2 509**	**2 658**	**2 645**	**2 664**	**2 606**
Total allowances on balance sheet items	2 374	2 395	2 447	2 426	2 509	2 658	2 645	2 664	2 606
Provisions for off balance sheet items	97	100	76	71	74	77	68	65	95
Total allowances and provisions	**2 471**	**2 495**	**2 523**	**2 497**	**2 583**	**2 734**	**2 713**	**2 729**	**2 702**

1) Excluding held for sale operations

Past due loans, not impaired (EUR m, Q3 2017) Excluding held for sale operations

	Households customers	Corporate customers	Total lending to the public
6-30 days	831	262	1 094
31-60 days	237	79	316
61-90 days	89	45	134
>90 days	120	93	213
NORDEA	**1 277**	**479**	**1 756**
Past due loans not impaired in %	0.4%	0.2%	0.6%

Past due loans, not impaired (EUR m, Q2 2017) Excluding held for sale operations

	Households customers	Corporate customers	Total lending to the public
6-30 days	819	336	1 155
31-60 days	199	107	306
61-90 days	76	82	158
>90 days	108	93	201
NORDEA	**1 201**	**619**	**1 820**
Past due loans not impaired in %	0.4%	0.2%	0.6%

Loans and impairment

EURm	Total 30 Sep 2017	30 Jun 2017	31 Dec 2016	30 Sep 2016
Loans, not impaired	330 430	341 469	334 826	345 985
Impaired loans	5 853	5 975	5 550	5 734
-of which servicing	3 717	3 822	3 244	3 492
-of which non-servicing	2 136	2 153	2 306	2 242
Loans before allowances	**336 283**	**347 444**	**340 376**	**351 719**
Allowances for individually assessed impaired loans	-1 884	-1 896	-1 913	-1 989
-of which servicing	-1 168	-1 156	-1 054	-1 210
-of which non-servicing	-716	-740	-859	-779
Allowances for collectively assessed impaired loans	-490	-499	-513	-520
Allowances	**-2 374**	**-2 395**	**-2 426**	**-2 509**
Loans, carrying amount	**333 909**	**345 049**	**337 950**	**349 210**

	Central banks and credit institutions				The public			
EURm	30 Sep 2017	30 Jun 2017	31 Dec 2016	30 Sep 2016	30 Sep 2017	30 Jun 2017	31 Dec 2016	30 Sep 2016
Loans, not impaired	20 203	30 375	20 254	23 611	310 227	311 094	314 572	322 374
Impaired loans	1	0	9	6	5 852	5 975	5 541	5 728
-of which servicing	1	0	9	6	3 716	3 822	3 235	3 486
-of which non-servicing	-	-	-	-	2 136	2 153	2 306	2 242
Loans before allowances	**20 204**	**30 375**	**20 263**	**23 617**	**316 079**	**317 069**	**320 113**	**328 102**
Allowances for individually assessed impaired loans	-1	0	0	0	-1 883	-1 896	-1 913	-1 989
-of which servicing	-1	0	0	0	-1 167	-1 156	-1 054	-1 210
-of which non-servicing	-	-	-	-	-716	-740	-859	-779
Allowances for collectively assessed impaired loans	0	-6	-2	-2	-490	-493	-511	-518
Allowances	**-1**	**-6**	**-2**	**-2**	**-2 373**	**-2 389**	**-2 424**	**-2 507**
Loans, carrying amount	**20 203**	**30 369**	**20 261**	**23 615**	**313 706**	**314 680**	**317 689**	**325 595**

Allowances and provisions

EURm	30 Sep 2017	30 Jun 2017	31 Dec 2016	30 Sep 2016
Allowances for items on the balance sheet	-2 374	-2 395	-2 426	-2 509
Provisions for off balance sheet items	-97	-100	-71	-74
Total allowances and provisions	**-2 471**	**-2 495**	**-2 497**	**-2 583**

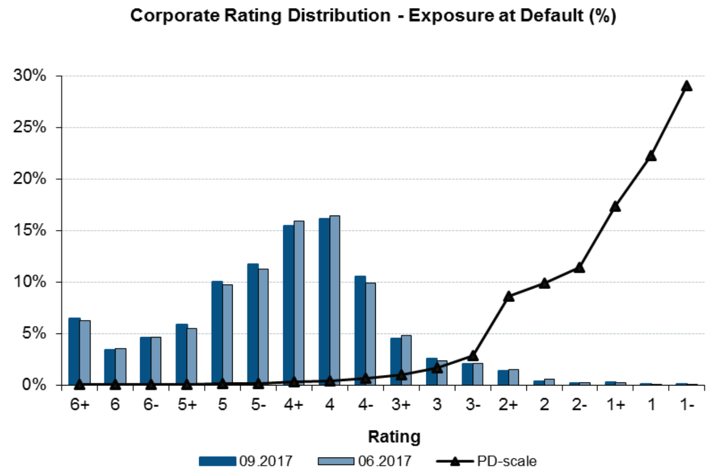
Key ratios

	30 Sep 2017	30 Jun 2017	31 Dec 2016	30 Sep 2016
Impairment rate, gross, basis points	174	172	163	163
Impairment rate, net, basis points	118	117	107	106
Total allowance rate, basis points	71	69	71	71
Allowances in relation to impaired loans, %	32	32	34	35
Total allowances in relation to impaired loans, %	41	40	44	44
Non-servicing, not impaired, EURm	256	282	248	372

Credit quality

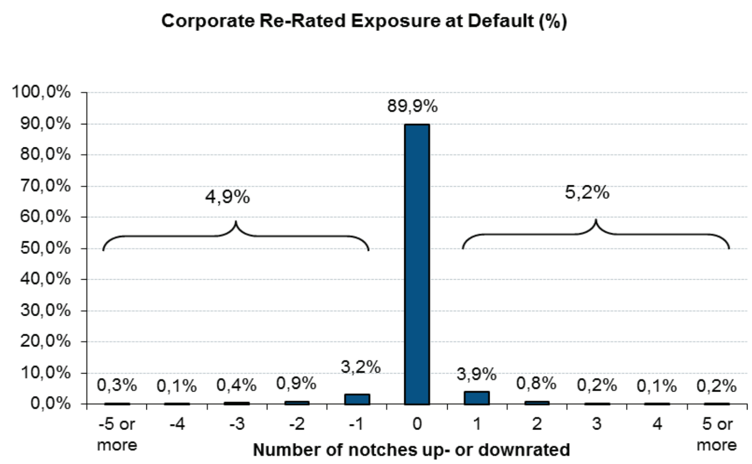
Corporate rating distribution

Q3/17



Corporate rating migration

Q3/17



Market risk VaR

Trading book

EURm	Q317	Q217	Q117	Q416	Q316
Total risk, VaR	13	10	9	16	16
Interest rate risk, VaR	10	12	9	12	15
Equity risk, VaR	2	4	3	5	4
Foreign exchange risk, VaR	9	2	5	4	4
Credit spread risk, VaR	5	5	7	6	7
Diversification effect	48%	59%	62%	42%	46%

Banking book

EURm	Q317	Q217	Q117	Q416	Q316
Total risk, VaR	47	52	63	59	54
Interest rate risk, VaR	48	53	63	58	53
Equity risk, VaR	4	4	2	1	2
Foreign exchange risk, VaR	2	2	2	5	4
Credit spread risk, VaR	1	1	1	2	2
Diversification effect	14%	14%	7%	10%	12%

Loan-to-value distribution

Cover pools, covered bonds

Nordea Bank Finland cover pool Mortgage loans EURbn*	Q3/17	%	Q2/17	%	Q1/17	%	Q4/16	%	Q3/16	%
<40%	15.8	67.4	15.9	68.2	16.2	69.5	16.5	69.0	17.2	70.1
40-50%	2.2	9.3	2.2	9.4	2.3	9.7	2.4	10.0	2.5	10.0
50-60%	1.6	6.9	1.6	7.0	1.7	7.2	1.8	7.6	1.9	7.6
60-70%	1.0	4.4	1.0	4.5	1.1	4.7	1.2	5.1	1.2	5.0
70-100%**	2.8	12.0	2.5	10.9	2.1	8.9	2.0	8.3	1.8	7.3
Total	**23.4**	**100%**	**23.2**	**100%**	**23.3**	**100%**	**24.0**	**100%**	**24.5**	**100%**

Nordea Eiendomskredit cover pool (Norway) Mortgage loans EURbn***	Q3/17	%	Q2/17	%	Q1/17	%	Q4/16	%	Q3/16	%
<40%	3.4	27.8	3.6	27.1	3.3	30.5	3.4	31.0	3.1	26.0
40-50%	2.0	16.3	2.1	16.1	1.9	17.1	1.9	17.6	1.9	15.5
50-60%	2.6	20.9	2.7	20.8	2.3	21.2	2.3	21.5	2.4	20.2
60-70%	2.7	21.8	2.9	21.9	2.0	18.2	1.9	17.1	2.7	22.1
70-80%	1.6	13.2	1.9	14.1	1.4	12.9	1.4	12.8	2.0	16.3
80-90%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
>90%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**12.4**	**100%**	**13.2**	**100%**	**10.9**	**100%**	**10.8**	**100%**	**12.0**	**100%**

Nordea Hypotek cover pool (Sweden) Mortgage loans EURbn*	Q3/17	%	Q2/17	%	Q1/17	%	Q4/16	%	Q3/16	%
<40%	38.1	70.6	37.9	70.5	38.0	70.3	37.2	69.3	36.4	69.2
40-50%	6.2	11.4	6.2	11.4	6.2	11.4	6.3	11.7	6.2	11.7
50-60%	4.9	9.1	4.9	9.1	4.9	9.2	5.1	9.5	5.0	9.5
60-70%	3.6	6.6	3.6	6.7	3.7	6.8	3.8	7.0	3.7	7.1
70-80%	1.2	2.3	1.2	2.3	1.3	2.4	1.3	2.5	1.3	2.5
80-90%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
>90%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**54.0**	**100%**	**53.8**	**100%**	**54.0**	**100%**	**53.6**	**100%**	**52.6**	**100%**

Nordea Kredit Capital Centre 1 cover pool (Denmark)**** Mortgage loans EURbn	Q3/17	%	Q2/17	%	Q1/17	%	Q4/16	%	Q3/16	%
<20%	0.4	40	0.4	38	0.5	38	0.5	37	0.6	34
20-40%	0.3	31	0.4	31	0.4	31	0.4	31	0.6	30
40-60%	0.2	19	0.2	19	0.2	19	0.3	19	0.4	20
60-70%	0.1	5	0.1	5	0.1	5	0.1	6	0.1	6
70-80%	0.0	2	0.0	3	0.0	3	0.0	3	0.1	4
80-90%	0.0	2	0.0	2	0.0	2	0.0	2	0.0	3
90-100%	0.0	0	0.0	1	0.0	1	0.0	1	0.0	1
>100%	0.0	1	0.0	1	0.0	1	0.0	1	0.0	1
Total	**1.1**	**100%**	**1.2**	**100%**	**1.3**	**100%**	**1.4**	**100%**	**1.9**	**100%**

Nordea Kredit Capital Centre 2 cover pool (Denmark)**** Mortgage loans EURbn	Q3/17	%	Q2/17	%	Q1/17	%	Q4/16	%	Q3/16	%
<20%	16.9	33	16.1	31	16.1	31	15.9	31	15.4	30
20-40%	16.4	32	15.9	31	15.9	31	15.8	31	15.5	31
40-60%	12.1	23	12.1	24	12.2	24	12.2	24	12.1	24
60-70%	3.4	7	3.5	7	3.6	7	3.6	7	3.7	7
70-80%	1.8	4	2.1	4	2.0	4	2.0	4	2.2	4
80-90%	0.6	1	0.7	1	0.7	1	0.7	1	0.9	2
90-100%	0.2	0	0.3	1	0.3	1	0.3	1	0.4	1
>100%	0.2	0	0.3	1	0.3	1	0.3	1	0.5	1
Total	**51.7**	**100%**	**51.0**	**100%**	**51.1**	**100%**	**50.8**	**100%**	**50.7**	**100%**

*LTV unindexed distribution in ranges where a single loan can exist in multiple buckets, with continuous distribution

**Other eligible assets

***LTV unindexed distribution where a loan is reported in the highest bucket

****LTV current property value distribution where a single loan can exist in multiple buckets, with continuous distribution

Own Funds (Nordea Group)*

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Balance sheet equity	32 298	31 395	31 077	32 410	31 070	30 143	29 128	31 032	29 984
Valuation adjustment for non-CRR companies	-1 035	-943	-897	-877	-711	-1 005	-901	-1 073	-980
Sub-total	31 263	30 452	30 180	31 533	30 359	29 138	28 227	29 959	29 004
Dividend **	-2 005	-1 107	-588	-2 625	-1 882	-1 255	-552	-2 584	-1 806
Goodwill	-1 904	-1 893	-1 950	-1 946	-1 938	-1 911	-1 894	-1 869	-1 890
Other intangibles assets	-1 850	-1 741	-1 627	-1 489	-1 309	-1 189	-1 062	-997	-846
IRB provisions shortfall	-223	-204	-252	-212	-213	-305	-303	-296	-211
Pensions assets in excess of related liabilities	-279	-262	-261	-240	-96	-104	-168	-296	-53
Other deductions	-323	-356	-420	-483	-493	-355	-400	-342	-330
Common Equity Tier 1	**24 679**	**24 890**	**25 083**	**24 538**	**24 428**	**24 019**	**23 848**	**23 575**	**23 867**
Common Equity Tier 1 ratio	19.2%	19.2%	18.8%	18.4%	17.9%	16.8%	16.7%	16.5%	16.3%
Hybrid capital loans	2 790	2 855	2 998	3 017	2 932	2 938	2 868	2 941	2 877
Deductions for investments in insurance companies (50%)									
Tier 1 capital	**27 470**	**27 746**	**28 081**	**27 555**	**27 360**	**26 958**	**26 716**	**26 516**	**26 744**
Tier 1 ratio	21.4%	21.4%	21.0%	20.7%	20.1%	18.9%	18.7%	18.5%	18.2%
Tier 2 capital	5 119	5 333	5 629	6 541	6 581	5 754	5 800	5 940	5 057
- of which perpetual subordinated loans	245	257	271	271	270	268	254	260	253
Deductions for investments in insurance companies	-1 205	-1 205	-1 205	-1 205	-1 205	-1 205	-1 205	-1 501	-502
Other deductions	39	-30	23	13	29	23	-58	-55	-46
Total Own funds	**31 423**	**31 844**	**32 528**	**32 904**	**32 765**	**31 530**	**31 253**	**30 900**	**31 254**
Total Capital ratio	24.5%	24.6%	24.3%	24.7%	24.1%	22.1%	21.8%	21.6%	21.3%
REA, including Basel I floor	206 380	208 837	213 740	215 812	218 064	220 962	220 277	221 827	222 198
REA, excluding Basel I floor	128 303	129 705	133 588	133 157	136 191	142 913	143 063	143 294	146 705

* Including profit

** Corresponding to a payout ratio of:	83,3% ***	70,1% ***	70,1% ***	69.7%	70.6%	70.6%	70.6%	70.6%	70.0%

*** Proposed payout

Capital ratios (Nordea Group)

Percentage	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Common Equity Tier 1 capital ratio, including profit	19.2	19.2	18.8	18.4	17.9	16.8	16.7	16.5	16.3
Tier 1 ratio, including profit	21.4	21.4	21.0	20.7	20.1	18.9	18.7	18.5	18.2
Total Capital ratio, including profit	24.5	24.6	24.3	24.7	24.1	22.1	21.8	21.6	21.3
Common Equity Tier 1 capital ratio, excluding profit	18.8	18.7	18.4	17.4	17.1	16.3	16.4	15.9	15.7
Tier 1 ratio, excluding profit	21.0	20.9	20.6	19.7	19.2	18.4	18.4	18.0	17.7
Total Capital ratio, excluding profit	24.1	24.0	24.0	23.7	23.2	21.6	21.5	21.0	20.7

Capital ratios including Basel I floor

Percentage	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Common Equity Tier 1 capital ratio, including profit	12.1	12.0	11.9	11.5	11.3	11.0	11	10.8	10.8
Tier 1 ratio, including profit	13.4	13.4	13.3	12.9	12.6	12.3	12.3	12.1	12.1
Total capital ratio, including profit	15.3	15.3	15.3	15.3	15.1	14.4	14.3	14.1	14.2
Common Equity Tier 1 capital ratio, excluding profit	11.8	11.7	11.6	10.8	10.8	10.7	10.8	10.4	10.5
Tier 1 ratio, excluding profit	13.2	13.1	13.0	12.2	12.1	12.0	12.1	11.7	11.8
Total Capital ratio, excluding profit	15.0	15.0	15.0	14.7	14.5	14.1	14.1	13.7	13.8

Leverage ratio	Q3/17 [1]	Q2/17 [1]	Q1/17 [1]	Q4/16 [1]	Q3/16 [1]	Q2/16 [1]	Q1/16	Q4/15 [1]	Q3/15 [1]
Tier 1 capital, transitional definition, EURm	27 470	27 746	28 081	27 555	27 360	26 958	26 268	26 516	25 903
Leverage ratio exposure, EURm	563 768	593 799	601 713	555 688	588 704	598 951	595 710	576 317	588 879
Leverage ratio, percentage	4.9	4.7	4.7	5.0	4.6	4.5	4.4	4.6	4.4

[1] Including profit of the period

Risk Exposure Amount (Nordea Group)

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Credit risk	**107 110**	**106 058**	**109 367**	**107 512**	**111 732**	**116 573**	**115 563**	**116 978**	**116 937**
IRB	95 102	94 073	95 152	93 958	97 861	102 962	102 135	103 717	103 276
- sovereign	2 070	2 236							
- corporate	60 872	58 995	61 367	62 212	65 523	70 430	69 565	70 371	69 761
- advanced	48 747	47 254	48 359	48 585	51 110	55 528	55 249	56 211	55 165
- foundation	12 125	11 741	13 009	13 627	14 413	14 902	14 316	14 160	14 596
- institutions	7 505	8 198	8 774	7 144	7 075	7 742	8 218	8 526	9 080
- retail	21 062	21 063	21 863	21 933	22 018	22 427	22 059	22 520	22 515
- items representing securitisation positions	836	821	830	828	823				
- other	2 758	2 760	2 316	1 841	2 422	2 363	2 294	2 300	1 920
Standardised	12 008	11 985	14 215	13 554	13 871	13 611	13 428	13 261	13 661
- sovereign	143	150	994	657	1 200	1 086	971	773	852
- retail	5 761	5 759	6 121	6 086	5 981	5 993	5 968	6 024	6 079
- other	6 104	6 076	7 099	6 811	6 690	6 531	6 490	6 465	6 730
Credit Value Adjustment Risk	**1 238**	**1 449**	**1 607**	**1 798**	**1 828**	**1 889**	**1 704**	**1 751**	**1 938**
Market risk	**3 146**	**3 396**	**3 635**	**4 474**	**4 758**	**6 578**	**6 922**	**6 534**	**6 903**
- trading book, Internal Approach	2 190	2 118	2 457	2 942	3 609	3 188	3 698	2 990	3 385
- trading book, Standardised Approach	956	1 278	1 178	928	1 149	1 161	1 096	1 209	1 157
- banking book, Standardised Approach				604		2 229	2 128	2 335	2 361
Operational risk	**16 809**	**16 809**	**16 873**	**16 873**	**16 873**	**16 873**	**17 031**	**17 031**	**17 031**
Additional risk exposure amount due to Article 3 CRR		**1 998**	**2 170**	**2 500**	**1 000**	**1 000**	**2 000**	**1 000**	**3 896**
Sub total	**128 303**	**129 710**	**133 588**	**133 157**	**136 191**	**142 913**	**143 063**	**143 294**	**146 705**
Additional capital requirement according to Basel I floor	78 077	79 127	80 152	82 655	81 873	78 049	77 215	78 533	75 493
Total	**206 380**	**208 837**	**213 740**	**215 812**	**218 064**	**220 962**	**220 277**	**221 827**	**222 198**

Risk-weight breakdown, % (Nordea Group)

Asset class	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Institutions	**17%**	**18%**	**19%**	**19%**	**19%**	**19%**	**19%**	**19%**	**20%**
Finland	16%	17%	14%	27%	26%	25%	25%	26%	27%
Norway	8%	8%	9%	8%	9%	13%	12%	13%	10%
Denmark	10%	11%	12%	12%	11%	10%	10%	10%	10%
Sweden	23%	24%	26%	20%	21%	21%	20%	20%	19%
Corporate total	**40%**	**38%**	**38%**	**38%**	**39%**	**40%**	**40%**	**41%**	**40%**
Corporate - Wholesale Banking	**43%**	**41%**	**42%**	**41%**	**42%**	**42%**	**43%**	**43%**	**42%**
Finland	37%	36%	39%	40%	41%	42%	42%	42%	40%
Norway	59%	55%	50%	51%	54%	52%	55%	55%	52%
Denmark	35%	33%	35%	35%	35%	35%	38%	38%	38%
Sweden	41%	39%	41%	40%	41%	41%	41%	41%	42%
Corporate - Personal, Commercial & Business Banking	**38%**	**36%**	**36%**	**35%**	**36%**	**37%**	**37%**	**38%**	**37%**
Finland	36%	34%	34%	35%	37%	38%	39%	40%	38%
Norway	40%	39%	40%	37%	38%	39%	38%	39%	37%
Denmark	43%	41%	41%	39%	40%	42%	42%	42%	42%
Sweden	34%	32%	31%	28%	29%	30%	31%	31%	32%
Retail mortgages	**8%**	**8%**	**9%**	**9%**	**9%**	**9%**	**9%**	**9%**	**9%**
Finland	11%	9%	9%	9%	9%	9%	10%	9%	9%
Norway	8%	11%	11%	11%	11%	11%	11%	12%	13%
Denmark	11%	12%	13%	13%	13%	13%	12%	13%	13%
Sweden	3%	3%	4%	4%	4%	4%	4%	4%	4%

Minimum capital requirement and REA (Nordea Group)

	End Q3/2017		End Q4/2016		End Q3/2016	
EURm	**Min. capital requirement**	**REA**	**Min. capital requirement**	**REA**	**Min. capital requirement**	**REA**
Credit risk	**8 569**	**107 110**	**8 601**	**107 512**	**8 939**	**111 732**
- of which counterparty credit risk	574	7 171	759	9 489	802	10 028
IRB	7 608	95 102	7 517	93 958	7 829	97 861
- sovereign	166	2 070	0	0	0	0
- corporate	4 870	60 872	4 977	62 212	5 242	65 523
- advanced	3 900	48 747	3 887	48 585	4 089	51 109
- foundation	970	12 125	1 090	13 627	1 153	14 413
- institutions	600	7 505	572	7 144	566	7 075
- retail	1 685	21 062	1 755	21 933	1 761	22 018
- items representing securitisation positions	67	836	66	828	66	823
- other	221	2 758	147	1 841	194	2 422
Standardised	961	12 008	1 084	13 554	1 110	13 871
- central governments or central banks	11	143	26	320	67	842
- regional governments or local authorities	0	0	21	266	24	295
- public sector entities	0	0	3	39	3	33
- multilateral development banks	0	0	2	32	2	30
- international organisations	0	0	0	0	0	0
- institutions	18	230	40	498	28	349
- corporate	149	1 865	173	2 159	160	1 996
- retail	256	3 204	258	3 223	250	3 126
- secured by mortgages on immovable property	205	2 558	229	2 863	228	2 855
- in default	10	123	9	114	10	129
- associated with particularly high risk	54	670	56	701	53	664
- covered bonds	0	0	0	0	0	0
- institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
- collective investments undertakings (CIU)	0	0	0	0	0	0
- equity	220	2 744	221	2 760	236	2 949
- other items	38	471	46	579	48	604
Credit Value Adjustment Risk	**99**	**1 238**	**144**	**1 798**	**146**	**1 828**
Market risk	**252**	**3 146**	**358**	**4 474**	**381**	**4 758**
- trading book, Internal Approach	175	2 190	236	2 942	289	3 609
- trading book, Standardised Approach	76	956	74	928	92	1 149
- banking book, Standardised Approach	0	0	48	604	0	0
Operational risk	**1 345**	**16 809**	**1 350**	**16 873**	**1 350**	**16 873**
Standardised	1 345	16 809	1 350	16 873	1 350	16 873
Additional risk exposure amount due to Article 3 CRR	**0**	**0**	**200**	**2 500**	**80**	**1 000**
Sub total	**10 264**	**128 303**	**10 653**	**133 157**	**10 895**	**136 191**
Adjustment for transitional rules						
Additional capital requirement according to transitional rules	6 246	78 077	6 612	82 655	6 550	81 873
Total	**16 510**	**206 380**	**17 265**	**215 812**	**17 445**	**218 064**

Capital requirements for market risk (Nordea Group)

Q3 2017

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	654	52	741	59			1 394	112
Equity risk	127	10	154	12			282	23
Foreign exchange risk	203	16			0	0	203	16
Commodity risk			58	5			58	5
Settlement risk			3	0			3	0
Diversification effect	-389	-31					-389	-31
Stressed Value-at-Risk	1 006	80					1 006	80
Incremental Risk Measure	228	18					228	18
Comprehensive Risk Measure	361	29					361	29
Total	**2 190**	**175**	**956**	**76**	**0**	**0**	**3 146**	**252**

[1] Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

* http://www.nordea.com/en/investor-relations/capital-adequacy/interim-disclosure/

Summary of items included in own funds (Nordea Group)

These figures are according to part 8 of CRR, in Sweden implemented in FFFS 2014:12•

EURm	Q3/17 [3]	Q2/17 [3]	Q1/17 [3]	Q4/16 [3]	Q3/16 [3]	Q2/16 [3]	Q1/16	Q4/15 [3]	Q3/15
Calculation of own funds									
Equity in the consolidated situation	31 263	30 452	30 180	31 533	30 359	29 138	27 254	29 959	26 423
Proposed/actual dividend	-2 005	-1 107	-588	-2 625	-1 882	-1 255		-2 584	
Common Equity Tier 1 capital before regulatory adjustments	29 259	29 345	29 592	28 908	28 477	27 883	27 254	27 375	26 423
Deferred tax assets									
Intangible assets	-3 754	-3 633	-3 577	-3 435	-3 247	-3 100	-2 956	-2 866	-2 736
IRB provisions shortfall (-)	-223	-204	-252	-212	-213	-305	-303	-296	-211
Deduction for investments in credit institutions (50%)									
Pension assets in excess of related liabilities[1]	-279	-262	-261	-240	-96	-104	-168	-296	-53
Other items, net	-323	-356	-420	-483	-493	-355	-427	-342	-397
Total regulatory adjustments to Common Equity Tier 1 capital	-4 579	-4 455	-4 509	-4 370	-4 049	-3 864	-3 854	-3 800	-3 397
Common Equity Tier 1 capital (net after deduction)	**24 679**	**24 890**	**25 083**	**24 538**	**24 428**	**24 019**	**23 400**	**23 575**	**23 026**
Additional Tier 1 capital before regulatory adjustments	2 809	2 870	3 016	3 042	2 955	2 956	2 892	2 968	2 903
Total regulatory adjustments to Additional Tier 1 capital	-19	-14	-18	-25	-23	-17	-25	-27	-26
Additional Tier 1 capital	2 790	2 856	2 998	3 017	2 932	2 939	2 868	2 941	2 877
Tier 1 capital (net after deduction)	**27 470**	**27 746**	**28 081**	**27 555**	**27 360**	**26 958**	**26 268**	**26 516**	**25 903**
Tier 2 capital before regulatory adjustments	**5 119**	**5 333**	**5 629**	**6 541**	**6 581**	**5 754**	**5 800**	**5 940**	**5 057**
IRB provisions excess (+)	90	22	83	78	95	82			
Deduction for investments in credit institutions (50%)									
Deductions for investments in insurance companies	-1 205	-1 205	-1 205	-1 205	-1 205	-1 205	-1 205	-1 501	-502
Pension assets in excess of related liabilities									
Other items, net	-51	-52	-60	-65	-66	-59	-58	-55	-46
Total regulatory adjustments to Tier 2 capital	**-1 166**	**-1 235**	**-1 182**	**-1 192**	**-1 176**	**-1 182**	**-1 263**	**-1 556**	**-548**
Tier 2 capital	**3 953**	**4 098**	**4 447**	**5 349**	**5 405**	**4 572**	**4 537**	**4 384**	**4 509**
Own funds (net after deduction)[2]	**31 423**	**31 844**	**32 528**	**32 904**	**32 765**	**31 530**	**30 805**	**30 900**	**30 412**

[1] Based on conditional FSA approval

2 Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 31 556m by 30 Sep 2017

[3] including profit of the period

Own Funds excluding profit (Nordea Group)

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Common Equity Tier 1 capital, excluding profit	24 160	24 222	24 553	23 167	23 245	23 317	23 400	22 802	23 026
Total Own Funds, excluding profit	30 903	31 176	31 998	31 533	31 582	30 828	30 805	30 127	30 412

Minimum Capital Requirement & Capital Buffers (Nordea Group)

		Capital Buffers					
Percentage	**Min. capital requirement**	**CCoB**	**CCyB**	**SII**	**SRB**	**Capital Buffers total [1]**	**Total**
Common Equity Tier 1 capital	4.5	2.5	0.6	2.0	3.0	6.1	10.6
Tier 1 capital	6.0	2.5	0.6	2.0	3.0	6.1	12.1
Own funds	8.0	2.5	0.6	2.0	3.0	6.1	14.1
EURm							
Common Equity Tier 1 capital	5 774	3 208	815		3 849	7 872	13 645
Tier 1 capital	7 698	3 208	815		3 849	7 872	15 570
Own funds	10 264	3 208	815		3 849	7 872	18 136

[1] Only the maximum of the SRB and SII is used in the calculation of the total capital buffers

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	Q3/17 [1]	Q2/17 [1]	Q1/17 [1]	Q4/16 [1]	Q3/16 [1]	Q2/16 [1]	Q1/16	Q4/15 [1]	Q3/15
Common Equity Tier 1 capital	14.7	14.7	14.3	13.9	13.4	12.3	11.9	12.0	11.2

[1] Including profit for the period

Additional information on exposures for which internal models are used (Nordea Group)

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm [1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight
Sovereign, foundation IRB:	81 330	6 160	91 083	1 112	2.3
of which					
- rating grades 7	47 202	5 873	55 609	999	2.4
- rating grades 6	33 252	202	34 925	108	1.4
- rating grades 5	228		268		5.8
- rating grades 4	8		1		34.9
- rating grades 3	319	48	218	3	44.6
- rating grades 2	195	5	17		195.4
- rating grades 1	87	31	5	2	213.6
- unrated	40	1	40		163.1
- defaulted					
Corporate, foundation IRB:	13 722	4 513	25 503	798	47.5
of which					
- rating grades 6	1 618	240	5 334	42	15.0
- rating grades 5	3 698	1 414	7 305	349	31.8
- rating grades 4	5 011	1 760	8 866	307	61.0
- rating grades 3	1 567	591	2 261	68	90.1
- rating grades 2	511	127	593	18	154.7
- rating grades 1	55	27	59		195.7
- unrated	781	284	475	7	110.3
- defaulted	480	71	608	6	
Corporate, advanced IRB:	99 653	56 308	125 149	28 096	39.0
of which					
- rating grades 6	15 113	5 520	17 420	2 857	8.6
- rating grades 5	24 447	23 532	36 744	12 280	22.7
- rating grades 4	41 425	21 701	51 154	10 648	39.7
- rating grades 3	9 940	3 813	11 459	1 816	62.2
- rating grades 2	2 330	508	2 308	208	108.4
- rating grades 1	560	124	547	51	129.1
- unrated	1 162	494	1 031	236	75.5
- defaulted	4 675	616	4 486		166.8
Institutions, foundation IRB:	35 679	3 203	43 495	634	17.3
of which					
- rating grades 6	16 179	432	17 877	197	8.4
- rating grades 5	16 425	1 802	21 477	279	15.8
- rating grades 4	2 829	556	3 733	74	57.7
- rating grades 3	110	340	231	68	121.0
- rating grades 2	29	60	36	14	212.4
- rating grades 1	1	7	2	2	265.9
- unrated	106	4	139	1	75.6
- defaulted		2			
Retail, of which secured by real estate:	140 728	9 383	146 773	6 045	8.1
of which					
- scoring grades A	98 452	7 837	103 622	5 170	3.5
- scoring grades B	26 251	1 057	26 892	641	8.3
- scoring grades C	10 407	371	10 581	174	17.4
- scoring grades D	2 579	100	2 628	49	30.3
- scoring grades E	813	5	816	3	59.3
- scoring grades F	782	4	785	3	86.5
- not scored	23	2	24	1	26.2
- defaulted	1 420	6	1 424	4	154.6

Nordea does not have the following IRB exposure classes: equity exposures, qualifying revolving retail

[1] Includes EAD for on-balance, off-balance, derivatives and securities financing

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm [1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight
Retail, of which other retail:	24 862	12 833	33 995	9 036	27.0
of which					
- scoring grades A	7 752	7 402	13 009	5 243	8.2
- scoring grades B	6 036	2 815	8 062	2 005	16.7
- scoring grades C	3 476	1 324	4 478	972	28.3
- scoring grades D	2 819	642	3 277	440	36.0
- scoring grades E	2 457	279	2 653	188	41.1
- scoring grades F	1 403	114	1 485	80	58.9
- not scored	107	124	134	23	41.0
- defaulted	812	134	898	84	256.2
Other non credit-obligation assets:	3 533	51	3 255	15	84.7

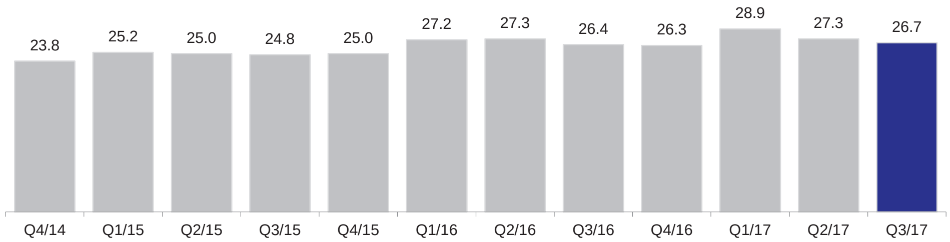
Nordea does not have the following IRB exposure classes: equity exposures, qualifying revolving retail

[1] Includes EAD for on-balance, off-balance, derivatives and securities financing

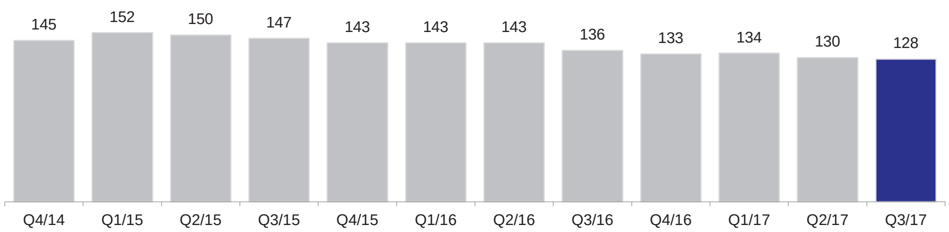
Legal entities contribution to REA (Nordea Group)

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Credit risk	**107 110**	**106 052**	**109 367**	**107 512**	**111 732**	**116 573**	**115 563**	**116 978**	**116 937**
Sweden	30 899	31 131	32 730	22 972	25 107	28 318	27 885	28 182	27 643
Nordea Hypotek AB	2 888	3 086	2 873	2 802	2 891	2 984	3 019	3 003	3 070
Finland	20 341	19 710	18 700	26 989	28 766	29 192	28 834	28 169	28 622
Nordea Mortgage Bank	2 597	2 117	2 143	2 215					
Denmark	25 248	24 943	25 723	25 853	26 142	27 265	27 021	28 147	28 361
Nordea Kredit Realkreditaktieselskab	10 362	9 893	10 484	10 523	10 688	10 984	10 858	11 118	10 940
Norway	20 857	20 368	20 038	19 559	20 217	19 907	19 493	19 485	18 945
Nordea Eiendomskreditt AS	1 225	1 443	1 221	1 200	1 344	1 344	1 234	1 241	1 206
Russia	1 403	1 511	1 843	1 852	1 944	2 086	2 281	2 297	2 463
Baltics	2 381	2 801	2 873	2 801	2 829	3 007	3 129	3 073	3 164
Outside Nordic	5 981	5 587	7 460	7 485	6 727	6 799	6 920	7 625	7 740
Credit Value Adjustment Risk	**1 238**	**1 449**	**1 607**	**1 798**	**1 828**	**1 889**	**1 704**	**1 751**	**1 938**
Market risk	**3 146**	**3 396**	**3 635**	**4 474**	**4 758**	**6 578**	**6 922**	**6 534**	**6 903**
Operational risk	**16 809**	**16 809**	**16 809**	**16 873**	**16 873**	**16 873**	**16 873**	**17 031**	**17 031**
Additional risk exposure amount due to Article 3 CRR	**0**	**1 998**	**2 170**	**2 500**	**1 000**	**1 000**	**2 000**	**1 000**	**3 896**
Sub total	**128 303**	**129 710**	**133 588**	**133 157**	**136 191**	**142 913**	**143 063**	**143 294**	**146 705**
Additional capital requirement according to Basel I floor	78 077	79 127	80 152	82 655	81 873	78 049	77 215	78 533	75 493
Total	**206 380**	**208 837**	**213 740**	**215 812**	**218 064**	**220 962**	**220 277**	**221 827**	**222 198**

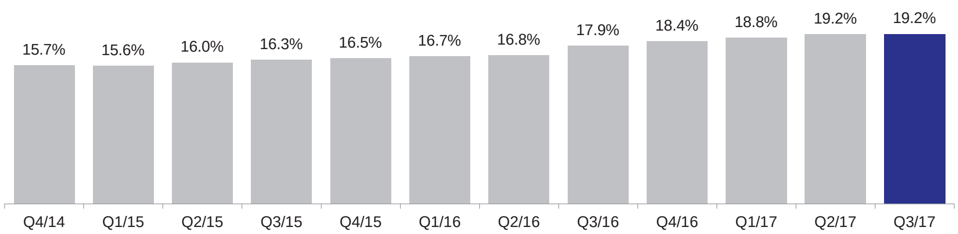
Economic Capital, EURbn (Nordea Group)



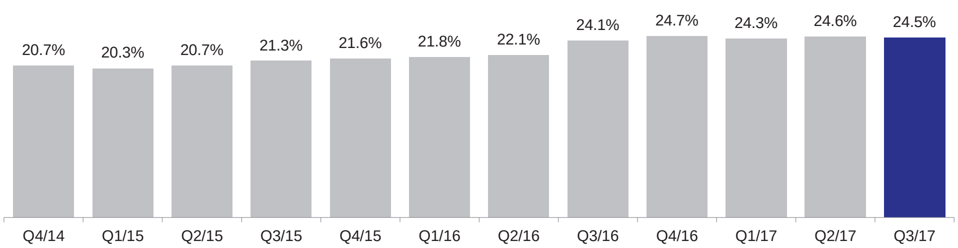
Risk Exposure Amount, REA EURbn (Nordea Group)



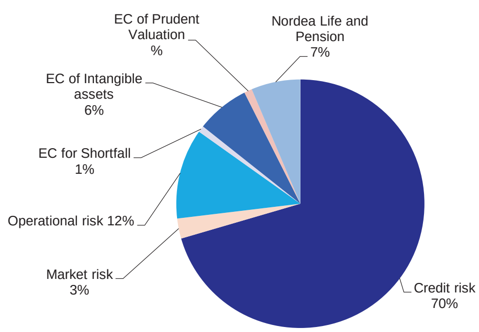
Common Equity Tier 1 capital ratio (excluding Hybrids) % (Nordea Group)



Total capital ratios (excluding Basel I floor) % (Nordea Group)



Economic Capital, distributed by risk type (Nordea Group) Q3 2017



Summary of items included in own funds (Nordea Bank AB)

These figures are according to part 8 of CRR, in Sweden implemented in FFFS 2014:12

EURm	Q3/17	Q2/17	Q1/17	Q4/16 [3]	Q3/16	Q2/16	Q1/16	Q4/15 [3]	Q3/15
Calculation of own funds									
Equity in the consolidated situation	26 298	26 287	26 451	20 411	17 489	17 508	17 496	20 079	18 148
Proposed/actual dividend				-2 625				-2 584	
Common Equity Tier 1 capital before regulatory adjustments	26 298	26 287	26 451	17 786	17 489	17 508	17 496	17 495	18 148
Deferred tax assets									
Intangible assets	-2 010	-1 919	-1 822	-1 539	-1 379	-1 265	-1 145	-1 091	-958
IRB provisions shortfall (-)	-134		-163						
Deduction for investments in credit institutions (50%)									
Pension assets in excess of related liabilities[1]	-135		-114						
Other items, net	-357	-367	-407	-97	-68	-51	-51	-31	-35
Total regulatory adjustments to Common Equity Tier 1 capital	-2 637	-2 529	-2 506	-1 636	-1 447	-1 316	-1 195	-1 122	-993
Common Equity Tier 1 capital (net after deduction)	**23 660**	**23 758**	**23 945**	**16 150**	**16 042**	**16 192**	**16 301**	**16 373**	**17 155**
Additional Tier 1 capital before regulatory adjustments	2 809	2 869	3 016	3 047	2 961	2 969	2 897	2 971	2 906
Total regulatory adjustments to Additional Tier 1 capital	-19	-13	-18	-30	-30	-30	-29	-30	-29
Additional Tier 1 capital	2 790	2 856	2 998	3 017	2 931	2 939	2 868	2 941	2 877
Tier 1 capital (net after deduction)	**26 451**	**26 614**	**26 943**	**19 167**	**18 973**	**19 131**	**19 169**	**19 314**	**20 032**
Tier 2 capital before regulatory adjustments	**5 119**	**5 333**	**5 629**	**6 277**	**6 318**	**5 488**	**5 548**	**5 686**	**4 810**
IRB provisions excess (+)	51	7	61	134	115	119	116	108	80
Deduction for investments in credit institutions (50%)									
Deductions for investments in insurance companies	-1 205	-1 205	-1 205	-1 205	-1 205	-1 205	-1 205	-1 501	-501
Pension assets in excess of related liabilities									
Other items, net	-51	-51	-60	-69	-68	-58	-58	-58	-49
Total regulatory adjustments to Tier 2 capital	**-1 205**	**-1 249**	**-1 204**	**-1 140**	**-1 158**	**-1 144**	**-1 146**	**-1 451**	**-470**
Tier 2 capital	**3 914**	**4 084**	**4 426**	**5 137**	**5 160**	**4 344**	**4 402**	**4 235**	**4 340**
Own funds (net after deduction)[2]	**30 364**	**30 698**	**31 369**	**24 304**	**24 133**	**23 475**	**23 571**	**23 549**	**24 372**

[1] Based on conditional FSA approval

[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 30 448m by 30 Sep 2017

[3] including profit of the period

Own Funds including profit (Nordea Bank AB)

EURm	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Common Equity Tier 1 capital, including profit	25 104	24 852	24 616	16 150	16 920	16 633	16 750	16 373	17 270
Total Own Funds, including profit	31 808	31 792	32 040	24 304	25 011	23 916	24 020	23 549	24 487

Capital ratios (Nordea Bank AB)

Percentage	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Common Equity Tier 1 capital ratio, including profit	18.1	18.1	17.5	18.6	19.6	19.3	19.6	18.8	19.0
Tier 1 ratio, including profit	20.1	20.1	19.6	22.0	23.0	22.7	23.0	22.2	22.2
Total Capital ratio, including profit	22.9	23.1	22.7	27.9	28.9	27.8	28.2	27.1	27.0
Common Equity Tier 1 capital ratio, excluding profit	17.1	17.3	17.0	18.2	18.5	18.8	19.1	19.6	18.9
Tier 1 ratio, excluding profit	19.1	19.3	19.1	21.7	21.9	22.2	22.5	22.9	22.1
Total Capital ratio, excluding profit	21.9	22.3	22.3	27.6	27.9	27.3	27.6	27.8	26.9

Capital ratios including Basel I floor

Percentage	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Common Equity Tier 1 capital ratio, including profit	17.6	17.3	17.0	18.6	19.6	19.3	19.6	18.8	19.0
Tier 1 ratio, including profit	19.6	19.2	19.1	22.0	23.0	22.7	23.0	22.2	22.2
Total Capital ratio, including profit	22.3	22.0	22.1	27.8	28.8	27.7	28.0	26.9	26.9
Common Equity Tier 1 capital ratio, excluding profit and dividend	16.6	16.5	16.5	18.2	18.5	18.8	19.1	19.6	18.9
Tier 1 ratio, excluding profit and dividend	18.6	18.5	18.6	21.7	21.9	22.2	22.5	22.9	22.1
Total Capital ratio, excluding profit and dividend	21.3	21.3	21.6	27.5	27.8	27.1	27.5	27.7	26.8

Leverage ratio

	Q3/17	Q2/17	Q1/17	Q4/16 [1]	Q3/16	Q2/16	Q1/16	Q4/15 [1]	Q3/15
Tier 1 capital, transitional definition, EURm	26 451	26 614	26 943	19 167	18 973	19 130	19 169	19 314	20 032
Leverage ratio exposure, EURm	498 090	523 133	529 088	216 455	208 122	213 773	215 541	224 816	239 014
Leverage ratio, percentage	5.3	5.1	5.1	8.9	9.1	8.9	8.9	8.6	8.4

[1] Including profit of the period

Minimum Capital Requirement & Capital Buffers (Nordea Bank AB)

Percentage	Min. capital requirement	Capital Buffers CCoB	CCyB	SII	SRB	Capital Buffers total	Total
Common Equity Tier 1 capital	4.5	2.5	0.6			3.1	7.6
Tier 1 capital	6.0	2.5	0.6			3.1	9.1
Own funds	8.0	2.5	0.6			3.1	11.1
EURm							
Common Equity Tier 1 capital	6 241	3 467	897			4 364	10 605
Tier 1 capital	8 321	3 467	897			4 364	12 685
Own funds	11 094	3 467	897			4 364	15 458

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	Q3/17	Q2/17	Q1/17	Q4/16 [1]	Q3/16	Q2/16	Q1/16	Q4/15 [1]	Q3/15
Common Equity Tier 1 capital	12.6	12.8	12.5	14.1	14.0	14.3	14.6	14.3	14.4

[1] Including profit for the period

Minimum capital requirement and REA (Nordea Bank AB)

	End Q3/2017		End Q4/2016		End Q3/2016	
EURm	**Min. capital requirement**	**REA**	**Min. capital requirement**	**REA**	**Min. capital requirement**	**REA**
Credit risk	**9 045**	**113 058**	**6 120**	**76 502**	**6 118**	**76 480**
- of which counterparty credit risk	571	7 138	266	3 329	207	2 585
IRB	6 469	80 869	2 485	31 061	2 612	32 655
- sovereign	155	1 943				
- corporate	4 486	56 073	2 062	25 772	2 151	26 889
- advanced	3 935	49 192	1 393	17 408	1 489	18 613
- foundation	551	6 882	669	8 364	662	8 276
- institutions	650	8 119	244	3 054	241	3 015
- retail	962	12 027	121	1 512	123	1 533
- other	217	2 707	58	723	97	1 218
Standardised	2 575	32 189	3 635	45 441	3 506	43 825
- central governments or central banks	7	92	5	56	23	288
- regional governments or local authorities			2	23	2	22
- public sector entities						
- multilateral development banks				6		5
- international organisations						
- institutions	596	7 445	1 251	15 641	1 075	13 437
- corporate	378	4 728	137	1 707	135	1 694
- retail	21	257	18	231	19	236
- secured by mortgages on immovable property	192	2 404	210	2 626	210	2 621
- in default	3	39	3	38	4	44
- associated with particularly high risk	54	670				
- covered bonds	57	716				
- institutions and corporates with a short-term credit assessment						
- collective investments undertakings (CIU)						
- equity	1 266	15 826	2 007	25 089	2 035	25 439
- other items	1	13	2	24	3	39
Credit Value Adjustment Risk	**99**	**1 238**	**16**	**195**	**16**	**193**
Market risk	**834**	**10 424**	**450**	**5 628**	**399**	**4 990**
- trading book, Internal Approach	175	2 190	13	165	8	100
- trading book, Standardised Approach	86	1 081				
- banking book, Standardised Approach	572	7 153	437	5 463	391	4 890
Operational risk	**1 117**	**13 961**	**369**	**4 614**	**369**	**4 614**
Standardised	1 117	13 961	369	4 614	369	4 614
Additional risk exposure amount due to Article 3 CRR			**8**	**102**	**16**	**201**
Sub total	**11 094**	**138 680**	**6 963**	**87 041**	**6 918**	**86 478**
Adjustment for transitional rules						
Additional capital requirement according to transitional rules	358	4 479				
Total	**11 453**	**143 159**	**6 963**	**87 041**	**6 918**	**86 478**

Additional information on exposures for which internal models are used (Nordea Bank AB)

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight
Sovereign, foundation IRB:	79 045	6 284	88 804	1 626	2.2
of which					
- rating grades 7	45 353	5 997	53 737	1 509	2.4
- rating grades 6	33 039	202	34 712	108	1.4
- rating grades 5	228		268		5.8
- rating grades 4	8		1		37.6
- rating grades 3	107	48	17	5	103.5
- rating grades 2	195	5	25		182.6
- rating grades 1	87	31	16	4	213.6
- unrated	28		29		163.1
- defaulted					
Corporate, foundation IRB:	4 880	1 490	16 364	476	42.1
of which					
- rating grades 6	1 022	64	4 543	9	14.9
- rating grades 5	1 708	767	4 980	209	32.1
- rating grades 4	1 282	503	5 015	181	61.8
- rating grades 3	270	95	966	48	93.0
- rating grades 2	64	44	160	19	172.1
- rating grades 1	7	2	13		218.7
- unrated	248	6	261	4	117.1
- defaulted	279	9	426	6	
Corporate, advanced IRB:	80 628	66 982	116 197	37 677	42.3
of which					
- rating grades 6	7 190	6 557	10 677	3 927	11.1
- rating grades 5	19 013	25 132	33 342	14 088	23.9
- rating grades 4	38 402	27 770	53 333	15 789	41.7
- rating grades 3	8 845	5 070	11 632	3 066	66.2
- rating grades 2	1 959	678	2 119	382	115.3
- rating grades 1	484	147	502	79	135.3
- unrated	903	604	942	346	79.1
- defaulted	3 832	1 025	3 651		170.5
Institutions, foundation IRB:	35 208	5 942	45 324	2 935	17.9
of which					
- rating grades 6	15 810	682	17 577	266	8.5
- rating grades 5	16 419	4 281	23 331	2 139	16.5
- rating grades 4	2 772	578	3 955	353	57.3
- rating grades 3	73	330	286	160	117.8
- rating grades 2	29	59	35	14	212.3
- rating grades 1	1	7	2	2	265.9
- unrated	104	3	137	1	74.6
- defaulted		2			
Retail, of which secured by real estate:	27 122	4 085	28 848	1 725	11.3
of which					
- scoring grades A	16 504	3 021	17 738	1 234	4.8
- scoring grades B	6 320	635	6 606	287	9.4
- scoring grades C	2 626	326	2 779	153	18.6
- scoring grades D	908	87	949	41	31.4
- scoring grades E	59	5	61	3	49.8
- scoring grades F	204	4	207	3	92.2
- not scored	6	2	7	1	30.5
- defaulted	496	5	499	4	149.4

Nordea does not have the following IRB exposure classes: equity exposures, items representing securitisation positions, qualifying revolving retail

[1] Includes EAD for on-balance, off-balance, derivatives and securities financing

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight
Retail, of which other retail:	16 640	20 837	34 805	18 073	25.2
of which					
- scoring grades A	5 429	11 814	15 708	10 265	9.3
- scoring grades B	4 399	5 041	8 882	4 464	17.9
- scoring grades C	2 320	2 317	4 365	2 016	30.8
- scoring grades D	1 600	740	2 182	566	38.3
- scoring grades E	1 541	415	1 892	343	44.5
- scoring grades F	771	173	925	153	62.0
- not scored	39	82	78	36	44.1
- defaulted	540	255	773	231	271.6
Other non credit-obligation assets:	3 145	49	3 160	15	85.6

Nordea does not have the following IRB exposure classes: equity exposures, items representing securitisation positions, qualifying revolving retail

[1] Includes EAD for on-balance, off-balance, derivatives and securities financing

Capital requirements for market risk (Nordea Bank AB)

Q3 2017

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	654	52	866	69			1 519	122
Equity risk	127	10	154	12			282	23
Foreign exchange risk	203	16			7 153	572	7 356	588
Commodity risk			58	5			58	5
Settlement risk			3	0			3	0
Diversification effect	-389	-31					-389	-31
Stressed Value-at-Risk	1 006	80					1 006	80
Incremental Risk Measure	228	18					228	18
Comprehensive Risk Measure	361	29					361	29
Total	**2 190**	**175**	**1 081**	**86**	**7 153**	**572**	**10 424**	**834**

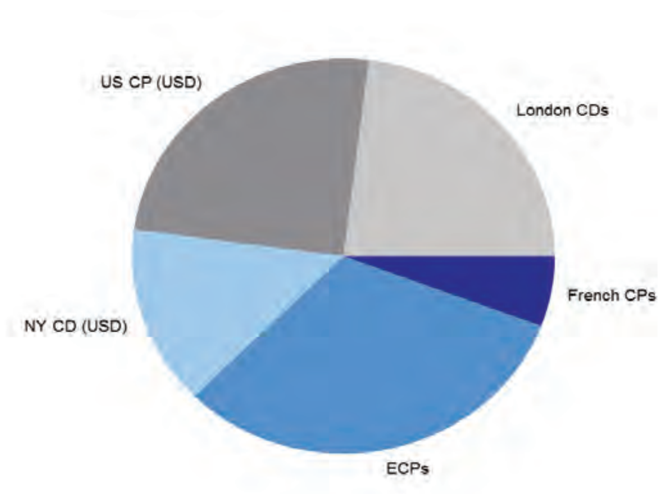
[1] Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Short-term funding

Diversification of Short-term funding programs

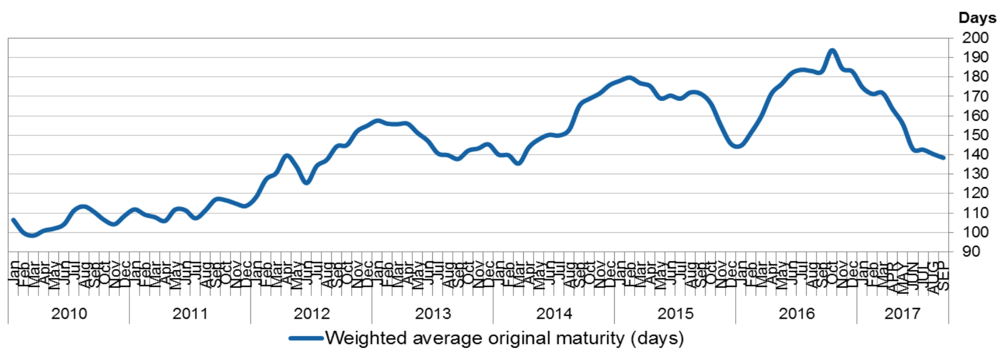
Outstanding volume of short-term funding EUR 34bn

End of Q3 2017



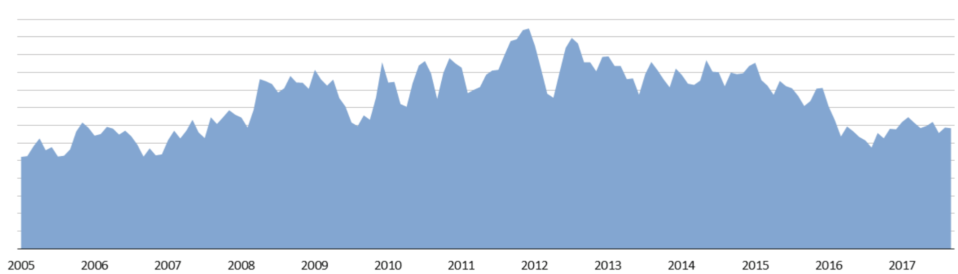
Short-term funding programs - weighted average original maturity of total issuance

End of Q3 2017



Total outstanding short-term issuance

End of Q3 2017



Liquidity buffer composition

Q3 2017

The Nordea internal buffer definition has been updated for Q3 and the historical time series has been adjusted accordingly.

According to Swedish FSA and Swedish Bankers' Association definition

as well as Nordea definition

	Currency distribution, market value in millions EUR				
EURm	**SEK**	**EUR**	**USD**	**Other**	**Sum**
Cash and balances with central banks	746	29 529	18 874	5 118	54 267
Balances with other banks	276	0	2	14	293
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks *	1 181	3 632	10 093	3 615	18 521
Securities issued or guaranteed by municipalities or other public sector entities *	1 532	779	2 202	656	5 169
Covered bonds * :					
- Securities issued by other bank or financial institute	8 988	2 137	1 060	16 539	28 724
- Securities issued by the own bank or related unit	0	36	0	395	431
Securities issued by non financial corporates *	363	204	0	0	566
Securities issued by financial corporates, excluding covered bonds *	223	59	485	2	769
All other securities **	0	0	0	0	0
Total (according to Swedish FSA and Swedish Bankers' Association definition)	**13 310**	**36 375**	**32 716**	**26 339**	**108 740**
Adjustments to Nordea's official buffer *** :	-322	-1 852	-2 561	3 187	-1 548
Total (according to Nordea definition)	**12 987**	**34 523**	**30 155**	**29 526**	**107 192**

* 0-20 % Risk weight

** All other eligible & unencumbered securities held by Treasury

*** Balances with other banks (-), markets holdings (+), central banks haircuts (-), securities issued by own bank (-)

Liquidity buffer - Nordea Group

	Q3/17	**Q2/17**	**Q1/17**	**Q4/16**	**Q3/16**
Cash and balances with central banks	54.3	69.0	66.2	43.5	60.2
Balances with other banks	0.3	0.0	0.1	0.0	0.0
Securities issued by sovereigns, central banks or multilateral development banks	18.5	18.9	19.5	21.4	19.3
Securities issued or guaranteed by municipalities	5.2	5.2	5.3	5.1	5.9
Covered bonds:					
- Securities issued by other bank or financial institute	28.7	29.8	30.3	22.7	21.4
- Securities issued by the own bank or related unit	0.4	0.1	0.9	1.0	2.0
Securities issued by non financial companies	0.6	0.2	0.5	3.0	1.7
Securities issued by financial corporates, excl. covered bonds	0.8	0.6	0.4	0.3	0.4
All other eligible and unencumbered securities	0.0	0.0	0.0	0.0	0.0
Total (according to Swedish FSA and Swedish Bankers' Association definition)	**108.7**	**123.8**	**123.2**	**97.0**	**111.0**
Adjustments to Nordea's official buffer:	-1.5	2.6	2.4	10.5	1.4
Total	**107.2**	**126.4**	**125.6**	**107.5**	**112.4**

Assets and liabilities in foreign currency

Q3 2017

EURbn	EUR	DKK	NOK	SEK	USD	Other	Not distributed	Total
Cash balances with central banks	29.5	4.8	0.1	0.7	18.9	0.3		54.3
Loans to the public	85.1	79.0	49.2	87.3	17.2	2.6		320.4
Loans to credit institutions	8.4	0.4	0.4	0.9	2.2	2.0		14.4
Interest-bearing securities incl. Treasury bills	15.8	19.8	7.8	16.9	14.3	0.4	19.7	94.9
Derivatives	29.4	4.8	2.7	4.2	5.8	1.8		48.6
Other assets							82.7	82.7
Total assets	**168.3**	**108.8**	**60.3**	**110.0**	**58.4**	**7.1**	**102.5**	**615.3**
Deposits and borrowings from public	60.0	43.0	22.7	41.5	17.1	2.9		187.1
Deposits by credit institutions	27.8	3.2	5.3	3.7	12.8	1.7		54.4
Debt securities in issue	42.5	49.2	8.4	36.5	27.7	18.3		182.6
- of which CD & CP's with original maturity less than 1 year	6.7		0.1	1.6	14.1	11.7		34.2
- of which CDs with original maturity over 1 year					2.5			2.5
- of which covered bonds	17.8	48.8	7.3	31.4		0.9		106.1
- of which other bonds	18.0	0.4	1.0	3.5	11.1	5.7		39.8
Subordinated liabilities	4.1		0.1	0.7	3.9	0.4		9.2
Derivatives	26.6	4.7	2.4	3.2	7.1	1.5		45.5
Other liabilities							104.2	104.2
Equity	20.6	4.6	2.8	3.7		0.6		32.3
Total liabilities and equity	**181.6**	**104.7**	**41.7**	**89.1**	**68.7**	**25.3**	**104.2**	**615.3**
Position not reported/distributed on the balance sheet	13.3	-4.2	-18.5	-20.8	10.3	18.3		
Net position, currencies		-0.1	0.1	0.1		0.1		

Maturity analysis for assets and liabilities

Q3 2017

EURbn	<1 month	1-3 months	3-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Not specified	Total
Cash balances with central banks	53.9	0.4							54.3
Loans to the public	47.8	16.0	23.6	24.3	57.0	43.2	108.6		320.4
- of which repos	14.4	2.2	0.6						17.1
Loans to credit institutions	7.4	3.8	1.0	1.0	1.0				14.4
- of which repos	5.0	3.6							8.6
Interest-bearing securities incl. Treasury bills	75.2							19.7	94.9
Derivatives								48.6	48.6
Other assets								82.7	82.7
Total assets	**184.3**	**20.2**	**24.6**	**25.4**	**58.0**	**43.2**	**108.6**	**151.1**	**615.3**
Deposits and borrowings from public	25.2	6.0	7.3	0.8	0.1			147.6	187.1
- of which repos	6.9	1.8	0.5						9.1
Deposits by credit institutions	40.6	7.5	2.6	0.1	3.6				54.4
- of which repos	11.3	3.3	1.1						15.7
Debt securities in issue	12.7	12.6	39.2	28.8	55.6	12.6	21.1		182.6
- of which CD & CP's with original maturity less than 1 year	9.6	11.9	12.7						34.2
- of which CDs with original maturity over 1 year		0.4	0.3	1.8					2.5
- of which covered bonds	1.4		19.8	20.6	36.7	7.0	20.7		106.1
- of which other bonds	1.7	0.3	6.4	6.4	18.9	5.6	0.4		39.8
Subordinated liabilities					3.7	2.3		3.1	9.2
Derivatives								45.5	45.5
Other liabilities								104.2	104.2
Equity								32.3	32.3
Total liabilities and equity	**78.5**	**26.2**	**49.1**	**29.7**	**63.0**	**14.9**	**21.2**	**332.7**	**615.3**

Maturity analysis for assets and liabilities in currencies

Q3 2017
in EURbn

SEK	<1 month	1-3 months	3-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Not specified	Total
Cash balances with central banks	0.7								0.7
Loans to the public	13.0	3.5	8.0	6.6	11.9	5.4	38.9		87.3
Loans to credit institutions	0.6		0.2		0.1				0.9
Interest-bearing securities incl. Treasury bills	16.9								16.9
Derivatives								4.2	4.2
Total assets	**31.2**	**3.5**	**8.2**	**6.6**	**12.0**	**5.4**	**38.9**	**4.2**	**110.0**
Deposits and borrowings from public	1.1	0.9	0.5					39.0	41.5
Deposits by credit institutions	3.6								3.7
Issued CDs&CPs			1.6						1.6
Issued covered bonds			7.3	6.6	17.0	0.6			31.4
Issued other bonds			0.7	0.7	1.9				3.5
Subordinated liabilities						0.4		0.2	0.7
Derivatives								3.2	3.2
Equity								3.7	3.7
Total liabilities and equity	**4.7**	**0.9**	**10.1**	**7.3**	**18.9**	**1.1**		**46.0**	**89.1**
Derivatives, net inflows/outflows	-1.8	-8.2	-0.7	-0.3	-1.7	-1.9			-14.6

DKK	<1 month	1-3 months	3-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Not specified	Total
Cash balances with central banks	4.8								4.8
Loans to the public	14.6	2.7	2.3	2.7	6.9	11.1	38.7		79.0
Loans to credit institutions	0.3	0.1							0.4
Interest-bearing securities incl. Treasury bills	19.8								19.8
Derivatives								4.8	4.8
Total assets	**39.4**	**2.8**	**2.3**	**2.7**	**6.9**	**11.1**	**38.7**	**4.8**	**108.8**
Deposits and borrowings from public	6.5	1.5	2.5	0.5	0.1			31.9	43.0
Deposits by credit institutions	2.3	0.8	0.1						3.2
Issued CDs&CPs									0.0
Issued covered bonds	1.1		9.2	8.0	9.6	0.4	20.4		48.8
Issued other bonds			0.2	0.1	0.1				0.4
Derivatives								4.7	4.7
Equity								4.6	4.6
Total liabilities and equity	**9.9**	**2.3**	**12.0**	**8.6**	**9.9**	**0.4**	**20.4**	**41.2**	**104.7**
Derivatives, net inflows/outflows	-2.5	-0.2	-1.3	0.9	-2.0				-5.2

NOK	<1 month	1-3 months	3-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Not specified	Total
Cash balances with central banks	0.1								0.1
Loans to the public	3.3	2.2	4.0	3.8	11.7	10.3	13.8		49.2
Loans to credit institutions	0.4								0.4
Interest-bearing securities incl. Treasury bills	7.8								7.8
Derivatives								2.7	2.7
Total assets	**11.6**	**2.2**	**4.0**	**3.8**	**11.7**	**10.3**	**13.8**	**2.7**	**60.3**
Deposits and borrowings from public	0.6	0.5	0.2					21.4	22.7
Deposits by credit institutions	3.5	1.6	0.2						5.3
Issued CDs&CPs		0.1							0.1
Issued covered bonds	0.1		1.1	1.5	4.4	0.1	0.1		7.3
Issued other bonds			0.2	0.3	0.3	0.3			1.0
Subordinated liabilities								0.1	0.1
Derivatives								2.4	2.4
Equity								2.8	2.8
Total liabilities and equity	**4.3**	**2.2**	**1.6**	**1.8**	**4.7**	**0.3**	**0.1**	**26.7**	**41.7**
Derivatives, net inflows/outflows	-2.0	-7.6	-2.5	-1.1	-6.1		-0.1		-19.3

Maturity analysis for assets and liabilities in currencies

Q3 2017
in EURbn

EUR	<1 month	1-3 months	3-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Not specified	Total
Cash balances with central banks	29.2	0.4							29.5
Loans to the public	13.7	4.7	7.5	8.7	19.3	14.2	17.0		85.1
Loans to credit institutions	4.9	2.6	0.2	0.3	0.4				8.4
Interest-bearing securities incl. Treasury bills	15.8								15.8
Derivatives								29.4	29.4
Total assets	**63.5**	**7.7**	**7.7**	**9.0**	**19.8**	**14.2**	**17.0**	**29.4**	**168.3**
Deposits and borrowings from public	7.7	2.6	3.5	0.3				45.9	60.0
Deposits by credit institutions	20.2	2.6	1.5		3.6				27.8
Issued CDs&CPs	1.0	1.8	3.9						6.7
Issued covered bonds	0.1		2.2	3.9	5.3	5.9	0.2		17.8
Issued other bonds	1.3	0.2	2.4	2.6	7.2	3.9	0.4		18.0
Subordinated liabilities					1.8	1.8		0.5	4.1
Derivatives								26.6	26.6
Equity								20.6	20.6
Total liabilities and equity	**30.3**	**7.3**	**13.5**	**6.8**	**18.0**	**11.6**	**0.7**	**93.5**	**181.6**
Derivatives, net inflows/outflows	2.0	14.1	0.3	-1.0	5.1	0.8	-0.2		21.2

USD	<1 month	1-3 months	3-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Not specified	Total
Cash balances with central banks	18.9								18.9
Loans to the public	2.2	2.2	1.5	2.4	6.8	1.9	0.1		17.2
Loans to credit institutions	0.9	1.1	0.1	0.1					2.2
Interest-bearing securities incl. Treasury bills	14.3								14.3
Derivatives								5.8	5.8
Total assets	**36.3**	**3.4**	**1.6**	**2.5**	**6.8**	**2.0**	**0.1**	**5.8**	**58.4**
Deposits and borrowings from public	9.0	0.5	0.5					7.1	17.1
Deposits by credit institutions	10.0	2.1	0.6	0.1					12.8
Issued CDs&CPs	5.7	5.2	3.9	1.8					16.6
Issued covered bonds									
Issued other bonds	0.4		2.1	2.0	6.6	0.1			11.1
Subordinated liabilities					1.9			1.9	3.9
Derivatives								7.1	7.1
Equity									
Total liabilities and equity	**25.2**	**7.8**	**7.1**	**3.8**	**8.5**	**0.1**		**16.2**	**68.7**
Derivatives, net inflows/outflows	3.3	3.1	1.6	-1.4	1.9	0.1	0.1		8.7

OTHER	<1 month	1-3 months	3-12 months	1-2 years	2-5 years	5-10 years	> 10 years	Not specified	Total
Cash balances with central banks	0.3								0.3
Loans to the public	1.1	0.5	0.2	0.2	0.3	0.3			2.6
Loans to credit institutions	0.4		0.5	0.6	0.5				2.0
Interest-bearing securities incl. Treasury bills	0.4								0.4
Derivatives								1.8	1.8
Total assets	**2.2**	**0.6**	**0.7**	**0.8**	**0.8**	**0.3**		**1.8**	**7.1**
Deposits and borrowings from public	0.3	0.1	0.1					2.4	2.9
Deposits by credit institutions	1.0	0.5	0.2						1.7
Issued CDs&CPs	2.9	5.1	3.7						11.7
Issued covered bonds				0.6	0.3				0.9
Issued other bonds			0.9	0.8	2.8	1.2			5.7
Subordinated liabilities						0.1		0.3	0.4
Derivatives								1.5	1.5
Equity								0.6	0.6
Total liabilities and equity	**4.2**	**5.7**	**4.8**	**1.4**	**3.0**	**1.4**		**4.8**	**25.3**
Derivatives, net inflows/outflows	0.2	1.4	7.8	1.7	3.0	1.4	0.3		15.8

Liquidity Coverage Ratio Subcomponents

Q3 2017
in EURbn

	Combined		USD		EUR	
EURbn	**After factors**	**Before factors**	**After factors**	**Before factors**	**After factors**	**Before factors**
Liquid assets level 1	79.4	79.4	30.8	30.8	35.3	35.3
Liquid assets level 2	26.4	31.0	1.5	1.8	1.8	2.2
Cap on level 2	0.0	0.0	0.0	0.0	0.0	0.0
A. Liquid assets total	**105.8**	**110.5**	**32.3**	**32.6**	**37.1**	**37.4**
Customer deposits	50.1	177.9	10.8	16.6	16.9	59.6
Market borrowing	30.0	55.8	13.1	15.1	8.9	25.2
Other cash outflows	19.1	56.1	0.9	5.7	3.8	15.4
B. Cash outflows total	**99.1**	**289.9**	**24.8**	**37.3**	**29.7**	**100.2**
Lending to non-financial customer	6.6	13.3	0.6	1.2	2.0	4.0
Other cash inflows	18.3	49.7	4.1	4.6	7.8	22.6
Limit on inflows	0.0	0.0	0.0	0.0	0.0	0.0
C. Total inflows	**25.0**	**63.0**	**4.7**	**5.8**	**9.9**	**26.6**
LCR Ratio [A/(B-C)]	**143%**		**161%**		**187%**	

* Corresponds to Chapter 4, Articles 10-13 in Swedish LCR regulation, containing e.g. portion of corporate deposits, market funding, repos and other secured funding

** Corresponds to Chapter 4, Articles 14-25, containing e.g. unutilised credit and liquidity facilities, collateral need for derivatives and derivative outflows

For Nordea Ab Norway Branch combined LCR, as specified by Delegated Act, was 153%, NOK LCR 87%, EUR LCR 236% and USD LCR 392%.
For Nordea Eiendomskreditt corresponding figures were: combined LCR 1026%, NOK LCR 1027% and GBP LCR 0%.

Asset Encumbrance

Q3 2017

EURm

Template A-Assets

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	161 253		390 667	
030	Equity instruments	1 660	1 660	6 484	6 484
040	Debt securities	22 400	22 400	52 736	52 736
120	Other assets	24 501		59 049	

Template B-Collateral received

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	14 722	45 582
150	Equity instruments	1	1 537
160	Debt securities	14 721	15 736
230	Other collateral received	0	4 760
240	**Own debt securities issued other than own covered bonds or ABSs**	0	9

Template C-Encumbered assets/collateral received and associated liabilities

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	161 505	174 356

D - Information on importance of encumbrance

The main source of encumbrance for Nordea is covered bond issuance programs where the required overcollateralization levels are defined according to the relevant statutory regimes. Other contributors to encumbrance are derivatives and repos where the activity is concentrated to Finland. Historically, the evolution of asset encumbrance for Nordea has been stable over time which illustrates the fact that the asset encumbrance for Nordea is a reflection of a structural phenomenon of the Scandinavian financial markets and savings behavior. Major part of the unencumbered assets are loans and the rest are equity instruments, debt securities and other assets.

Nordea
General information

Personal Banking and Commercial & Business Banking - Market shares

Banking Denmark

	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Mortgage lending	16.9%	17.1%	17.2%	17.2%	17.3%	17.3%	17.3%
Consumer lending	17.7%	17.8%	18.0%	18.2%	18.5%	18.7%	19.0%
Corporate lending	20.1%	20.5%	21.5%	22.1%	22.4%	22.3%	23.0%
Household deposits	21.6%	21.5%	22.0%	22.1%	22.4%	22.7%	22.9%
Corporate deposits	27.1%	24.4%	25.4%	24.3%	24.7%	23.7%	25.9%

Banking Finland

	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Mortgage lending	29.8%	29.7%	29.8%	29.8%	30.0%	30.1%	30.2%
Consumer lending	29.8%	30.2%	30.3%	30.3%	30.3%	30.4%	30.6%
Corporate lending	25.6%	26.1%	26.3%	27.0%	27.0%	27.2%	27.5%
Household deposits	28.2%	28.4%	28.3%	28.6%	28.8%	29.1%	29.0%
Corporate deposits	31.6%	31.1%	30.6%	30.4%	36.5%	35.1%	34.6%

Banking Norway

	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Mortgage lending	10.5%	10.6%	10.7%	10.8%	11.0%	11.1%	11.1%
Consumer lending	7.2%	6.7%	6.8%	6.9%	7.1%	7.3%	7.4%
Corporate lending	11.1%	11.3%	11.0%	11.5%	11.4%	11.5%	11.6%
Household deposits	7.1%	7.1%	7.2%	7.4%	7.6%	7.7%	7.8%
Corporate deposits	12.6%	11.5%	11.7%	12.0%	12.3%	11.9%	11.8%

Banking Sweden

	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Mortgage lending	14.9%	15.1%	15.3%	15.3%	15.4%	15.4%	15.4%
Consumer lending	6.0%	5.8%	5.9%	6.1%	6.2%	6.4%	6.4%
Corporate lending	12.1%	12.2%	12.3%	11.9%	12.3%	12.4%	13.2%
Household deposits	14.0%	14.0%	14.2%	14.0%	14.2%	14.2%	14.5%
Corporate deposits	15.0%	15.0%	16.7%	14.0%	13.9%	14.3%	15.5%

Banking Baltic countries

	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Mortgage lending	14.7%	14.9%	15.0%	15.1%	15.2%	15.2%	15.2%
Consumer lending	4.6%	5.0%	5.0%	5.2%	5.3%	5.5%	5.7%
Corporate lending	18.1%	18.2%	18.1%	17.9%	17.6%	17.7%	18.0%
Household deposits	5.1%	5.2%	5.3%	5.4%	5.4%	5.4%	5.3%
Corporate deposits	12.2%	12.1%	11.6%	9.9%	10.1%	10.1%	9.7%

Payments and transactions - Online banking

Private netbank customers, active

Thousands	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Denmark	1 002	1 010	1 017	1 059	1 049	1 058	1 064	1 053	1 043
Finland	1 399	1 399	1 399	1 399	1 397	1 402	1 405	1 398	1 391
Norway	298	309	310	307	315	322	316	313	364
Sweden	1 353	1 365	1 372	1 375	1 361	1 379	1 379	1 381	1 353
Nordea	**4 051**	**4 084**	**4 099**	**4 140**	**4 123**	**4 161**	**4 164**	**4 145**	**4 151**

Private netbank logons

Thousands	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Denmark	12 269	12 966	13 870	13 594	12 985	13 791	14 326	13 950	13 618
Finland	30 241	30 241	30 241	32 350	33 445	36 012	34 597	37 977	37 579
Norway	5 061	5 605	5 752	5 610	5 483	6 065	5 829	5 821	5 392
Sweden	22 778	24 715	24 884	25 632	25 074	26 791	26 704	27 373	26 190
Nordea	**70 350**	**73 527**	**74 747**	**77 188**	**76 988**	**82 659**	**81 456**	**85 120**	**82 778**

Private netbank transactions

Thousands	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Denmark	5 951	6 398	6 691	7 031	6 529	7 128	7 308	7 421	7 127
Finland	29 100	29 100	29 100	30 494	29 775	30 261	30 236	30 823	28 916
Norway	4 424	4 651	5 086	6 054	5 825	5 994	6 165	6 054	6 116
Sweden	17 189	17 882	18 438	18 635	15 959	18 420	18 888	18 928	17 899
Nordea	**56 663**	**58 031**	**59 314**	**62 214**	**58 088**	**61 803**	**62 596**	**63 226**	**60 058**

Mobile logins

Thousands	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Denmark	28 977	29 422	26 540	26 289	24 833	26 245	23 877	21 367	20 467
Finland	36 193	34 655	29 952	29 225	26 606	25 096	22 365	20 897	19 419
Norway	12 202	12 714	11 067	11 187	10 735	10 876	9 389	8 603	7 940
Sweden	64 427	66 428	57 419	57 852	55 245	55 887	48 371	45 547	43 141
Nordea	**141 799**	**143 219**	**124 978**	**124 553**	**117 419**	**118 105**	**104 002**	**96 414**	**90 968**

Mobile transactions

Thousands	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Denmark	5 359	6 257	5 590	5 664	5 407	5 683	5 154	5 004	4 710
Finland	8 660	8 620	7 385	7 092	6 331	5 801	5 198	4 843	4 356
Norway	2 500	2 660	2 393	2 425	2 269	2 277	2 027	1 932	1 729
Sweden	15 560	16 343	14 558	14 964	14 233	14 050	12 510	11 893	11 128
Nordea	**32 079**	**33 880**	**29 927**	**30 145**	**28 239**	**27 811**	**24 889**	**23 672**	**21 923**

Digital touch points (Private Netbank, Mobile and Contact Centre)

Thousands	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Denmark	40 419	42 294	41 763	41 078	39 006	41 245	39 409	36 373	35 164
Finland	65 191	64 199	60 906	62 281	60 717	61 496	57 614	59 631	57 613
Norway	17 694	19 112	17 744	18 066	17 448	18 131	16 495	15 790	14 533
Sweden	86 730	91 455	84 199	86 175	82 985	85 288	77 604	76 166	71 824
Nordea	**210 034**	**217 061**	**204 612**	**207 601**	**200 155**	**206 160**	**191 122**	**187 960**	**179 133**

Cards

Credit Cards

Thousands	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Denmark	404	408	412	423	428	427	424	426	426
Finland	1 608	1 600	1 622	1 619	1 634	1 631	1 626	1 648	1 640
Norway	240	240	242	249	245	241	236	236	257
Sweden	831	831	881	886	885	889	891	891	892
Nordea	**3 083**	**3 079**	**3 157**	**3 177**	**3 192**	**3 188**	**3 177**	**3 201**	**3 215**

Debit Cards

Thousands	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Denmark	1 341	1 343	1 344	1 383	1 434	1 429	1 401	1 374	1 359
Finland	1 177	1 176	1 181	1 188	1 198	1 201	1 207	1 213	1 213
Norway	570	564	569	581	590	591	593	597	582
Sweden	1 911	1 912	1 915	1 916	1 917	1 911	1 908	1 909	1 908
Nordea	**4 999**	**4 995**	**5 009**	**5 068**	**5 139**	**5 132**	**5 109**	**5 093**	**5 062**

Macroeconomic data - Nordic region

%	Country	2014	2015	2016	2017E	2018E	2019E
Gross domestic product	Denmark	1.7	1.6	1.7	2.2	2.0	1.9
	Finland	-0.6	0.3	1.5	3.0	2.0	1.5
	Norway	2.2	1.1	0.8	2.0	2.3	2.0
	Sweden	2.7	3.8	2.9	2.7	2.5	2.1
Inflation	Denmark	0.6	0.5	0.3	1.1	1.5	1.8
	Finland	1.0	-0.2	0.4	0.9	1.0	1.3
	Norway	2.0	2.2	3.6	1.9	1.0	1.2
	Sweden	-0.2	0.0	1.0	1.9	1.6	2.3
Private consumption	Denmark	0.5	1.9	1.9	2.3	2.1	2.0
	Finland	0.8	1.5	1.9	1.5	1.3	1.4
	Norway	1.9	2.1	1.6	2.5	2.4	2.7
	Sweden	2.1	2.7	2.2	2.5	2.3	2.0
Unemployment	Denmark*	5.0	4.6	4.2	4.4	4.2	3.9
	Finland	8.7	9.3	8.8	8.6	8.3	8.0
	Norway	3.5	4.4	4.7	4.3	4.0	3.8
	Sweden	7.9	7.4	6.9	6.7	6.5	6.4

Registered unemployment rate

Source: Nordea Markets, updated Economic Outlook 2017

Macroeconomic data - Russia and Baltic countries

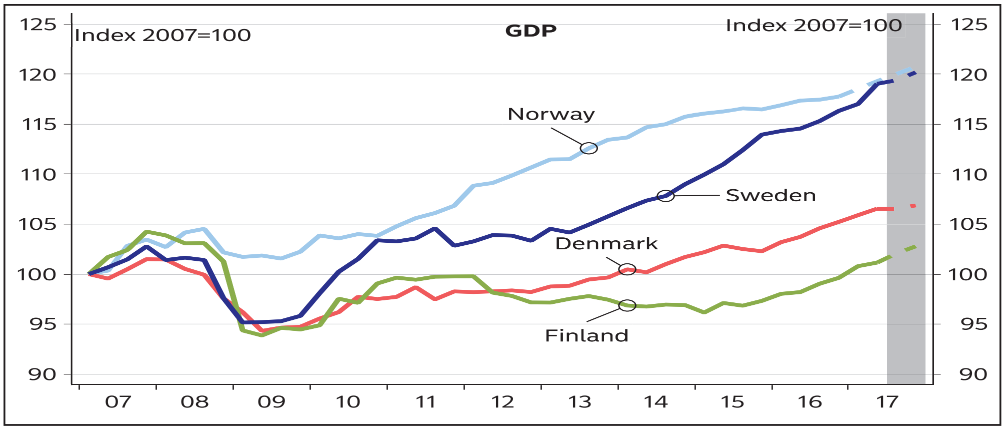
%	Country	2014	2015	2016	2017E	2018E	2019E
Gross domestic product	Estonia	2.8	1.4	1.6	3.3	2.9	2.8
	Latvia	2.1	2.7	2.0	4.0	3.8	2.8
	Lithuania	3.5	1.8	2.3	3.8	3.5	3.0
	Russia	0.7	-2.8	-0.2	1.6	1.4	1.5
Inflation	Estonia	-0.1	-0.5	0.1	3.3	2.5	2.4
	Latvia	0.6	0.2	0.2	3.0	3.9	2.8
	Lithuania	0.2	-0.7	0.7	3.8	3.4	2.5
	Russia	7.8	15.5	7.1	4.0	4.0	4.0
Private consumption	Estonia	3.3	4.7	4.1	2.0	4.1	2.9
	Latvia	1.3	3.5	3.4	4.5	4.0	2.6
	Lithuania	4.3	4.1	5.6	3.8	3.2	2.9
	Russia	1.5	-9.6	-4.0	2.5	2.3	2.0
Unemployment	Estonia	7.3	6.2	6.8	7.0	8.8	9.4
	Latvia	10.8	9.9	9.7	8.2	7.5	7.2
	Lithuania	10.7	9.2	7.9	7.3	6.5	6.1
	Russia	5.2	5.6	5.5	5.3	5.2	5.2

Source: Nordea Markets, updated Economic Outlook 2017

Market development - interest rates

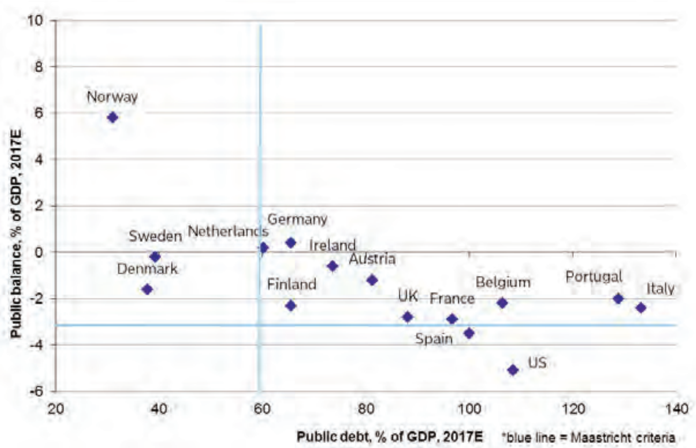
Market rates	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Chg Q3/Q3
Short. EUR (1W Eonia)	-0.40	-0.39	-0.42	-0.42	-0.39	-0.42	-0.01
Long. EUR (5 years)	0.25	0.29	0.19	0.08	-0.15	-0.06	0.40
Short. DK	-0.52	-0.49	-0.50	-0.53	-0.47	0.00	-0.06
Long. DK	0.42	0.48	0.39	0.32	0.12	0.18	0.30
Short. NO	0.38	0.53	0.73	0.70	1.00	0.67	-0.63
Long. NO	1.49	1.50	1.50	1.56	1.25	0.94	0.24
Short. SE	-0.58	-0.50	-0.58	-0.25	-0.50	-0.35	-0.08
Long. SE	0.46	0.43	0.34	0.26	-0.07	-0.01	0.53

Nordic GDP index, quarterly 2007-2017 Q3



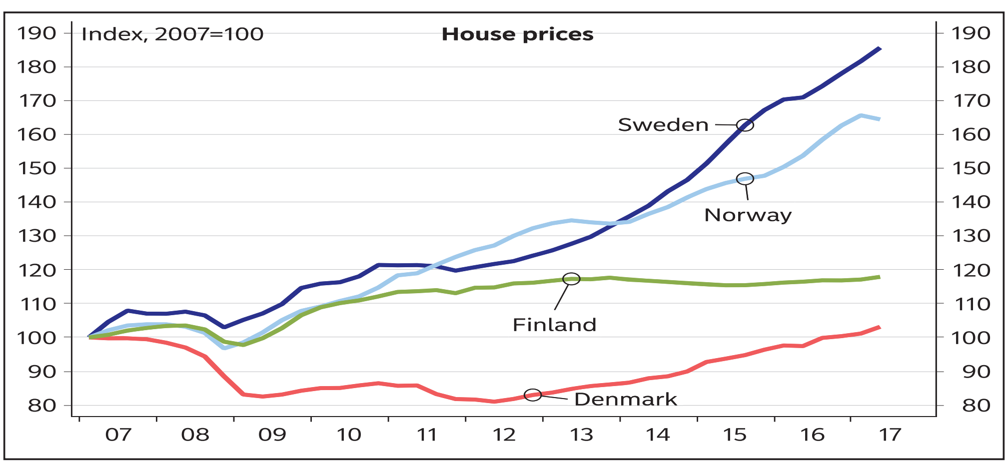
Source: Nordea Markets and Macrobond

Europe public finances, 2017 Estimate



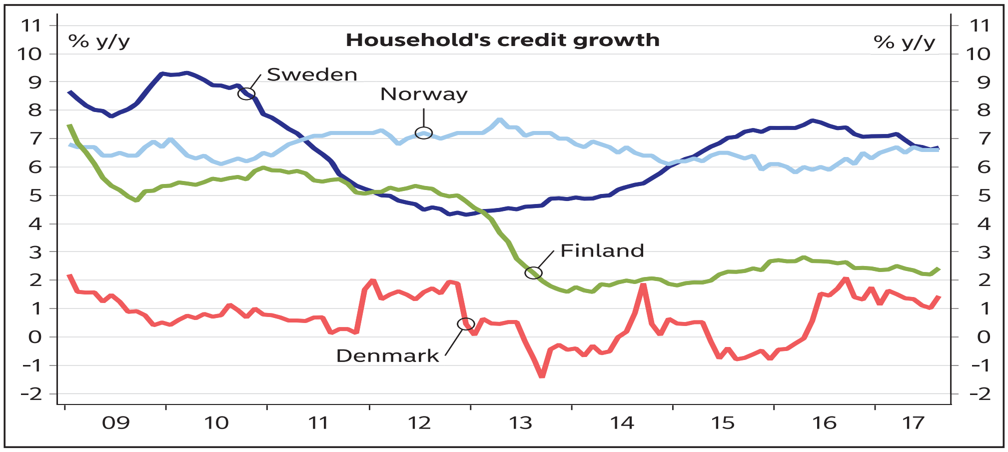
Source: Nordea Markets and EC Winter 2017 Forecasts

Nordic house price development index, quarterly 2007-2017 Q2



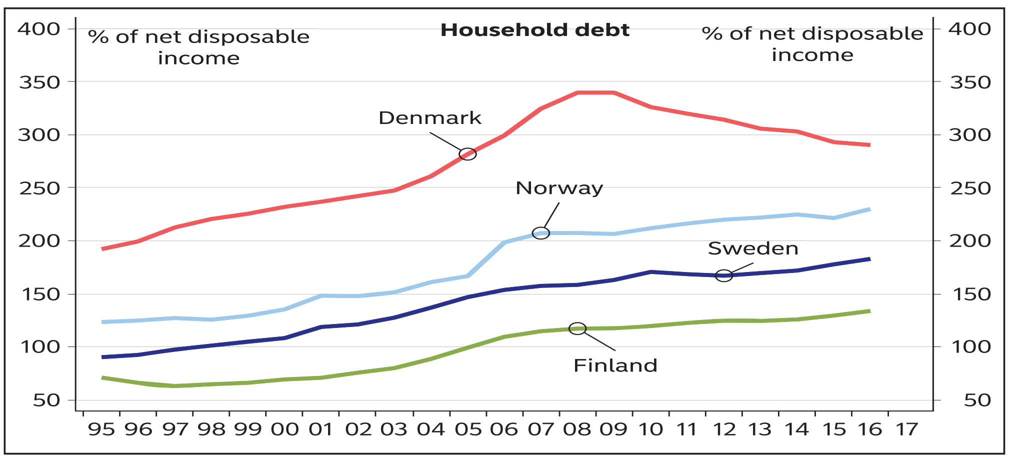
Source: Nordea Markets and Macrobond

Nordic households credit development index, monthly Jan 2009-Aug 2017



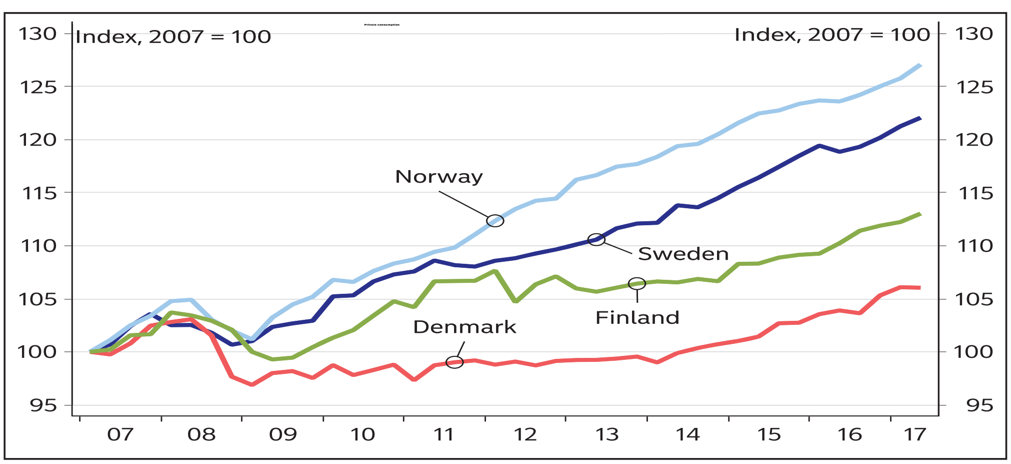
Source: Nordea Markets and Macrobond

Nordic household debt to disposable income developments, annually 1995-2016



Source: Nordea Markets and Macrobond

Private consumption development index, quarterly 2007-2017 Q2



Source: Nordea Markets and Macrobond

This publication is a supplement to quarterly interim reports and Annual Report.
Additional information can be found at: www.nordea.com/IR

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Financial calendar 2018

11-24 January 2018	Silent period
25 January 2018	Fourth Quarter Report 2017
15 March 2018	Nordea's Annual General Meeting 2018
04-24 April 2018	Silent period
25 April 2018	First Quarter Report 2018
06-18 July 2018	Silent period
19 July 2018	Second Quarter Report 2018
04-23 October 2018	Silent period
24 October 2018	Third Quarter Report 2018

Nordea

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Public Exhibit 4

2016 Capital and Risk Management (Pillar III) Report

[Attached Separately]

<u>Public Exhibit 5</u>

Memorandum of Understanding on Prudential Supervision of Significant Branches in Sweden, Norway, Denmark and Finland

MEMORANDUM OF UNDERSTANDING

BETWEEN FINANSINSPEKTIONEN (SWEDEN), FINANSTILSYNET (NORWAY), FINANSTILSYNET (DENMARK), FINANSSIVALVONTA (FINLAND) and the EUROPEAN CENTRAL BANK

on prudential supervision of significant branches in Sweden, Norway, Denmark and Finland

2 December 2016

I. OBJECTIVE AND SCOPE

1. Article 49(1) of Directive 2013/36/EU of the European Parliament and of the Council[1] recognises that the prudential supervision of a credit institution is the responsibility of the competent authority of the home Member State, without prejudice to those provisions of Directive 2013/36/EU that give responsibility to the competent authority of the host Member State.

2. Article 6(4) of Council Regulation EU No 1024/2013[2] recognises that, in accordance with Article 4(2) of that Regulation, the European Central Bank (ECB) exercises the powers of the competent authority of the host Member State where a branch of a credit institution is significant within the meaning of Article 6(4) of Regulation (EU) No 1024/2013.

3. In accordance with Article 51 of Directive 2013/36/EU, the competent authority of a host Member State where a branch of a credit institution is located may make a request to the consolidated supervisor for that branch to be considered as significant. The competent authorities of the home and host Member States should strive to reach a joint decision on whether the branch is significant, and seek to avoid the need for the competent authority of the host Member State to make a unilateral decision on this issue.

3a. Several large Nordic banking groups have branches in Denmark, Finland, Norway and Sweden, some of which fulfil the criteria set out in the second paragraph of Article 51(1) of Directive 2013/36/EU , and are designated as significant branches under Article 51.

3b. Significant branches vary in size and importance. For large branches considered as systemically important in the country in which they operate, there is a need to intensify the collaboration between the supervisors of the host and home Member States and establish mutual understanding on reciprocity in order to mitigate systemic risk and regulatory arbitrage. This Memorandum of Understanding applies in full to large branches which, if they were subsidiaries, would be considered by the competent authority of the host Member State as systemically important credit institutions. Provisions that apply to 'large branches' do not apply to all significant branches.

4. This Memorandum of Understanding is intended to facilitate cooperation between Participants in (a) the supervision of significant branches within the meaning of Article 51 of Directive 2013/36/EU and (b) crisis management in respect of cross-border groups containing one or more such significant branches in line with Directive 2013/36/EU and Directive 2014/59/EU of the European Parliament and of the

1 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

2 Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

Council[3] and based on the following guiding principles: (i) the Participants take a reciprocal approach; (ii) the Participants take decisions jointly when applying the criteria laid down in Article 51 of Directive 2013/36/EU for the designation of branches as significant; and (iii) the Participants take a risk-based approach to the ongoing supervision of branches in each jurisdiction, which leads to a level of engagement that increases with the importance of the significant branches in that jurisdiction. The level of engagement will be further specified in the credit institution-specific written cooperation and coordination arrangements.

4a. The Participants acknowledge that the degree of cooperation among them is subject to Union law and has been devised taking into account the current level of cooperation among competent authorities of the Nordic countries.

5. The enhanced cooperation provided for in this Memorandum of Understanding only applies to each Participant insofar as it concerns a matter for which that Participant is competent under Union law. The competences of the ECB that are relevant for this Memorandum of Understanding are those in Regulation (EU) No 1024/2013. Therefore, the provisions of this Memorandum of Understanding concerning information and communications technology (ICT), payment systems and payment services, anti-money laundering and terrorism financing, and consumer protection do not apply to the ECB.

6. In the light of the possible impact that significant branches may have on the financial system of a host Member State, including through the channel of payment systems and payment services, the Participants recognise the need for effective and efficient cooperation in respect of the supervision of significant branches located within the Nordic region, in line with Directive 2007/64/EU of the European Parliament and of the Council[4], Directive 2013/36/EU and Directive 2014/59/EU. Furthermore, the Participants recognise the importance of close cooperation on supervisory activities and also the importance of striving for a high level of transparency and information-sharing in order to ensure sound cross-border supervision.

7. While recognising that the main responsibility for the supervision of significant branches remains with the competent authority of the home Member State, the Participants acknowledge the need for that competent authority to carefully consider supervisory and local market concerns regarding significant branches raised by the competent authorities of the host Member State pursuant to Article

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3 Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).

4 Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (OJ L 319, 5.12.2007, p. 1).

7 of Directive 2013/36/EU.

II. DEFINITIONS

8. For the purposes of this Memorandum of Understanding the terms and expressions have the same meaning as in Directives 2013/36/EU and 2014/59/EU, unless stated otherwise.

9. The following definitions apply:

a. ‘competent authority of the home Member State’ means a Participant that has granted authorisation to a credit institution that has a significant branch in another signatory country, including the ECB with regard to specific tasks conferred on it by Council Regulation (EU) No 1024/2013;
b. ‘competent authority of the host Member State’ means the Participant within whose territory a significant branch is located, including the ECB with regard to specific tasks conferred on it by Article 4(2) of Regulation (EU) No 1024/2013;
c. ‘significant branch’ means a branch that is designated as significant under Article 51(1) of Directive 2013/36/EU;
d. 'large branch' means a significant branch considered by the competent authority of the host Member State as systemically important in the country it operates, i.e. it would have been designated as a significant credit institution (O-SII) if it was a subsidiary instead of a branch;
e. ‘inspection’ means any on-site inspection or on-the-spot check conducted by the competent authority of the home Member State or the competent authority of the host Member State in accordance with the applicable laws in their respective jurisdictions;
f. ‘outsourcing’ means a contractual agreement with another legal entity regarding the performance of certain services, such as information technology (IT), data storage, or a control and compliance function;
g. ‘internal outsourcing’ means the entrustment of tasks within the same legal entity, such as internal service level agreements.
h. ‘critical functions’ has the same meaning as defined in Article 2(35) of Directive 2014/59/EU, also including critical functions in the host Member State.

10. Finanstilsynet (Denmark), Finanssivalvonta (Finland), the European Central Bank, Finanstilsynet, (Norway) and Finansinspektionen (Sweden) are hereafter separately and jointly referred to as the ("Participant or Participants”).

III. GENERAL PROVISIONS

11. Enhanced cooperation among the Participants will take place in accordance with, and without prejudice to, their responsibilities under national and Union law. This Memorandum of Understanding is without prejudice to the Participants' respective institutional responsibilities and does not restrict their capacity for independent and timely decision-making in their respective fields of competence, notably with regard to the conduct of day-to-day supervisory tasks.

12. For the purposes of this Memorandum of Understanding the principle of proportionality is applied where appropriate. The intensity of supervision will be determined by the competent authorities of the home and host Member States on a case-by-case basis using a risk-based analysis, taking into account the systemic impact of the branch in the country in which it operates and/or in the euro area or European Economic Area, as appropriate, as a whole. The Participants agree that the highest level of cooperation applies to the large branches.

13. This Memorandum of Understanding represents the shared understanding of the Participants. As the provisions of this Memorandum are not legally binding on the Participants, they may not give rise to any legal claim on behalf of any Participant or third parties in the course of their practical implementation.

14. This Memorandum of Understanding does not affect any provisions under other multilateral or bilateral agreements in force and applicable to the Participants. Its purpose is to complement existing agreements and applicable Union law.

15. This Memorandum of Understanding is without prejudice to other arrangements on cooperation between the Participants.

IV. EXCHANGE OF INFORMATION

16. The Participants acknowledge that the exchange of information under this Memorandum of Understanding is to be carried out in accordance with Articles 50, 51 and, if applicable, 116 of Directive 2013/36/EU, and Article 415(5) of Regulation (EU) No 575/2013/EU of the European Parliament and of the Council[5]. The exchange of information shall contribute to the effective and efficient supervision of significant branches, in order to protect depositors, investors and consumers, ensure the secure and reliable operation of payment services and systems and the sound operation of ICT systems and information security, and contribute to financial stability within the Nordic region and the euro area. In

[5] 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 and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

accordance with the principle of proportionality, the scope of the information exchanged may differ from case to case.

17. Information should be exchanged in accordance with Directive 2013/36/EU and the relevant Commission delegated regulations specifying the information that competent authorities of home and host Member States supply to one another and Commission Implementing Regulation (EU) No 620/2014[6] laying down implementing technical standards with regard to information exchange between competent authorities of home and host Member States.

18. The Participants acknowledge that all information regarding large branches relevant for the appropriate performance of the supervision of such branches should be available to the competent authority of the host Member State.

In view of the current level of cooperation among the Nordic supervisory authorities and the history of extensive information-sharing among these authorities, the Participants acknowledge the importance of continued extensive information-sharing so that information regarding the group should be available to the competent authority of the host Member State. The Participants take into account Article 50 of Directive 2013/36/EU, which requires the Participants to supply one another with all information to facilitate the monitoring of credit institutions, in particular with regard to liquidity, solvency, deposit guarantee, the limiting of large exposures, other factors that may influence the systemic risk posed by the credit institution, administrative and accounting procedures and internal control mechanisms. The Participants will apply the principle of proportionality when assessing the relevance of information relating to the group.

Taking into account both the principle of proportionality and recognising the current level of cooperation among the Nordic countries, depending upon the relevance of the significant branch - to be further specified in the written cooperation and coordination arrangements, the information to be exchanged, may include, but is not limited to, the following:

- Liquidity reports from the group in accordance with Article 415 of Regulation (EU) No 575/2013/EU. The reports should be provided to the competent authority of the host Member State when they are received and no later than at the time when they are provided to the European Banking Authority as required under Article 415(5) of the Regulation.
- Internal ratings-based data as reported in the Common European Reporting standard (COREP) on a quarterly basis.

6 Commission Implementing Regulation (EU) No 620/2014 of 4 June 2014 laying down implementing technical standards with regard to information exchange between competent authorities of home and host Member States, according to Directive 2013/36/EU of the European Parliament and of the Council (OJ L 172, 12.6.2014, p. 1).

- Documentation in relation to applications for the permissions and notifications of changes referred to in Article 143, Article 151(4) and (9), and Articles 283, 312 and 363 of Regulation (EU) No 575/2013/EU.
- Information regarding operational risk incidents and operational risk losses including any substantial faults or disruptions in services provided to customers or in payment services or IT systems, including those caused by cyber-attacks or information security incidents and threats, as well as disruptions or faults that damage or jeopardise the capacity of the branch and/or group to continue its business activities or fulfil its obligations as a payment system and payment service provider.
- Management information insofar as it is relevant to that branch, including but not limited to regular reports from the branch's management (e.g. risk reports, reports on breach of limits, reports on IT, internal audit reports, country-level risk appetite reports, internal risk classification of the credit portfolio, and operational and compliance risk reports), any offering of significant new products or services not covered by Article 39 of Directive 2013/36/EU, any upcoming major changes in IT systems, and business continuity and contingency arrangements.
- Significant supervisory risk metrics used by the competent authority of the host Member State.
- Recovery plans.
- Reports from internal auditors focusing, inter alia, on the branch's position within the group.
- The external auditor's findings if relevant in order to understand the group's overall risk profile or the risk profile of the branch specifically, and reports submitted to the group and the branch pursuant to inspections, and any other supervisory remarks, as well as communication between the group and the competent authority relevant in order to obtain an understanding or knowledge of the group's overall risk profile or for the branch specifically.
- Data reported to the competent authority of a host Member State if relevant for the competent authority of the home Member State for the coordination of the supervision of the group.

Other information the supervisory college may find relevant to exchange among the Participants are, for example additional risk and audit reports, in accordance with the special nature of the Nordic supervisory cooperation. Such information will be further specified in credit institution-specific decisions on information exchange taken by the supervisory colleges. Detailed lists specifying the information to be shared will be agreed in the supervisory colleges as soon as this Memorandum of Understanding is signed.

19. In stress situations, the competent authorities of the home Member State should, in accordance with

Article 17 of Commission Delegated Regulation (EU) No 524/2014[7], immediately notify the relevant competent authorities of the host Member State and provide information on, inter alia, the following: (i) the expected impact of the stress on the liquidity of the group as well as on the liquidity position of the branches in the host Member States; (ii) the measures that have been taken or are planned in order to mitigate the liquidity stress; and (iii) the latest available quantitative information regarding liquidity specified in points (c) to (h) of Article 4(1) of the Delegated Regulation.

20. If a request for information is denied or the information requested is not available, the Participant to which the request was addressed will endeavour to provide reasons for not sharing the information.

21. Both the request for information and the delivery of the information (as applicable), should be made in writing, regardless of the format (paper, electronic communication or other). Both the request for information and the communication of the requested information will be addressed by the Participants primarily through the designated contact persons. In urgent circumstances, requests may be made by telephone, provided that they are subsequently confirmed in writing within five working days. Information will not be shared until the written request is received, except in urgent circumstances.

22. The Participants undertake to exchange information actively, both at their own initiative and/or when requested, and in a timely manner, and to make reasonable efforts to ensure that the information exchanged meets the need of the Participants involved, particularly the need of the competent authority of the host Member State(s) as regards information on branch activities and branch risk profiles.

23. The Participants will endeavour to provide adequate and accurate information, thereby facilitating the efficient, effective and full performance of supervisory tasks.

V. PRINCIPLES OF PRUDENTIAL SUPERVISION

24. The Participants agree that in order to facilitate their enhanced cooperation the competent authorities of the relevant home and host Member States should establish a college of supervisors, which should be chaired by the competent authority of the home Member State. The establishment and functioning of the college should be based on written coordination and cooperation arrangements to be determined, after consulting the competent authorities concerned, by the competent authority of the home Member State in accordance with Article 51 of Directive 2013/36/EU.

7 Commission Delegated Regulation (EU) No 524/2014 of 12 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the information that competent authorities of home and host Member States supply to one another (OJ L 148, 20.5.2014, p. 6).

25. The relevant competent authority of the home Member State and the competent authorities of the host Member States should collaborate closely in order to supervise the activities of significant branches operating in host Member States, in accordance with Article 51 of Directive 2013/36/EU.

26. If the supervisory college is organised in such a way that there is a core college sub-structure, the competent authority of the home Member State should consider inviting the competent authority of the relevant host Member State in which a significant branch is located, to participate in the core college. Where the branch is considered as a large branch, the competent authority of the home Member State should invite the competent authority/authorities of the relevant host Member State(s) to participate in the core college.

27. The Participants recognise that the functioning of the supervisory colleges will be governed by Commission Delegated Regulation (EU) 2016/98[8] and Commission Implementing Regulation (EU) 2016/99[9] as well as by college-specific written coordination and cooperation arrangements to be entered into by the competent authorities. The written coordination and cooperation arrangements should be comprehensive and coherent and provide an adequate basis for the Participants to discharge their relevant supervisory functions in coordination with the supervisory college.

28. The Participants should, in order to avoid duplicating tasks (including duplicating information requests addressed to the supervised entities of a group), on a regular basis consider entrustment of tasks when developing the college's supervisory examination programme. Entrustment of tasks does not alter the overall responsibility of the competent authority of the home Member State for the prudential supervision of the credit institution.

29. The competent authority of the home Member State should involve the competent authority/authorities of the relevant host Member State(s) in the supervisory review and evaluation process provided for in Article 97 of Directive 2013/36/EU, the extent of such involvement to be specified in the supervisory examination programme.

30. The competent authority of the home Member State should involve the competent authority/authorities of the relevant host Member States(s) in producing the group risk assessment report and the group liquidity risk assessment report. For example, the competent authority of the host Member State should be given the opportunity to provide the competent authority of the home Member

[8] Commission Delegated Regulation (EU) 2016/98 of 16 October 2015 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for specifying the general conditions for the functioning of colleges of supervisors (OJ L 21, 28.1.2016, p. 2).

[9] Commission Implementing Regulation (EU) 2016/99 of 16 October 2015 laying down implementing technical standards with regard to determining the operational functioning of the colleges of supervisors according to Directive 2013/36/EU of the European Parliament and of the Council (OJ L 21, 28.1.2016, p. 21).

State with contributions to the group risk assessment report and group liquidity risk assessment report. Upon request from the competent authority(s) of the host Member State(s), such contributions should be added as annexes to the draft or final group risk assessment report or group liquidity risk assessment report.

31. The competent authorities will strive to ensure that the institution at a Group level has sufficient liquidity in relevant currencies, including the currencies of countries with large branches, and that large branches should have sufficient availability of liquidity. The liquidity risk assessment should take into account liquidity in relevant currencies and the availability of liquidity to significant branches. When deciding on the adequacy of liquid assets and the composition of liquid assets to cover outflows in local currencies, the competent authority of the home Member State will take into account national requirements for domestic banks (see paragraph 46).

32. When taking a decision that will have an impact on the robustness of a group and its branches, pursuant to the current existing cooperation among the Nordic countries, including the annual decisions on liquidity and capital requirements, the competent authority of the home Member State should consult the competent authorities of the host Member State(s) prior to making the decision. The competent authority of the home Member State should not unwarrantedly dismiss any information or concerns received from the competent authorities of the host Member State. Where relevant the competent authority of the home Member State should give reasons for not taking the concerns of the competent authority of the host Member State fully into account in the final decision.

33. For large branches, the competent authority/authorities of the host Member State(s) should have the right to provide their input to the competent authority of the home Member State prior to the decisions regarding new internal models or existing internal models that have a material impact, as identified in Commission Delegated Regulation (EU) No 529/2014[10], on a group or on the exposures of a large branch. The competent authority of the home Member State should also without delay inform the competent authority/authorities of the host Member State(s) of all applications and notifications in respect of the use, extensions of, or changes in existing internal models that affect the operations of a significant branch located in the territory of a host Member State. When available and upon request, the competent authority of the home Member State should without undue delay provide the competent authority of the host Member State with validation reports regarding internal models that have a material impact on the exposures of the large branch. The competent authority/authorities of the host Member State(s) should provide the home competent authority with any information relevant for the assessment of the application to use, extend or change the model.

10 Commission Delegated Regulation (EU) No 529/2014 of 12 March 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for assessing the materiality of extensions and changes of the Internal Ratings Based Approach and the Advanced Measurement Approach (OJ L 148, 20.5.2014, p. 36).

34. The competent authority of the home Member State should invite the competent authority/authorities of the host Member State(s) to participate in on-site inspections at group level carried out by the competent authority of the home Member State in respect of activities relevant to significant branches. If the competent authority of the host Member State participates, the competent authority of the home Member State should consult the competent authority of the host Member State prior to forwarding the report to the credit institution concerned.

35. The Participants acknowledge the value and mutual benefit obtained where a competent authority of a host Member State is able to conduct on-site inspections of a significant branch. As for all planned inspections, planned inspections by the competent authorities of the host Member States should be agreed within the college and envisaged in the supervisory examination programme for the group, without prejudice to the powers and responsibilities granted to the competent authorities of the home and host Member States under Article 52(3) of Directive 2013/36/EU. The Participants should make efforts to have a coordinated inspection programme to ensure that they have a clear group-wide overview of the group's position and operations and to avoid duplication.

36. If an on-site inspection is carried out by the competent authority of the home Member State, the competent authority of the host Member State should be invited to participate and should be kept appropriately informed about the start of the on-site inspection, its purpose, main findings, the supervisory decision and any corrective measures taken. Findings of common relevance should be discussed between the competent authorities of the home and host Member States.

37. The competent authority of the host Member State may conduct ad hoc on-the-spot checks and inspections in accordance with the powers and responsibilities granted under Article 52(3) of Directive 2013/36/EU. The competent authority of the home Member State should be offered to participate in any on-the-spot checks or inspections carried out by the competent authority of the host Member State. In this case, the competent authorities of the home and host Member State should strive to reach a common understanding on the conclusions of the inspections and the message to the credit institution. If the competent authority of the home Member State cannot take into account the assessment of the competent authority of the host Member State, the competent authority of the home Member State will explain the rationale in writing prior to communicating with the credit institution. The competent authority of the home Member State should without unnecessary delay inform the credit institution. If the competent authority of the home Member State does not participate in the inspection, the competent authority of the host Member State may communicate its findings directly to the branch. This communication should take place after having informed the competent authority of the home Member State and after having taken into account the comments provided by the competent authority of the home Member State. The communication with the credit institution shall in all cases be coordinated. The competent authority of the home Member State should communicate its comments

within a reasonable time and should duly take into account those findings in determining its supervisory examination programme.

The principle of proportionality also applies to cooperation in respect of on-site inspections, particularly in relation to the degree of involvement of the host competent authorities, without prejudice to the content of the written coordination and cooperation arrangement related to on-site inspections.

38. In addition to the inspections described above, the competent authorities of the host Member State have the right to require all necessary information regarding the branch's outsourced activities and, after consulting the consolidating supervisor, to carry out on-site inspections in accordance with applicable law as a part of the supervisory programme, planned and ad hoc, insofar as necessary for the supervision of the significant branch. Such on-site inspections should be coordinated with the competent authority of the home Member State, however, the purpose of such coordination is not to deny the possibility to carry out on-site inspections. On-site inspections regarding internal outsourced activities should follow the procedures described in paragraph 34 and, as a general rule, be carried out by the competent authorities of the host and home Member States jointly.

39. The Participants recognise the importance of close dialogue and regular meetings between the competent authority of the host Member State and the management of the branch. Such meetings should either be provided for in the supervisory examination programme or conducted on a case-by-case basis in coordination with the competent authority of the home Member State.

40. The competent authority of the host Member State should also have the possibility to access group senior management, together with the home competent authority, to discuss issues relevant for the significant branches, including from a group-wide perspective and its key risk control functions, if relevant in order to understand the branch’s strategy, activities and risk profiles or the financial stability of the host Member State. Such meetings should be provided for in the supervisory examination programme or conducted on a case-by-case basis upon prior coordination with the competent authority of the home Member State.

41. Pursuant to Article 6(2) and Article 8 of Directive 2014/59/EU, the competent authorities of the host Member States should be involved in recovery planning. The main objectives of this task should be to ensure a high standard of crisis prevention and to preserve the financial stability of the local market focusing on ensuring (a) a robust cooperation procedure among supervisory authorities involved in crisis management, (b) reliable recovery solution for the local operations, and (c) any critical local economic functions. The home supervisory authority should consult with the competent authorities of the host Member State before an assessment of a recovery or of a group recovery plan is carried out, especially in matters relating to liquidity recovery plans and recovery solutions for any critical local functions. For the purpose of this Memorandum of Understanding, the recovery plan and group recovery

plan for a credit institution should in the Nordic context normally be assessed as relevant for large branches of that institution.

42. If subsidiaries that have been systemically important credit institutions are transformed into large branches of the parent institution, the competent authority of the home Member State should ascertain that the actual and planned capital and the liquidity in the parent institution and the group reflect the group's systemic importance in the Nordic region as well as at national level of a host Member State.

VI. PRINCIPLES OF CONSUMER PROTECTION SUPERVISION

43. The Participants acknowledge the importance of level playing field and adequate level of consumer protection and the significance of uniform compliance with relevant legislation and appropriate practices in each jurisdiction also regarding significant branches. Without prejudice to the applicable laws and regulation, and having regard to the fact that a Memorandum of Understanding cannot confer powers upon authorities which are not included in the legislation to which they are subject, the Participants agree on the following:

The competent authority of the host Member State has, according to applicable laws, responsibility for the supervision of consumer protection regarding the market conduct by the branch in the host Member State. This includes issues related to contractual relationships between the branch and its customers.

The competent authority of the host Member State has the powers to require the branch to inform in good time in advance the host competent authority of offering any significant new products and services to consumers.

As a primary rule, information is exchanged in accordance with paragraph 18 of this MoU and supervisory activities carried out in accordance with the procedures in paragraphs 34, 35 and 36 of this MoU and the applicable laws, however without prejudice to the powers and responsibilities granted to the competent authorities of the host Member States under Article 44 of Directive 2013/36/EU. Supervisory activities include supervision of business continuity arrangements and contingency arrangements for severe disturbances and national emergencies, when necessary for consumer protection. In matters of emergency, the competent authority of the host Member State has, in accordance with Article 43(1) of Directive 2013/36/EU the power to take precautionary measures necessary to protect against financial instability that would seriously threaten the collective interests of depositors, investors and clients in the host Member State.

The competent authority of the host Member State is, according to applicable laws, allowed to set reporting and disclosure requirements to the branch, such as reporting of the consumer complaints, terms and conditions of products and the disclosure of supervisory remarks insofar as the remarks are relevant for the supervision of the business carried on in the host Member State.

Where the competent authority of the host Member State ascertains that the branch does not comply with the national law and regulations, the competent authority of the host Member State may take appropriate measures according to procedures set out in applicable national and Union law to ensure that the irregular situation will be terminated.

The Participants agree to inform each other of any significant supervisory actions without delay.

VII. PRINCIPLES OF SUPERVISION OF INFORMATION AND COMMUNICATION TECHNOLOGIES, PAYMENT SERVICES AND SYSTEMS

44. The Participants acknowledge the importance of payment systems and Information and Communication Technologies (hereinafter referred to as ICT) provided by significant branches in the countries where they operate and the need for timely and effective supervision of these services and systems. Substantial disruptions in payment transmission and card payments of a significant branch may be, for example, disruptions and delays affecting a large number of customers or disruptions where customer information has come into the possession of external parties. Without prejudice to the applicable laws and regulation, and having regards to the fact that a Memorandum of Understanding cannot confer powers upon authorities which are not included in the legislation to which they are subject, the Participants agree on the following:

The competent authority of the host Member State may, after consultation with the competent authority of the home Member State, carry out on-site inspections regarding the branches fulfillment of the requirements on providing secure and reliable operation of payment systems, online payment channels (such as internet bank and mobile bank) and payment cards. This includes the supervision of relevant outsourced activities and processes.
Supervisory powers regarding ICT systems and information security of a branch are included in the mandate of the competent authority of the host Member State in accordance with applicable law.

The competent authority of the host Member State may in consultation with the competent authority of the home Member State require access to information and right of inspection of the critical functions, as defined in paragraph 9h, As a primary rule, information is exchanged in accordance with paragraph 18 of this MoU and supervisory activities, necessary for the purpose of this, including the power to require, audit and supervise business continuity arrangements and contingency arrangements for severe disturbances and national emergencies, are carried out in accordance with the procedures in paragraphs 34, 35 and 36. On-site inspections regarding internal outsourced activities should follow the procedures described in paragraph 34 and, as a general rule, be carried out by the competent authorities of the host and home Member States jointly.

In matters of urgency, in accordance with Article 43(1) of Directive 2013/36/EU, the competent authority of the host Member State has the power to take precautionary measures necessary to protect against financial instability that would seriously threaten the collective interests of depositors, investors and clients in the host Member State.

As for all planned inspections, planned inspections by the competent authority(s) of the host Member State(s) should be agreed within the college and envisaged in the supervisory examination programme for the group, however without prejudice to the powers and responsibilities granted to the competent authorities of the home and host Member States under Article 44 and Article 52(3) of Directive 2013/36/EU.

The competent authority of the host Member State has the power to require the branch to immediately inform the competent authority of the host Member State of any substantial faults or disruptions in services provided to customers or in payment systems or ICT systems. This includes cyberattacks or information security incidents and threats as well as disruptions or faults damaging or jeopardising the capacity of the branch to continue its business activities or fulfill its obligations.

The Participants agree to inform each other of any significant supervisory actions without delay.

VIII. PRINCIPLES OF SUPERVISION OF ANTI-MONEY LAUNDERING AND THE FINANCING OF TERRORISM

45. The competent authority of the host Member State has full powers to supervise and monitor that the branch complies with the national provisions and regulations applicable to it concerning prevention and detection of money laundering and the financing of terrorism; this includes right to obtain information from the branch, inspect it and impose administrative sanctions, falling within the competent authority of the host Member States competences.

The Participants agree to inform each other of any significant supervisory actions without delay.

IX. PRUDENTIAL REGULATION BY THE HOST MEMBER STATE

46. The Participants acknowledge the single rulebook which is implemented by Directive 2013/36 and in particular preambles 6 and 13 which stipulate that the smooth operation of the internal market

requires not only rules but also close and regular cooperation and significantly enhanced convergence of regulatory and supervisory practices between the competent authorities of the Member States and that transparent, predictable and harmonised supervisory practices and decisions are necessary for conducting business and steering cross-border groups of credit institutions, in order to ensure a well-functioning internal market.

The Participants recognise that the implementation of the single rulebook by European Economic Area and European Free Trade Association Member States may give rise to certain discrepancies in otherwise harmonised microprudential framework (the single rulebook).

The Participants acknowledge that some differences in applicable local regulations or supervisory practices may exist in areas such as provisioning practices and risk-weight floors and that these local regulations are relevant for the financial system of a Member State.

The Participants acknowledge that the existing reciprocity of micro-prudential requirements, such as residential mortgage risk weight floors, works well in the Nordic area.

In order to ensure a level playing field in the local financial markets and to minimise the risk of regulatory and supervisory framework being diluted, while at the same time being cognizant of the Directive 2013/36/EU requirements of well-functioning internal market, the competent authority of the home Member State should strive to ensure that credit institutions adopt adequate practices in line with national rules, guidelines, and supervisory practices applicable in the host Member State, which have a significant effect on prudential outcomes. The participants recognize the requirement of Directive 2013/36/EU preamble 50, pursuant to which the competent authorities should duly consider the effect of their decisions not only on the stability of the financial system in their jurisdictions but also in all other Member States concerned[11].

In case the above is not met, the risks associated with any divergent practices should be appropriately dealt with in the supervisory review and evaluation process for credit institutions with significant branches in host Member States.

X. MACROPRUDENTIAL TOOLS (RECIPROCITY)

47. The Participants acknowledge Recommendation ESRB/2015/2 of the European Systemic Risk

[11] CRD IV preamble 50; The mandates of competent authorities should take into account, in an appropriate manner, the Union dimension. Competent authorities should therefore duly consider the effect of their decisions not only on the stability of the financial system in their jurisdiction but also in all other Member States concerned. Subject to national law, that principle should serve to promote financial stability across the Union and should not legally bind competent authorities to achieve a specific result.

Board[12] as minimum standard for reciprocity in macroprudential matters.

The Participants acknowledge the importance of reciprocity in order to facilitate financial stability and the proper functioning of local markets and the EU common market, in particular as means of preventing banks from circumventing macroprudential measures by exploiting differences in the regulatory frameworks. The competent authorities of the home and host Member States will communicate with each other in respect of planned measures in order to facilitate reciprocity and the consistent implementation of regulatory frameworks.

The general principle shall be full reciprocity, with recognition that the Participants must respect applicable national and Union law. The Participants recognise the unique competence of the competent authorities of the host Member States to assess which macroprudential measures are necessary for financial stability in the host Member States. If a particular measure is not legally available to the competent authority of the home Member State, the Participant will apply the macroprudential policy measure available in its jurisdiction that has the most equivalent effect to the activated macroprudential policy measure. In the efforts to use the same macroprudential policy measure, the Participants will facilitate discussions and exchange relevant assessments.

Examples of macroprudential measures set by the competent and/or designated authorities of the host Member States in relation to credit institutions located within their territory that should, in principle, be subject to reciprocation are combined buffer requirements as defined in Article 128 of Directive 2013/36/EU, asset-class specific risk weight floors, the requirements laid down in Article 458 of Regulation (EU) No 575/2013, and regulations and supervisory standards on mortgage lending (e.g. mandatory amortisation, loan-to-income and loan-to-value limits).

XI. CONFIDENTIALITY AND DATA PROTECTION

48. Any confidential information requested or received by a Participant under this Memorandum of Understanding will be (a) exchanged in accordance with relevant national and Union law, (b) used exclusively for lawful purposes, and (c) used only in relation to the performance of the Participants' duties and tasks and for the purposes stated in the request.

The Participants will endeavour, to the extent permitted by law, to maintain the confidentiality of the information, and will not disclose confidential information to third parties without obtaining the prior consent of the Participant which has disclosed it.

12 Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/2) (2016/C 97/02).

Where required under a legal obligation to disclose confidential information received pursuant to this Memorandum of Understanding, the requesting Participant will, to the extent permitted by law, inform the requested Participant of the purposes for which the information is proposed to be shared, the uses the third party receiving the information could make of it, and the safeguards that the third party will apply to ensure confidentiality.

Where the requested Participant does not consent to the disclosure of confidential information to a third party, and where possible and appropriate, the requesting Participant will take reasonable steps to resist disclosure, including by employing legal means to challenge the request for disclosure, or by advising the third party of the possible negative consequences that such disclosure might have on the future exchange of confidential information between the Participants.

The Participants will ensure that all persons dealing with, or having access to such confidential information, are bound by the obligations of professional secrecy in accordance with the applicable Union law, even after their duties have ceased.

49. This Memorandum of Understanding neither modifies nor supersedes the applicable Union data protection framework. The ECB will process any personal data contained in the information exchanged under this Memorandum of Understanding in accordance with Regulation (EC) No 45/2001 of the European Parliament and the Council[13] and Decision ECB/2007/1 of the European Central Bank[14]. The Participants will process any personal data contained in the information exchanges under this Memorandum of Understanding in accordance with Directive 95/46/EC of the European Parliament and the Council[15] and the national laws implementing it.

Transfers of personal data to third country authorities by the ECB will be carried out in accordance with Article 9 of Regulation (EC) No 45/2001. Transfers of personal data to third country authorities by the Participants will be carried out in accordance with Articles 25 and 26 of Directive 95/46/EC and the national laws implementing it.

XII. REVIEW

50. This Memorandum of Understanding will be subjected to (a) review in the event of material changes to any relevant provisions in Directives 2013/36/EU and 2014/59/EU and other relevant Union and national legislation, and (b) review of the Memorandum of Understanding on prudential supervision

13 Regulation (EC) No 45/2001 of the European Parliament and the Council of 18 December 2000 on the protection of individuals with the regard of processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.1.2001, p. 1).

14 Decision ECB/2007/1 of the European Central Bank of 17 April 2007 adopting implementing rules concerning data protection at the European Central Bank (OJ L 116, 4.5.2007, p. 64).

15 Directive 95/46/EC of the European Parliament and the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (OJ L 281, 23.11.1995, p.31).

of significant branches in Sweden, Norway, Denmark and Finland, entered into by the Finnish, Norwegian and Swedish Ministries of Finance and the Danish Ministry of Business and Growth.

51. After its entry into effect, other competent authorities may sign this Memorandum of Understanding if agreed by the Participants.

52. Any Participant may require a renegotiation of this Memorandum of Understanding with 6 months prior notice to other parties. If ECB is the Participant requesting the renegotiation and in case the Participants cannot reach an agreement within this period of time, the ECB may leave the MoU. This will enter into force 6 months later.

XIII. ENTRY INTO EFFECT

53. This Memorandum of Understanding will enter into effect on 2 December, 2016.

Public Exhibit 6

List of Financial Supervisors

Financial Supervisory Authorities - Nordea **Date: 2017-11-29**

Joint Supervisory College
- The European Central Bank
- Finansinspektionen Sweden
- Finanstilsynet Denmark
- Finanstilsynet Norway
- Finanssivalvonta (FIVA) Finland

Singapore
Monetary Authority of Sinagpore (MAS)

Shanghai

China Securities Regulatory Commission (CBRC) (conduct regulator)
People's Bank of China (PBoC) (prudential)

State Administration of Foreign Exchange (SAFE) (FX regulator)

London
Financial Conduct Authority (FCA)
Prudential Regulation Authority (PRA)

Frankfurt
Germany - Federal Financial Supervisory Authority (BaFIN)
Deutsche Bundesbank

Brazil
Banco Central do Brasil (BACEN)

Beijing
China Banking Regulatory Commission (CBRC)

Russia
Russia - Central Bank of Russia (CBR)

Luxembourg
Commission de Surveillance du Secteur Financier (CSSF)

Public Exhibit 7

Form of Newspaper Notice

Notice of Application by Nordea Holding Abp for the Establishment of a Branch

Notification is hereby given by Nordea Holding Abp of Helsinki, Finland that an Application has been filed with the Federal Reserve Bank of New York to establish a branch at 1211 Avenue of the Americas, New York, NY 10036, pursuant to the International Banking Act of 1978, as part of a change in domicile. Interested parties may submit written comments on the filing to the Federal Reserve Bank of New York, Attention: Bank Applications Officer, 33 Liberty Street, New York, NY 10045, or via email: comments.applications@ny.frb.org. The 30-day comment period will not end before February 21, 2018. If you need more information about how to submit your comments, contact Mr. Ivan J. Hurwitz, Vice President, Bank Applications Function, Federal Reserve Bank of New York at (212) 720-5885.

Nordea

Annual Report 2016

CEO Letter

Casper von Koskull, President and Group CEO, and Torsten Hagen Jørgensen, Group COO and Deputy CEO. **Page 6**

Strengthened customer relationships built on core capabilities and a winning culture. **Page 19**

Long-term ambition to be **No. 1 in profitability,** customer and employee satisfaction. **Page 11**

Largest private bank, asset manager and life and pensions provider. **Page 23**

Leading position in corporate banking in the Nordics with best in class advisory and digital experience. **Page 15**

Contents

This Annual Report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors. Important factors that may cause such a difference for Nordea include, but are not limited to: **(i)** the macro economic development, **(ii)** change in the competitive climate, **(iii)** change in the regulatory environment and other government actions and **(iv)** change in interest rate level and foreign exchange rate levels. This report does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

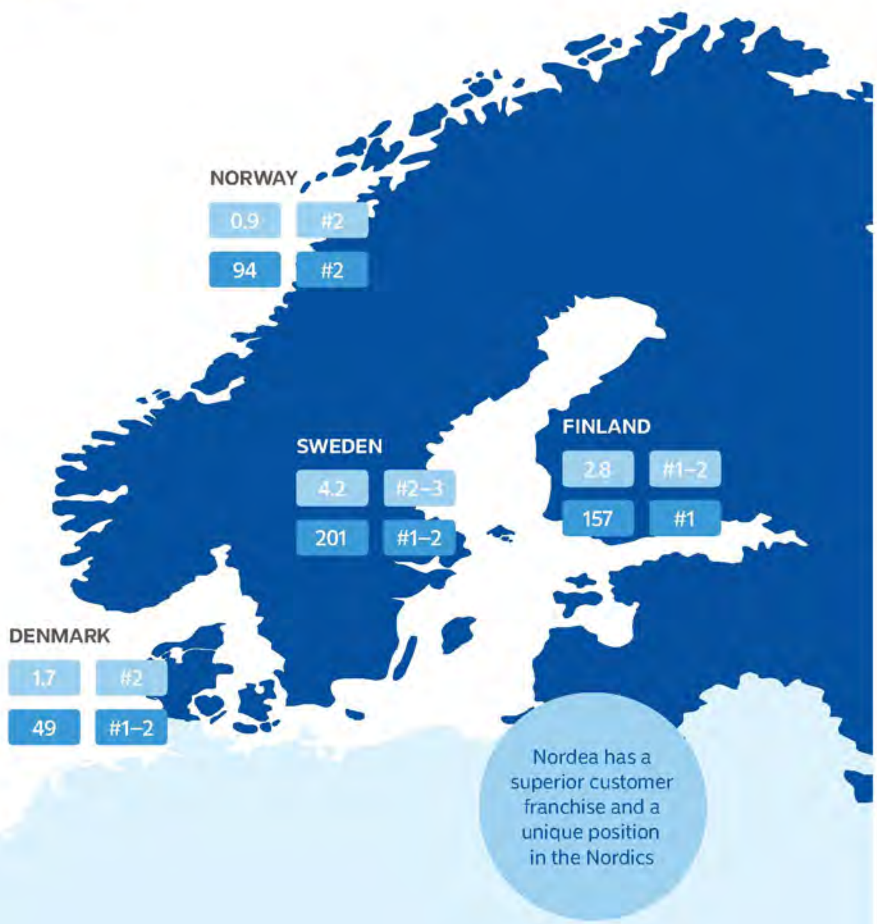
Leading platform

Nordea has a superior customer franchise

Customer relationships and market position

	Household customers No. of relationships (mill)	Household customers Market position
Total:	10	#1

	Corporates & Institutions No. of relationships (th)	Corporates & Institutions Market position
Total:	540	#1



Leading financial services platform in the Nordic region

Best Bank in the Nordic region, Global Finance

Multi Asset Manager of the year, Financial News

Transaction Banking Award for the Nordic region 2016, The Banker

Award BA4

Online advisory meetings
Online meetings share of total meetings excl. corporate customers.

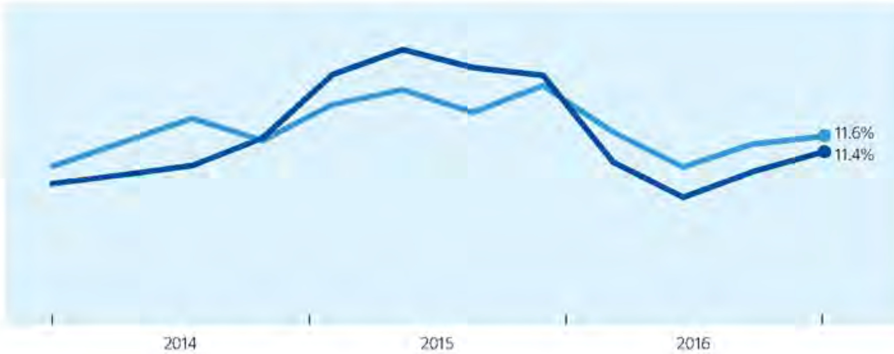
Transactions, m
Q4 2010 – Q4 2016

Nordea is the most diversified bank in the Nordics with strong capital generation

Relative RoE performance[1]

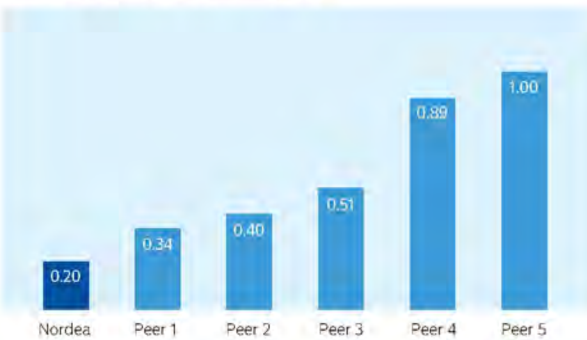
Through a well diversified business, Nordea has delivered competitive returns with the lowest risk in the Nordics.

- Nordea rolling 4 quarters
- Nordic peers rolling 4 quarters



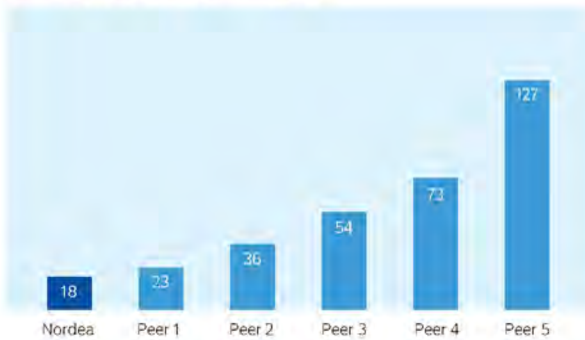
1) 2013–2016. Excl. non-recurring items.

Quarterly CET1 ratio volatility[1], %



1) 2006–2016. Calculated as quarter on quarter volatility in CET1 ratio, adjusted **so that the volatility effect of those instances where the CET1 ratio increases** between quarters is excluded.

Quarterly net profit volatility[1], %



1) 2006–2016.

Capital generation and dividend growth

Over the past decade, Nordea has consistently generated new capital while growing dividends.

- Acc. dividend, EURbn
- Acc. equity, EURbn

1) CAGR 2005–2016, adjusted for EUR 2.5bn rights issue in 2009. Equity columns represents end-of-period equity less dividends for the year. No assumption on reinvestment rate for paid out dividends.

Towards One Nordea

– an agile and robust bank engaging with its customers

Dear Shareholder,

The past year was challenging with recordlow interest rates, unexpected political events and increasing turmoil around the globe. What we learnt from 2016 is that global developments are becoming even more impossible to predict. We have to prepare for the unexpected even more carefully.

Another lesson from last year was increasing awareness of the importance of business ethics and being a responsible corporate citizen. We will not be able to make the full transformation journey unless we also unite around a strong culture, based on ethics and compliance.

Throughout 2016 we continued to deliver on our transformation agenda. An important step was taken at the beginning of June when the first product on our core banking platform successfully went live. And, a historical milestone was reached on 2 January 2017 when we converted our subsidiary banks in Denmark, Finland, and Norway into branches of Nordea Bank AB. The mergers will enable maintaining a "One Bank" operating model and focusing on delivering the best possible experience to our customers. At the end of the day, everything we do aims to increase customer satisfaction.

Another important business event was that, in the summer, Nordea and DNB entered into an agreement to combine their operations in Estonia, Latvia and Lithuania, enabling us to become the main bank for customers in the Baltics.

In an unstable environment we continued to be one of the most stable banks in Europe, without a single quarter of losses in the past ten years. In addition, our balance sheet is among the strongest of European banks, which is reflected through some of the highest credit ratings.

Under these market conditions we delivered the following results for 2016 (excluding non-recurring items):

Income: EUR 9,754m
Operating profit: EUR 4,366m
Costs: EUR 4,886m
Loan loss ratio: 15bps
Return on equity: 11.5%

Making the Bank more accessible

Towards the summer, Retail Banking was divided into two new business areas – Personal Banking and Commercial & Business Banking. This change will adapt the organisation more clearly to different customer needs, sharpen customer focus and strengthen execution capacity in each of the two new business areas.

Digitalisation remained a main driver in the business areas and our customers' usage of online and mobile solutions is growing rapidly. Customers need to be able to reach us anytime, anywhere. The eBranches and remote meetings are key initiatives to improve accessibility for customers. Our team-based advisory format enables customers to obtain competent help easily by a renewed advisory model. One out of six customer meetings is now held online and the number of remote advisors available to serve our personal banking customers across the Nordics increased to 300 from 100 last year.

In October we joined a partnership for MobilePay in Denmark and Norway through which we provide our customers in Norway and Denmark with easy access to a user-friendly mobile payment solution that is subject to constant innovation.

Most popular fund provider in Europe

In Wealth Management, total assets under management increased to an all-time high and surpassed a milestone of EUR 300 billion. Nordea is by far the largest Wealth Manager in the Nordics.

We also continued to be a successful player on the European fund markets, exporting our financial services beyond the Nordics. Throughout most of 2016, Nordea Asset Management was the most popular fund provider in Europe, attracting the highest amount of new investments – netflow – to its funds.

A new foundation for Global Private Banking was established to build the future Great Private Bank and enhance Nordea's strong position in Wealth Management even further.

To ensure that International Private Banking (IPB) participates fully in the journey, we further strengthened the functional integration of IPB in Global Private Banking and the relevant Wealth Management support areas. We were commended in February when Euromoney named Nordea the best provider of private banking services in the Nordic region and the Baltics for the eighth year in a row.

In Nordea Life & Pension in Denmark, we welcomed our customers as co-owners when Foreningen NLP bought a minority stake in the company. For the benefit of customers and the company, we will, in a co-ownership structure, further strengthen our position in Denmark.

Leading position in corporate advisory services confirmed

In our Wholesale Banking business, the successful trends of recent years continued. In 2016 the leading position in corporate advisory services in the Nordics was confirmed. In terms of deal value, we were ranked number four in Europe and the clear number one in the Nordics as global co-ordinator of IPOs. As an example we were joint global leader of DONG Energy IPO, the largest IPO globally in 2016.

We received several number 1 rankings in customer surveys from Prospera and Greenwich as well as leading league table positions. Another achievement was that Nordea Equity Research was ranked number 1 in the Thomson Reuters Analyst Awards 2016.

A key factor for our successes is our highly engaged people, whose skills lead customers to choose us as their preferred speaking partner.

Integrating sustainability into all parts of the bank

In 2016 Nordea continued the implementation of its proactive sustainability approach, acknowledging the importance of integrating sustainability into all parts of the organisation to enhance compliance, resilience and transparency in all areas.

We appointed a new Head of Sustainability, a new Head of Compliance, and a new Chief People Officer, all representing key functions in any business' work with sustainability. Sustainability is never a stand-alone effort; it is intertwined with its environment and must

"My vision for the future Nordea is to be a bank that is personalised and relevant for each and every customer."

Casper von Koskull, President and Group CEO

be rooted into the organisation in order to create commitment to the common goal and resilience of the business.

We accelerated our investments in 2016 to ensure a strong compliance culture. Our Anti Money Laundering programme is making steadly progress with the aim of achieving long-term sustainable solutions and best-in-class processes. We are making clear progress in our efforts to close compliance gaps.

A number of concrete actions have been carried out, including the establishment of a Financial Crime Change Programme and the Business Ethics and Values Committee (BEVC) chaired by me. The establishment of the BEVC has created a robust tool for sustainability governance. In addition, the Tax Board has been established at Group level, due to an increased need to strengthen tax compliance, following the "Panama Papers" media debate and our own internal investigations regarding offshore structures.

Historic changes to create One Nordea

We are now in the midst of a tremendous transformation of the bank – the greatest in Nordea's history – that will continue over the next two years, until 2018. We will fundamentally change our way of banking to quickly adapt to customers' needs, today and in the future. By investing in people and new technology, we lay the foundations to become the bank our customers want us to be. The ongoing development will increase usability, make us faster and more agile, and provide a more relevant customer experience.

An important step was taken at the beginning of June when the first product on our core banking platform successfully went live, less than six months after installing the model bank. In the coming year we will see new major releases for the Core Banking Platform and the Payment Platform.

A historic milestone was achieved on 2 January 2017, when the cross-border mergers between Nordea and its subsidiary banks in Denmark, Finland and Norway were executed. This is a significant step forward in our business transformation. A more straightforward legal structure better reflects the Nordic way we operate today. At the same time we remain fully committed to operating in each country, and decisions will still be made close to the customer, as they have always been. A simpler structure reduces complexity and enables us to focus on delivering the best possible experience to customers.

Improving customer satisfaction number one priority

The coming year might be another tough one. We will operate in an economic environment with great uncertainty, low growth and low interest rates.

However, what makes me optimistic is that Nordea is entering the new year in better shape than when it went into 2016. We are making good progress in building the bank our customers want us to be. We continue to make substantial investments in transforming the bank. We also have an even stronger capital position.

Our number one priority for the coming years will be on improving customer satisfaction. Generating value for our customers is the key to creating value for Nordea and its shareholders. To continue to deliver stable results to our shareholders, we will be committed to building more resilience and a stronger ability to constantly renew the way we operate the bank.

Best regards,

Casper von Koskull

Nordea investment case – strategic priorities

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

Strengthening the customer-centric organisation

To facilitate an even sharper customer focus, the organisation has been adjusted to reflect the unique needs of the different customer segments. Nordea has moved to four business area: Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management. Having one operating model and an end-to-end value chain for each segment ensures optimal delivery, while increasing the time spent with customers and reducing the time required to bring new products and services to market.

Digitisation and distribution transformation

Digitisation is one of the main drivers for change in banking and indeed in many other industries. Customer preferences and expectations on accessibility, ease and personalisation are key reasons for this trend. Nordea has seen and continues to see a rapid increase in customer demand for mobile solutions.

In order to generate a truly digital bank, a transformational change agenda is being executed during the period 2016–2018.

The transition activities include the shift from physical to digital distribution and the establishment of e-branches.

For example, transactions that were traditionally handled through branches are now available to customers on a 24/7 basis through mobile banking. Advisory meetings are now also increasingly being held remotely.

'One Bank'

To better reflect the Nordic way in which we operate today, a transformation to simplify the legal structure has taken place as part of the ongoing wider transformation of Nordea. As at 2 January 2017, the Norwegian, Danish and Finnish subsidiary banks were converted into branches of the Swedish parent company.

The simpler legal structure supports our work to increase agility, efficiency and economies of scale, and also strengthens governance. Our ambition with the transformation is to make it even easier for our customers to deal with us cross-border while at the same time leveraging on our expertise as One Nordea.

Simplification

In order to accommodate the rapid change in customer preferences towards digitised distribution, as well as the increasing operational regulation, Nordea is currently simplifying parts of its operations.

In line with this strategy, new Core Banking and Payment Platforms and a Group common data warehouse will be developed, with the aim of significantly increasing agility, economies of scale and resilience, while reducing complexity.

The Core Banking Platform will contain customer information, loans and deposits, the Payment Platform will be used for conducting domestic, international and SEPA payments and the Common data warehouse will consolidate existing data warehouses into one. Customer & Counterparty data will consolidate country-specific data into one solution.

Cultural transformation

In order to adapt to the sweeping changes in our industry and our customers' needs, we are changing our mindset and behaviour so that we may undergo a fundemental transformation. Nordea has embarked on a cultural journey with the belief that no business transformation will succeed without also undergoing a human transformation. The culture should clearly define who we are, what we stand for, how we behave and how we decide what is right.

Trust and responsibility

We have set an ambitious target to be best in class in terms of regulatory compliance. Emphasis on implementing new rules and regulation quickly, and making it an integral part of our business model, is key to capturing the benefits of compliance-driven investments also in the form of a deeper understanding of our customers and risks.

Nordea Investment Case – Strategic Priorities

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

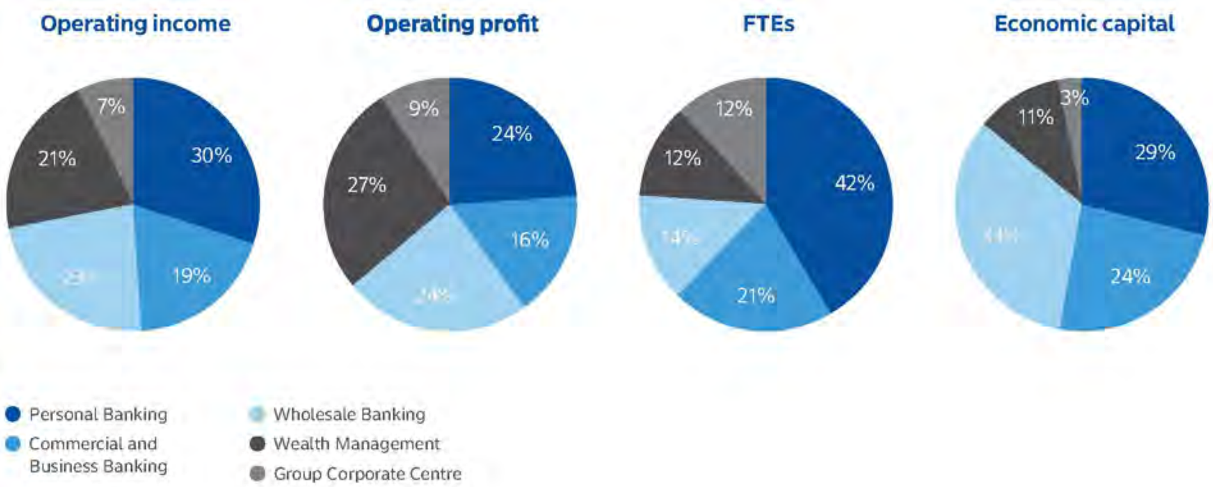
Simplification Journey – Progress

	What has been achieved in 2016?	What is next?
Core Banking Platform	• Model bank implemented • First live Pilot of a fixed-term deposit in Finland complete	• Implementing Deposits & Savings in Finland and Denmark • Lending Pilot & first implementations in Finland
New Payment Platform	• New payment infrastructure installed • All SEPA Credit Transfer Interbank payments, excl. Finland, run via the new installation	• SEPA Credit Transfer Interbank Finland • SEPA Credit Transfer File based Channel
Group Common Data	• Selected local data warehouses in Finland and Norway migrated and closed	• Selected local data warehouses in Denmark and Sweden on target to be closed
Customer & Counter-party Data	• Build-up of Customer and Counterparty Master	• Harmonised data lifecycle process development

Business Areas

The four main business areas are designed to support the relationship strategy for each specific customer segment. Having one operating model and an end-to-end value chain ensures optimal delivery, increasing the time spent with customers and reducing the time required to bring new products and services to market.

Business Area contribution, 2016



Personal Banking

- Leading Personal Banking in the Nordics
- Strong growth in **operating profit**
- Long-term ambition to be No.1 in **profitability, customer** and employee satisfaction
- One out of six advisory meetings held online
- **Efficiency and scale** – One Nordic model
- Advisory – easily and conveniently available
- Digital experience – tailored to customer preferences and needs

Commercial & Business Banking

- Leading position in corporate banking in the Nordics
- Ambition to be No. 1 in employee satisfaction, customer **and profitability**
- An increasing number of meetings are now held online
- **Efficiency and scale** – One Nordic model
- Best in class advisory – anywhere and anytime
- Best in class digital experience – tailored to customer preference and needs

Wholesale Banking

- Maintain No. 1 Wholesale Bank position in the Nordics
- **Continue our customer** relationship strategy
- Deliver a broad range **of financial solutions**
- Provide leading expertise and advisory services
- Increase capital velocity

Wealth Management

- Largest private bank, asset manager and life & pensions provider in the Nordics
- **Strongest financial results ever as profit** grew to EUR 1,200m
- **Our offering attracted** a net flow of EUR 19.3bn in 2016
- Delivering advice and solutions of superior quality
- **Well-diversified, high** growth, and capital-light business

Group Corporate Centre

- Provide the Nordea group asset and liability management, treasury operations, group wide services, strategic frameworks and common infrastructure
- **Strongest financial** income year ever
- Contribute to Nordea's focus to enhance Capital, Financial Crime prevention and Data & Technology
- Responsible for implementing One Operating Model across the bank

Business Areas

Personal Banking

Introduction

Nordea has the largest customer base of any bank in the Nordic and Baltic region. In Personal Banking around 12,000 people serve more than 10 million Personal Banking customers. Personal Banking customers are served through a combination of physical and digital channels across seven markets in the Nordic and Baltic countries. Employees are committed to constantly work towards great customer experiences.

The new Personal Banking business area serves Nordea's household customers 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.

Through strong engagement and valuable advice, the aim is that Personal Banking customers entrust Nordea with all their banking business. Reflecting the rapid changes in customer preferences, Personal Banking's relationship banking concept also encapsulates and integrates digital channels. Nordea's Baltic operations, serving both household and corporate customers, are organised as a separate entity with a reporting line to the Head of Personal Banking.

Topi Manner, Head of Personal Banking.

Business development

The Personal Banking business is undergoing a significant transformation. The digitalisation of the whole society is quickly changing how customers deal with their bank and expect to be served at Nordea. The influence of digitalisation has been witnessed through substantial growth in the usage of our online and mobile services. In parallel, manual transactions in branches continue to decrease.

In 2016, we continued to further improve our accessibility and convenience towards Personal Banking customers with several initiatives such as:

- Online onboarding provides consumers in all four Nordic markets with a straightforward, smooth and compliant process of becoming a new customer of Nordea.
- Our team-based advisory format improves accessibility and enables customers to get competent help easily through a renewed advisory model.
- Continuing to further improve our first time resolution by means of any customer issues being resolved by the first person at the bank with whom the customer comes into contact.
- Our eBranches and online meetings are also key initiatives to improve customer accessibility. One out of six customer meetings are held online – an increase of more than one-third year-on-year.
- On accessibility and convenience within payments, MobilePay provides our customers a new solution, especially in peer-to-peer payments, and the card-based Nordic solution NordeaPay improves in-store mobile payments for our customers.

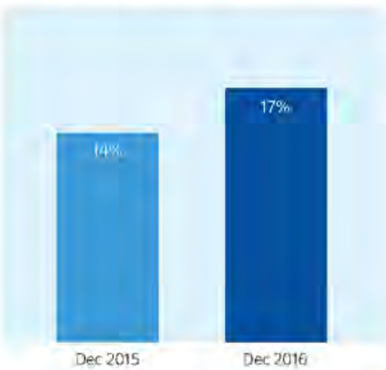
In parallel to these initiatives, we proactively reach out to our Personal Banking customers with expert advice and digitally improved tools to further add value to their financial needs.

In 2016 we increased our speed in innovation and scaled up the co-operation with promising startups through Nordea's Accelerator Programme. We see this as a great way of helping startups to grow and to ensure our customers can be offered innovative services that meet their ever-changing needs and preferences.

Result

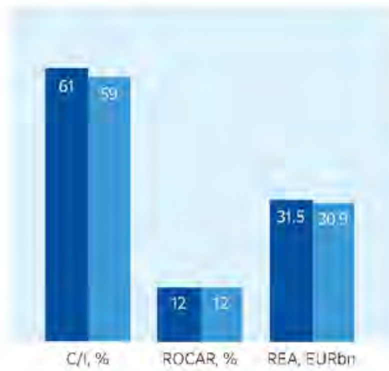
Operating profit was flat in local currencies, down 1% including FX effects. Lower loan losses and lower costs mitigated the lower income mainly seen in the first half of 2016. Total income increased in Sweden and the Baltic countries, but in total decreased 4%, down 3% in local currencies, from 2015. Increased funding costs and the continued pressure on deposit margins were mirrored in a 2% decrease in net interest income, down 1% in local currencies. Increasing lending margins and volume growth on both deposits and lending somewhat mitigated this. Net Commission income was down 8% in total, with Denmark being the largest contributor to the negative development. Also items at fair value decreased by 2%. Total expenses decreased by 1% as a result of the continuous work to improve efficiency in the operations and the branch network. The number of FTEs was slightly up reflecting the continued focus on digital development and increasing demands within the compliance area.

Online advisory meetings
Online meetings share of total meetings excl. corporate customers.



Transactions, m
Q4 2010 – Q4 2016

Key figures
2016 2015



Credit quality

Net loan losses continued to decrease and the loan loss ratio was 4 basis points (10 basis points in 2015). The positive development was mainly driven by increased credit quality and referral of loan losses in Denmark.

Denmark

Operating profit increased 9% from 2015. The positive development in the real estate market supports a reduced need for loan loss provisions, which together with a cost decrease of 3% more than mitigated the continued pressure on deposits income from low interest rates, as well as the negative development in commission income.

Net interest income from lending increased towards the end of the year due to a general margin increase on Mortgage lending.

Lending volumes decreased by 1% while deposit volumes increased by 1% from 2015.

Finland

Total income decreased by 9% from 2015. Both lending and deposit volumes increased modestly, but net interest income on deposits suffered from the decrease in interest rate levels, which resulted in net interest income decreasing by 12%. Net fee and commission income decreased by 5% from 2015, while cost increased slightly by 2% according to cost plan.

Norway

Total income decreased 12%, 8% down in local currency driven by net interest income decreasing by 10% in local currency, caused by pressure on the lending margins especially in the first half of 2016. Lending volumes increased 3% in local currency from 2015, while deposit volumes decreased slightly. Costs were according to plan with a slight increase in local currency.

Sweden

In particular the second half of 2016 showed strong income figures, and the 2016 Income increased 9% from 2015. Lending volumes increased 7%, while deposits volume increased by 4% in local currencies, which together with increased lending margins led to an increase of 17% in net interest income.

Banking Baltic countries

Total income increased 9% from 2015. Net interest income increased 1% driven by increasing lending and deposit volumes.

Lending volumes increased by 4% mainly driven by consumer and mortgage lending, while deposit volume increased by 8% from 2015. Net commissions and items at fair value also showed strong income growth, reflecting increasing customer activity.

Strategic focus areas and value drivers

During 2017, we continue to invest towards our long-term ambition of being the No. 1 in each of our markets in terms of **profitability, customer satisfaction and employee satisfaction. Leveraging our scale to cost-efficiently serve all our custom**ers on their daily banking needs, we will put further focus on improving accessibility and convenience, ensuring our strong competence to an even larger degree to be leveraged by our customers. Providing the right digital solutions and experiences for our customers continues to play a pivotal role in this development, and we will over 2017 launch a series of new solutions to our Personal Banking customers.

Cost-efficient daily banking platform – further reaping **benefits of our simplification initiatives and technology** investments, we will provide our full customer base with the standardised, easy-to-use products they need for every-day activities; meeting customers' preferences for self-service on these products is an important element.

Easily available advisory – for more advanced customer needs, supplementing access to physical advisory, we will continue to make our competent advisors easily available through remote meetings, ensuring great value for our **customers and an efficient high-end distribution model for** the bank.

Digital solutions – Across the full scale of offerings, digital increasingly takes a prime role in all interactions from ensuring convenient daily banking experiences to supporting and complementing advisors in more advanced matters.

Based on these focus areas, we will further tailor offers and services to match needs and preferences of our different customer groups. In doing so, we will even further meet customers' needs and expectations, create the right cost-to-serve for customers and the bank, and provide new services where the customer appreciates it the most.

Winning capabilities

Providing **mobile** services as the focal point of our relationship with the customer, enhancing self-service solutions, complemented by our skilled advisors for more advanced issues.

Offering the best customer experiences for **home buyers** and **affluent** customers, ensuring the best solutions at key life events.

Leveraging our **scale and simplification** initiatives to enable fair pricing and value generation to the customer and Nordea.

Strong fundamentals

- The largest customer portfolio in the Nordics
- Scalable pan-Nordic platform
- Global capabilities, competence-focused distribution network
- Low-volatility business model through country diversification

Strategic focus areas

- **Mobile-centric daily banking**
- **Homeowners and Affluents**
- **Low-cost processing**

Creating value for customers, society and Nordea

Contributing to developing our home region must go hand-in-hand with generating profit. **Great customer solutions and experiences combined with simplified of**ferings and low-cost processing will drive us towards our long-term targets. Through the resulting growth in income and increasingly lower cost base, we target a C/I ratio in the lower 40s by 2021.

- Aligning value for customers and society with value for Nordea
- Best-in-class solutions for **homebuyers and affluents**
- Low-cost service and improved availability – mobile, remote meetings
- **Simplified, a**utomated and low-cost backbone
- **Retained, relevant risk profile**

#1 in profitability

 # 1 in customer satisfaction

#1 in employee satisfaction

Commercial & Business Banking

Introduction

Nordea has a leading customer base in the Nordic and Baltic region. In Commercial & Business Banking around 6,000 people serve more than 600,000 corporate customers though a mix of physical and digital channels allowing customers to meet Nordea and get advice whenever and wherever it suits them.

Commercial Banking services the larger corporate customers and Business Banking services the small and medium-sized corporate customers. Both units operate in Denmark, Sweden, Norway and Finland. The customers are serviced out of more than 300 physical and online branches across the Nordics.

Commercial & Business Banking consists of advisory and service staff, product units, back office and IT – all operating under the same strategy, operating model and governance across markets.

Commercial & Business Banking also consists of Transaction Banking – including Cards, Trade Finance, Nordea Finance and Transaction Products – which serves as the product-responsible unit, providing transaction and finance banking services to both household and corporate customers across the Nordea Group.

We are working towards a new and more customer-centric value proposition for our corporate customers, which is founded on our strategy of being a trusted, relevant and easy-to deal with business partner. In doing so we create Customer Journeys securing a holistic approach to advisory.

Our ambition is to be number one in customer satisfaction, with the most satisfied employees and the highest profitability.

We will do so by supporting our customers in making banking easy, so they can focus on their business, by providing sound strategic advice and support and by connecting them with new business opportunities.

Erik Ekman, Head of Commercial & Business Banking.

Business development

The banking market is undergoing a transformation and so is the business of our customers. The rapid introduction of new digital solutions is forever changing customer behaviours and expectations.

The influence of digitalisation has been witnessed through substantial growth in the usage of our online and mobile services.

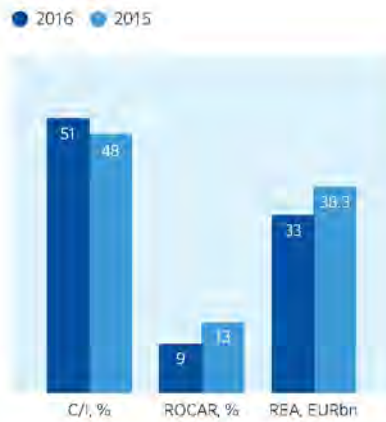
To cater to this changing environment we launched several services and solutions for our corporate customers during 2016. Some examples are:

- Launch of the Nordea Trade Portal to give practical advice and valuable knowledge to all customers planning to expand to new markets, helping our customers realise their full potential.
- Launch of the Nordea Trade Club to provide customers with a global business network consisting of Nordea customers, enabling new business opportunities and new networks.
- Become a Nordea customer online with Online onboarding. Corporate customers in Sweden and Finland can now sign up as customers online. Denmark and Norway will follow in 2017.
- Launch of Virtual Branches dedicated to provide online advisory, allowing customers to receive same quality advice virtually as they have been accustomed to with our physical branches when and where it suits them.
- Introducing MobilePay to our corporate customers in both Denmark and Norway, securing that we provide the best platform available on the market for our corporate customers, allowing them to handle mobile transactions easily and conveniently.
- Launch of TF Global, a new and improved Trade Finance online portal improving the customer experience by increasing delivery efficiency and self-service access.
- Introduction of the Nordea Startup Accelerator. A three-month training and development programme driven by Group Digital with the strong support of Transaction Banking and in cooperation with Nestholma. The purpose is to explore new ways of doing digital development and to find new tools to accelerate our innovation power and provide new solutions to our customers.

Remote meetings Commercial & Business Banking

% of new customer joining via Online Onboarding

Key figures



Result

Total income decreased 7% from 2015 driven mainly by net interest income. Initiatives to increase margins were outweighed by effects of still lower interest rates, and higher underlying funding costs. Lending volumes were stable and deposit volumes decreased 3%.

Total expenses were flat and net loan losses decreased 6% leading to a **decrease in operating profit of 15% from** 2015.

Risk exposure amount (REA) decreased 14%, but Economic Capital increased 9% driven by higher capital requirements, leading to a decrease in ROCAR from 13% to 9% for the full year.

Credit quality

Net loan losses decreased 6% from 2015. The loan loss ratio was 20bps in 2016, down from 21bps. Credit quality remained solid.

Commercial Banking

Total income decreased 4% driven by net interest income. Net fee and commission income as well as increasing net result from items at fair value increased from 2015. Efforts to increase net interest margins and increased cross selling could not mitigate the negative effects of lower interest rates and underlying increases in funding costs.

Total expenses decreased 4% and loan losses increased 79% driven by reversals in 2015. **Operating profit** decreased 11%.

Risk exposure amount (REA) decreased 15% while Economic Capital increased 6% driven by higher capital requirements. ROCAR decreased from 14% to 10% in 2016.

Business Banking

Total income decreased 7% driven mainly by net interest income as lower interest rates and underlying increases in funding costs took effect. Lending volumes increased slightly, up 1% from 2015, while deposit volumes increased 2%.

Total expenses decreased 3% and net loan losses decreased 33% leading to a **decrease in operating profit of 5%.**

Risk exposure amount (REA) decreased 4% while Economic capital (EC) increased 23% driven by higher capital requirements. Lower operating profit and higher capital led to a ROCAR decrease from 11% to 10%.

Strategic focus areas and value drivers

Following the split of Retail Banking, we will stick with the strategy created together with Personal Banking. Through our strategy, we continue the journey of becoming number one in each of our markets measured by customer satisfaction, profitability in the markets where we choose to compete and employee satisfaction within the industry.

Our strategic focus areas are:

1) **Best in class advisory** – tailored to customer needs and preferences
2) **Best in class digital experience** – anywhere and anytime
3) **Efficiency and scale** – one Nordic model

Furthermore, we continuously work with improving our capital efficiency and how we best deploy our resources so that we can continue to deliver the best experience to all of our customers.

Strengthening our advisory services, focusing on cross sales and increasing flexibility for our customers by expanding advisory, sales and service to digital channels. With new digital channels and virtual branches we seek to improve the customer experience by increasing our availability with more contact points and easier access.

Enabling a best in class digital experience by building a common integrated digital platform and using analytics to increase relevance and tailor digital interactions to individual customer needs and preferences.

Delivering efficiency and scale by simplifying and digitalising products and processes across geographies, running capital efficiency initiatives and building the platforms of the future, ultimately allowing us to move quicker and meet future and current customer expectations.

All in all, making it possible to run Commercial & Business Banking more efficiently on both cost and capital, driving an improved C/I ratio and ROCAR while at the same time increasing customer satisfaction in all touchpoints.

Winning capabilities for the future

- Advisory improved by relevance and easier access.
- Digital experiences improved by integrated platforms and faster deliveries.
- Simplifying and digitalising processes cross Nordics.

Capturing value in Commercial & Business Banking

- Focusing our development on a strong advisory proposition and utilising our capital in the best possible way, while at the same time keeping control of risk and costs.

Business Areas

Wholesale Banking

Introduction

Wholesale Banking provides financial solutions to the largest corporate and institutional customers banking with Nordea. The business area incorporates the entire value chain including customer and product units as well as supporting IT and infrastructure.

Wholesale Banking emphasises a return-driven culture through continuous improvements and disciplined cost and capital management. A relationship-driven customer service model and an effective business selection support income development and capital allocation.

With a significant footprint in all Nordic markets, competitive product offering and well-diversified business mix Nordea Wholesale Banking is the leading wholesale banking provider in the Nordic region. Through this platform Nordea has the strength to provide its customers with access to attractive financing in the capital markets and with the best tailored financial tools to optimise their business and manage their risks.

Martin Persson, Head of Wholesale Banking.

Business development

Wholesale Banking is the leading customer franchise in the Nordics focusing on developing the close and strong relationship we have with our corporate and institutional customers. In 2016 focus remained on leveraging the customer franchise and maintaining our leading market position and capabilities as well as adapting to the new and even more regulated environment. The platform proved well positioned to service customers and to capture potential.

In 2016 the macroeconomic environment remained challenging with lack of tail-wind, low interest rate environment and political uncertainty regarding the UK referendum and the US presidential election.

In Fixed Income, Currency and Commodities (FICC) the market conditions and customer activity levels were dominated by the lack of clear market directions, low volatility, falling interest rates and flattening of rate curves only interrupted by a few significant macro events. Especially the UK's EU membership referendum in June and the American Presidential Election in November caused spikes in market volatility and subsequent increased activity levels. Despite the market conditions, FICC underlying business performed well in line with expectations.

The activity in the Nordic bond markets continued to be strong throughout the year despite the political turbulence around the Brexit vote and the US election. The liquidity measure by the central banks supported corporate bond activity in particular. Issuers opted to refinance existing debt at current attractive levels via combining new issues with buybacks and exchange offers. Nordea was the most active arranger of bond issues and liability management transactions in the region.

Nordic corporate loan activity was in line with 2015. Nordea's position in financings related to M&A situations and IPOs was strong whilst a majority of the Nordic loan volume was refinancings.

The Nordic buy-out market remained solid throughout the year with deal activity in line with 2015. Long-term trends such as the increasing importance of the capital markets as liquidity provider in the segment continued which illustrates the growing importance of banks being able to offer both on-balance and off-balance sheet structures to clients. In this environment Nordea clearly defended its position as the number one Nordic arranger of both loans and bonds to private equity backed companies in the region.

Activity in Nordic Equity Capital Market (ECM)remained high during 2016. Nordea successfully led, as joint global coordinator, the IPOs of Dong Energy, Nets, Ahlsell and Scandicavian Tobacco Group which were the four largest IPOs in the Nordic region last year. M&A activity in the Nordics was broadly on par with 2015, despite European activity declining, e.g. influenced by Brexit.

The equity markets mirrored the uncertain macro environment showing high volatility most notably around the Brexit referendum. All in all the Nordea Markets Equities result 2016 was satisfactory with sales and equity financing activity topping last year's performance. The activity in the primary markets was high throughout the year, both in the large and small cap segment. Altogether 40 transactions with a deal value of EUR 11bn were successfully executed, confirming Nordea's strong distribution capabilities.

Wholesale Banking was externally recognised for its leading markets capabilities. The strong performance was also recognised with rankings for Nordea including No. 1 in Prospera's Nordic Equity Survey, Starmine's, Most Award-Winning Brokers 2016, Best Distributor in the Nordics on Europe Structured Products & Derivatives Awards and EMEA Equity Issue of the year in International Finance Review for the IPO of DONG Energy.

Nordic ECM, FY 2016

Source: Dealogic

Nordic Corporate bonds, FY 2016

Nordic Syndicated loans, FY 2016

Result

Total income was EUR 2,262m, down 8% compared to last year (a 6% decrease in local currencies), mainly due to lower net interest income. Total expenses decreased by 4% from last year (3% in local currencies). Continued strict resource management resulted in lower REA and a continued competitive cost-income ratio of 40%. Operating profit was EUR 1,068m and the business area ROCAR amounted to 10%.

Corporate & Institutional Banking

Total income was EUR 1,404 m, down 3% from 2015. Net interest income was down 14% from 2015, driven by higher funding costs, negative interest rates and increased resolution fee. Implementation of deposit fees in Sweden and Finland mitigated the impact of negative rates. Net fee and commission income was up by 7%. Items at fair value were at the same level as in 2015. Lending capacity and risk appetite remained high among Nordic banks leading to aggressive pricing. Lending volume was down 8% from 2015. Corporate & Institutional Banking ROCAR for 2016 was 14%, down 2%-points from 2015.

Shipping, Offshore & Oil Services

Total income was EUR 340m in 2016, down 15% from 2015. The reduction was mainly due to lower net interest income, but results from items at fair value and net fee and commission income were also reduced. Lending volumes were slightly down compared to last year. Net loan losses were EUR 147m in 2016, of which the largest part was due to collective loan loss provisions mainly related to the offshore portfolio. The significant increase in loan losses reflects the deteriorating situation for the offshore industry during the year.

Banking Russia

Total income was EUR 202m in 2016, a 17% decrease from 2015. Total expenses were EUR 55m, down 27%. In 2016 the focus on customer selection continued and the retail business was put into run-off. As a result, the loan portfolio decreased during the year by EUR 2bn equalling 33%.

Key figures

Wholesale Banking other

Wholesale Banking other total income decreased by 13%. Wholesale Banking other is the residual result not allocated to customer units. This income includes the unallocated income from Capital Markets and the International Division as well as the impact from Fair Value Adjustments. It also includes the additional liquidity premium for the funding cost of long-term lending and deposits in Wholesale Banking. Wholesale Banking other comprise all staff in Capital Markets as well as support units. The costs are to a large extent allocated to customer units.

Strategic focus areas and value drivers

As of 1 August 2016 Investment Banking and Corporate & Institutions were combined into the new division; Corporate & Investment Banking (C&IB). The aim of the new organisation is to be better equipped to improve relevance and commercial impact towards our customers. Another purpose is to support the further alignment of business selection and capital allocation while continuously ensuring strong customer centric relationships. With the new organisation we have **successfully obtained an efficient value chain and the new** platform has shown its strengths in several transactions during 2016 e.g. the NKT transaction and IPOs of Ahsell and Dong Energy.

The Wholesale Banking COO organisation was implemented in steps during 2016 to secure compliance, end-to-end process and improvements with focus on quality, risk and **efficiency**. The COO organisation plays a key role in the even more regulated and digital environment.

Wholesale Banking supports Group simplification initiatives and enhances straight-through-processes in Wholesale Banking.

The strategy for Wholesale Banking remains intact with a focus on shifting towards capital-light solutions, managing for returns as well as leveraging the Nordic No. 1 market position.

The essence of the strategy is to develop long-term relationships and provide constant value-add for customers in supporting their business.

Our journey to further cement a position as a leading wholesale bank in the Nordics, with global relevance and multi-local presence continues.

Value creation for stakeholders

With customer relationship as the driver we carefully select customers, products and geographical presence. We aim for the highest customer satisfaction where there is a joint interest for a mutually value creating partnership.

With the size and complexity of Wholesale Banking it is the combination of capabilities, culture and talent that is the foundation for satisfactory performance, continued improvements, high ambitions and closeness to our customers.

Focus areas

Wholesale Banking continuously adapts its business model to changing environments, in terms of services, capabilities and regulations.

The focus areas leverage off and support the key elements of the Nordea platform.

Capital efficiency and velocity is the key to achieving a sound return performance. It is also a recurring theme throughout the business and supports an attractive mix of ancillary business and balance sheet commitment.

Business Areas

Wealth Management

Introduction

Wealth Management provides high quality investment, savings and risk management solutions to affluent and high net worth individuals and institutional investors.

Wealth Management is comprised of:

Private Banking – serving customers from 80 branches in the Nordics as well as from offices in Luxembourg, Zürich and Singapore.
Asset Management – responsible for actively managed investment funds and discretionary mandates for institutional clients.
Life & Pensions – serving customers with a full range of pension, endowment and risk products.

Wealth Management is the largest Nordic private bank, life & pensions provider and asset manager. Wealth Management has approximately 3,600 employees, of whom approximately 500 are employed outside the Nordic region, primarily in Europe.

Snorre Storset, Head of Wealth Management.

Business development

2016 started with fears of a recession, but as sentiment shifted not even political uncertainty in Europe and in the US could hold back surging equity markets. Although the optimism led to increasing long-term interest rates, financial markets experienced sustained low interest rates throughout 2016. Wealth Management steadily attracted new assets, as the offering proved strong in the prevailing economic climate.

Nordea's Assets under Management (AuM) passed the 300bn milestone in June and finished the year at EUR 322.7bn, an all-time high, up EUR 34.5bn or 12% from 2015. The increase in AuM was due to record high net flow of EUR 19.3bn and market appreciation of EUR 15.2bn. All businesses contributed positively to the net flow.

Private Banking continues to focus on customer acquisition as well as optimising the service & advisory model to the needs of customers and regulatory changes in the market. Net flow in Private Banking amounted to EUR 1.9bn in 2016, where the Wealth Planning service continued to grow in importance due to greater regulatory complexity and increasingly sophisticated customer needs.

In the current economic climate several Private Banking customers have reduced their trading activities, as expected during periods with high uncertainty. The lower trading activity combined with the sustained low interest level negatively affected margins and income in Private Banking in 2016.

Global Private Banking was established in 2016 to leverage economies of scale by extracting further synergies. An even stronger private banking platform was created by combining the businesses in the Nordic markets and the international offices in Luxembourg, Switzerland and Singapore. Efforts to enhance productivity in Private Banking are ongoing, including activities to streamline processes and upgrade IT systems. Value propositions are further enhanced. Private Banking E-branches are now available in all Nordic countries, giving access to personal advice over PC, mobile or tablet 7 days a week.

Following the revelations in the Panama Papers, governance reforms are addressing deficiencies in our procedures. Going forward, these changes form the basis of a stronger bank.

Asset Management maintained its strong momentum in sales and revenues in all customer segments. Notably, Nordea firmly positioned itself as a top fund provider in Europe, ranking second measured on net flow by Morningstar.

Wholesale distribution attracted net flows of EUR 13.4bn in 2016, almost twice the record high net flows attracted in 2015. In particular strong flows were gathered in Italy, Germany and the Iberian Peninsula. The high flow was fuelled by offerings well-suited for the shift from savings accounts to savings products. As an example, the Multi-Asset solutions remained popular among investors and Nordea 1 Stable Return Fund was the bestselling fund in Europe in 2016 according to Morningstar.

The institutional segment had a net flow of EUR 1.0bn, mainly consisting of international clients investing in our multi asset solutions. This has led to an increase in average margin. Net flow into Nordic Retail funds was EUR 2.3b, and Nordea gained retail fund market shares in the Nordics.

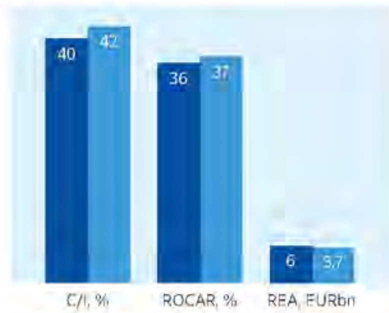
Investment performance was above target in 2016 with 81% of composites outperforming benchmarks. The 3-year performance remains strong with 85% of all composites outperforming benchmarks.

Life & Pensions' strong Solvency II capital position of 159% at the end of November 2016 has been supported by self-financing growth in market return products and capital release from the runoff traditional insurance portfolios. Gross written premiums (GWP) came to a standstill in 2016 from a record level last year. The combined share of market return products (MRP) and risk products accounted for 90% of total GWP, leading to an increasingly capital-efficient AuM composition.

AuM development, EURbn

Net flow, EURbn

Key figures



Life & Pensions continued to deliver platform efficiency improvements throughout 2016. A key insurance system has been successfully replaced and process governance has been strengthened along a successful introduction of Robotics. In November 2016 it was communicated that the customer-owned Foreningen NLP will purchase 25% of the share capital in Nordea Liv & Pension (NLP DK), opening up for a unique opportunity to serve mutual interests of customers and NLP DK. The overall price is DKK 2,175m (EUR 291m). Additionally Foreningen NLP has invested DKK 932.5m (EUR 125m) in tier 1 subordinated debt issued by NLP DK. In relation to the transaction NLP DK distributed EUR 375m to Nordea Life Holding AB.

In 2016, Wealth Management was again recognised for its sustained efforts to create great customer experiences and superior solutions. Nordea Private Banking was named the "Best Private Bank in the Nordics and the Baltics" by Euromoney for the eighth year in a row. Furthermore, Asset Management was named the Multi-Asset Manager of the Year by Financial News, and for the third year in a row awarded for the best Environmental, Social and Governance (ESG) investment process in Europe by cfi.co.

Result

Total income was EUR 2,004m in 2016, up 4% from last year, passing the EUR 2bn milestone.

Cost development was flat compared to 2015 as a consequence of successful cost management. Due to increased income and limited increase in costs, operating profit was EUR 1,200m, up 6% from 2015. Continued focus on capital efficiency resulted in a ROCAR of 36%.

Private Banking

Total income was EUR 530m in 2016, a 7% decrease compared to the record year 2015. The decrease in income was caused by reduced trading activities and declining margins, while the underlying business growth was highly satisfactory.

Despite a flattish development in costs, the operating profit was EUR 169m, down 20% from 2015.

Asset Management

Total income was EUR 850m in 2016, an 11% increase compared to 2015. The increased income level was lifted by increasing AuM, which was supported by both strong net flows and market appreciation. Through 2016, AuM increased 15%, while average AuM increased 9%. Compared to 2015, total expenses were up 3%. The C/I ratio improved by 2%-points to 29%. Operating profit was EUR 606m, up 14% from 2015.

Life & Pensions

Total income was EUR 630m in 2016, a 6% increase compared to 2015. Total expenses were EUR 198m, up 1% from 2015 caused by impairments on IT projects. The C/I ratio improved by 2%-points to 31%. Operating profit was EUR 432m, up 9% from 2015. Continued focus on capital efficiency resulted in a Return on Equity of 20% in 2016, an improvement of 1%-points compared to 2015, well ahead of the 20% target by 2020. Overall, a dividend of EUR 300m was transferred to Nordea Bank AB in 2016.

Wealth Management other

The area consists of Wealth Management service operations which are not directly connected to any of the business units. It includes additional liquidity premium for long-term lending and deposits in Wealth Management and net interest income related thereto.

Strategic focus areas and value drivers

It is our vision to become the leading Wealth Manager in each Nordic market by 2020, with global reach and global capabilities.

Our strategy is to form strong client relationships, based on **superior quality of advice and solutions, delivered efficiently** through an integrated value chain. We aim to take advantage **of digitalisation and operational streamlining to enhance effi**ciency across the organisation.

Wealth Management prioritises strategic investments in:

- **Establishing leading digital offerings to enhance value propositions and improve advisor efficiency, including** upgraded digital touchpoints.
- **New product offerings to meet shifting client demand** adapted to the low yield environment. Product capabilities include leveraging our strong multi-asset investment process and alternative investments.
- **Establishing the leading retirement offering, targeting a** large, growing and underserviced segment, by developing new advisory and product capabilities.

For 2017 further resources are invested to build on the current growth momentum, adapting to regulation and strengthening operational platforms.

Wealth Management continues to focus on prudent resource management and prioritisation by balancing new **investments with efficiency gains and allocating resources to** where most value is created. Enhanced collaboration across Nordea is key to these objectives, facilitating increased knowledge sharing to provide a superior savings and invest**ment offering.**

Enhancing the setup

Wealth Management constantly **capitalises on and magnifies economies of** scale to deliver high quality solutions.

Due to scale, relatively low investments in product and advisory capabilities can **yield high returns, keeping offerings highly** competitive.

Digitalisation enables even further leverage of the operations, both on **efficiency and on value add for customers.**

Well-positioned to capitalise on trends

In the coming years, our business will **be affected by several external factors.** Developments in demographics, regulation, macroeconomics, globalisation and digitalisation will open opportunities for those who manage to adapt to these changes.

As the largest wealth manager in the Nordics, we are well positioned to capitalise on these trends

Group Corporate Centre

Introduction

Group Corporate Centre (GCC) provides Nordea with group asset and liability management, treasury operations, group wide services, strategic frameworks and common infrastructure to all areas of the bank. GCC includes the Group Chief Operating Officer organisation, Group Treasury & ALM and Investor Relations.

Group Corporate Centre consequently secures optimisation and prudent management of funding, capital, liquidity and market risks in the banking book as well as operational excellence across the Group in processes and infrastructure and change programme execution.

The Group COO organisation is responsible for ensuring one operating model in Nordea by harmonising processes and services in accordance with the Group's priorities to leverage commonalities and realise synergies.

Group Treasury & ALM (TALM) is responsible for optimising and managing Nordea's capital, liquidity, funding and market risks in the banking book within Nordea's defined risk appetite and limits while being compliant with regulations and supporting Business Areas' ability to serve customers well.

Investor Relations (IR) enables effective communication between Nordea, and the financial community. By providing open, reliable and correct information about Nordea's activities and financial performance, IR supports the market in having fair expectations about Nordea's performance.

Torsten Hagen Jørgensen, Group COO and Deputy CEO.

Business development

TALM delivered an extraordinary result during 2016, with net profit significantly above expectations and target. Furthermore, in a turbulent macroeconomic year of 2016, the handling of external market events confirmed TALM's capabilities in managing the Group's balance sheet and market risk efficiently and successfully.
At year end, the proportion of long-term funding of total funding was approx. 82% compared to approx. 77% at year-end 2015.

The structural liquidity risk of Nordea is measured and limited through an internal model which conceptually resembles the proposed Net Stable Funding Ratio (NSFR), but applies internal-based assumptions for the stability of assets and liabilities. The structure of the balance sheet is considered conservative and well balanced and appropriately adapted to the current economic and regulatory environment, also in terms of structural liquidity risk.

Short-term liquidity risk is measured using several metrics and Liquidity Coverage Ratio is one of the metrics. LCR for the Nordea Group was 159% at year end. The LCR in EUR was 334% and in USD 221% at year end. LCR for the Nordea Group according to CRR LCR definitions was 165% at year end. The liquidity buffer comprises highly liquid, primarily Nordic government and covered bonds which are all central bank eligible securities with characteristics similar to Basel III/CRD IV. The liquidity buffer amounted to EUR 69bn at year end. The outstanding volume of short-term debt was EUR 37bn.

During 2016 Nordea issued approx. EUR 22.7bn in long-term funding, excluding Danish covered bonds and subordinated notes, of which approx. EUR 13.7bn represented issuance of Finnish, Swedish and Norwegian covered bonds in domestic and international markets. Notable benchmark transactions during the year included; a GBP 500m 3 year FRN covered bond issued in January from Nordea Eiendomskreditt, a EUR 2bn senior dual tranche note issued in February from NBAB consisting of a 3 year FRN of EUR 750m and a 7 year fixed rate note of EUR 1.25bn, a USD 1,5bn senior dual tranche note issued in May from NBAB consisting of a 3 year FRN of USD 250m and a 5 year fixed rate note of USD 1.25bn, a USD 1bn senior dual tranche note issued in September from NBAB consisting of a 3 year FRN of USD 250m and a 3 year fixed note of USD 750m and a EUR 1bn 7 year fixed rate covered bond issued in November from Nordea Mortgage Bank. In September, NBAB also issued a EUR 1bn 10NC5Y Tier 2 subordinated note.

In Q3, Nordea agreed on risk sharing related to EUR 8.4bn of Nordea loans through a synthetic securitisation with a limited number of investors. The selected portfolio consisted of EUR 8.4bn in corporate and SME loans from over 3,000 borrowers across Sweden and Denmark, spread across a wide range of industries and asset classes. In contrast to an outright sale of loan portfolios, no assets have been de-recognised from Nordea's balance sheet and Nordea has continued to service the loans and maintained all of its client relationships. The transaction freed up capital at an attractive price reflecting Nordea's strong origination practices, while enhancing Nordea's CET1 ratio by approximately 30bps.

To further improve operational excellence across the Group, focus has been on executing on the transformational agenda with establishment and roll out of the COO organisation during 2016.

GCC has assumed strong sponsorship for the Group Common Change Programmes to ensure effective execution.

During 2016 significant investments were made to meet increasingly stringent regulatory demands and towards the simplification journey to reach the desired state of One Nordea including e.g. the cross border merger of Nordea and its subsidiary banks in Denmark, Finland and Norway through the legal structure programme to truly become one bank. The simplified legal structure reduces complexity and creates a stronger focus on delivering the best possible experiences to our customers.

Continued savings have been made in IT infrastructure spend and are now improved from 4.1% of revenue in 2011 to 2.7% in 2016.

To simplify the IT landscape, the total number of business applications has steadily been reduced year by year and Group IT has made core infrastructural deliveries for the new core banking platform such as tools for integration and testing.

Several central functions have been established to strengthen areas within compliance, managing operational risk, and information security. Nordea continues to make good progress in delivering compliance and risk management improvements in close dialogue with the European and Nordic regulators. The central group Anti Money Laundering (AML) and sanctions unit have been strengthened and the financial crime operating model has been finalised. Central reporting capability and data quality operations have been developed to further improve robustness and quality of financial reporting to regulators, internal and external stakeholders.

The insourcing of services from Nordic Processor has been finalised and Nordea is now fully in charge of its IT environment.

Strategic priorities

During 2017, GCC will continue to focus on executing on the transformational agenda by implementing one operating model and supporting Nordea's regulatory and compliance agenda as well as the strategic ambitions of the group simplification programmes.

There is an overall determination for 2017 to deliver more, with less, which will be achieved through multiple levers;

- Operational excellence through lean practices
- Resource optimisation, transforming the workforce to meet new business requirements
- Enhanced utilisation of new technologies such as automation and big data

Group Treasury & ALM will continue to deliver cost-efficiently on its strategic initiatives cross-optimisation of funding, risks and capital, further enabled by effective balance sheet steering through enhanced internal funds transfer pricing as well as further improved operational robustness and analytical capabilities across risks and income in the banking book.

Group IT's focus will be to continue the efforts towards increasing the service availability, strengthening information security, compliance and risk management, ensuring efficiency in the delivery of IT services, as well as delivering infrastructural solutions for the new core banking platform and paving the way for being a truly digital bank.

The Group IT organisation will be further developed to increase service orientation, align and augment risk and compliance efforts, improve proactive remediation of risks as well as to more effectively orchestrate the change agenda.

Efforts will be stepped up to strengthen cross-organisational IT capabilities especially within IT architecture, operational excellence, vendor and supplier management and financial management.

Key figures

Results

The main income in Group Corporate Centre originates from Group Treasury & ALM together with Capital Account Centre, through which capital is allocated to business areas.

Total operating income was EUR 711m for the full year. Net interest income amounted to EUR 496m mainly driven by re-pricing gap income, positioning for lower rates and buy-backs of issued debt.

The net result from items at fair value was EUR 229m supported by strong performance in the liquidity buffer and the sale of Skibskreditt. Operating profit was EUR 418m.

The Nordea share and ratings

Nordea's return on equity (ROE) target is to be above the Nordic peer average*.

Nordea's market capitalisation at the end of 2016 was EUR 42.8bn (EUR 41.3bn the year before). Ranked by market capitalisation, Nordea was the third largest company in the Nordic region and among the ten largest European financial groups.

The Nordea share is listed on the Nasdaq Stockholm (in SEK), Helsinki (in EUR) and Copenhagen (in DKK) stock exchanges. Furthermore, Nordea ADR is listed in USA (in USD).

Share price performance

In 2016 the Nordea share price appreciated 9% on the Nasdaq Stockholm exchange from SEK 93.30 to SEK 101.30. The daily closing prices listed for the Nordea share in 2016 ranged between SEK 66.30 and SEK 104.40. In 2016, the Nasdaq OMXS30 index apreciated by 5% and the STOXX Europe 600 Banks index depreciated by 7%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 189%, clearly outperforming the STOXX Europe 600 Banks index (–49%) and the Nasdaq OMXS30 index (–1%).

Nordea's share price can be monitored on www.nordea.com, where it is also possible to compare the performance of the Nordea share with competitors and general indexes and find historical prices for the Nordea share.

Total shareholder return 2016

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2016 was 16% (8% in 2015). Nordea ranked number six among the European peer group banks in terms of TSR in 2016 (number seven in 2015).

Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2016, with an average daily trading volume of approx. EUR 145m, corresponding to approx. 16 million shares. Turnover on all stock exchanges combined totalled EUR 36bn in 2016, corresponding to 4.1 billion shares.

39% of the total volume traded in Nordea shares takes place over other exchanges such as BATS Chi-X Europe, Turquoise and Aquis. Out of the total number of Nordea shares traded in 2016 on Nasdaq, approx. 79% were SEK-denominated, 13% EUR-denominated and 8% DKK-denominated.

Share capital

According to the Articles of Association, shares in Nordea may be issued in two classes, ordinary shares and C-shares. The share capital amounts to EUR 4,049,951,919, which equals to the total number of shares in the Company.

All shares are ordinary shares. There was no change in share capital or in the number of shares in 2016. All ordinary shares in Nordea carry voting rights, with each share entitling to one vote at General Meetings. Nordea is not entitled to vote for own shares at General Meetings.

Further to the Long Term Incentive Programmes, there are no convertible bond loans or staff/management options in Nordea.

Capital policy

Nordea's current capital policy states that the Nordea Group should have a management buffer of 50–150 basis points above the regulatory CET 1 capital ratio requirement. Our current capital buffer is 100 basis points, in line with our policy.

Proposed dividend and dividend policy

The Board of Directors proposes a dividend of EUR 0.65 per share for 2016. The total dividend payment for 2016 would then be EUR 2,625m. The dividend yield calculated on the share price at 30 December 2016 is 6.1%.

Nordea's dividend policy consists of maintaining a strong capital position in line with the bank's capital policy. The ambition is to achieve a yearly increase in the dividend per share.

The dividend is denominated in EUR, Nordea's accounting currency.
The payment currency depends on the country in which the shares are registered. Owners of shares registered in

* Weighted to reflect Nordea's Nordic geographic mix

Nordea share price performance compared to European banks, 2000–2016, %

Turnover of the Nordea share on stock exchanges, 2000–2016[1], EURbn

1) Nasdaq exchanges from 2000 and other exchanges from 2010.

Sweden can choose between dividend in SEK or EUR. An official exchange rate is published. In Denmark, dividends are paid in EUR. If the shareholder does not have a EUR account the dividend is converted into local currency. Each custody institution decides its own conversion rate. In Finland, the dividend is paid in EUR.

Shareholders

With approx. 460,500 registered shareholders at the end of 2016, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Sweden is approx. 114,400, in Finland approx. 204,700 and in Denmark approx. 141,400 – largely unchanged numbers from last year.

The largest shareholder category is Finnish institutions (including Sampo plc), with a 26% holding of Nordea shares at year-end. Swedish institutional shareholders held 22% while non-Nordic shareholders held 32% of the capital at the end of 2016. The largest individual shareholder is Sampo plc with a holding of 21.3%.

Shareholder structure, 31 Dec 2016

Type of shareholders, 31 Dec 2016

Largest registered[1] shareholders in Nordea, 31 Dec 2016

Shareholder	No of shares, million	Holdings, %
Sampo Plc	860.4	21.3
Nordea Fonden	158.2	3.9
Alecta	99.1	2.5
Swedbank Robur Funds	96.8	2.4
Norwegian Petroleum Fund	82.3	2.0
AMF Insurance & Funds	74.3	1.8
SEB Funds	45.1	1.1
SHB Funds	42.9	1.1
Didner & Gerge Funds	37.5	0.9
Nordea Funds	32.7	0.8
Fourth Swedish National Pension Fund	32.7	0.8
Handerson Funds	31.4	0.8
Third Swedish National Pension Fund	31.3	0.8
First Swedish National Pension Fund	30.6	0.8
Varma Mutual Pension Insurance	30.0	0.7
Vanguard Funds	28.4	0.7
SPP Funds	25.3	0.6
Abu Dhabi Investment Authority	24.5	0.6
AFA Insurance	23.0	0.6
Second Swedish National Pension Fund	22.0	0.5
Total	1,808.6	44.8

Source: Euroclear Sweden, Modular Finance and VP Online.

1) Excluding nominee accounts.

Nordea share, annual turnover on different stock exchanges 2016

Nordea weighting in the STOXX Europe 600 Banks index, %

Distribution of shares, 31 Dec 2016

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	345,152	75	104,927,818	2
1,001–10,000	107,628	23	267,088,422	7
10,001–100,000	6,657	2	159,747,610	4
100,001–1,000,000	826	0	272,086,475	7
1,000,001–	275	0	3,235,178,892	80
Total	460,538		4,039,029,217	

Share data 5 years

	2016	2015	2014	2013	2012
Share price (SEK)	101.30	93.30	90.90	86.65	62.10
High/Low (SEK)	104.40 / 66.30	115.40 / 87.00	100.00 / 84.25	86.65 / 62.10	66.90 / 51.55
Market capitalisation (EUR)	42.8bn	41.3bn	38.9bn	39.7bn	29.3bn
Dividend (EUR)	0.65[2]	0.64	0.62	0.43	0.34
Dividend yield[3] (%)	6.1	7.6	5.4	4.2	3.8
Total shareholder return (TSR) (%)	16.3	8.2	9.2	44.6	21.0
STOXX Europe 600 Banks index (%)	−6.8	−3.3	−2.8	19.0	23.1
P/E (actual)	11.4	11.2	11.7	12.7	9.3
Price-to-book	1.32	1.32	1.31	1.35	1.03
Equity per share (EUR)	8.03	7.69	7.40	7.27	6.96
Earnings per share[4] (EUR)	0.93	0.91	0.83	0.77	0.78
Outstanding shares[1]	4 039 029 217	4 038 273 025	4 034 032 732	4 031 635 539	4 029 683 426

1) Excluding shares held for the Long Term Incentive Programmes.
2) Proposed dividend.
3) Dividend yield for 2011 to 2015 calculated at starting price on payment day and for 2016 calculated at price per 30 December 2016.
4) Diluted earnings per share, total operations.

Financial targets

Market Commitments and Financial Priorities 2016–2018

	Group Financial Targets 2016–2018	
Strong capital generation and efficiency with return of excess capital to shareholders	Dividend policy	To maintain a strong capital position in line with Nordea's capital policy. The ambition is to achieve a yearly increase in the dividend per share.
	Capital policy	Management buffer of 50–150 bps above the regulatory CET1 requirement
RoE above the Nordic peer average	RoE	RoE above the Nordic peer average[1]
Maintain a low risk profile based on actively managed and resilient businesses	Costs	1% cost CAGR[2]
	REA	Largely unchanged

1) Weighted to reflect Nordea's Nordic geographic mix.
2) Excluding FX and performance-related salaries.

Ratings

Nordea's credit ratings are some of the strongest among banks globally. During 2016, Nordea's ratings were confirmed at unchanged levels and with unchanged outlooks.

The long-term ratings for senior unsecured debt for Nordea Bank AB are all at the AA-level: from Moody's Aa3 (stable outlook), Fitch AA- (stable outlook) and Standard & Poor's AA- (negative outlook). The short-term ratings are at the highest level: P-1 from Moody's, F1+ from Fitch and A-1+ from S&P.

The analysis of the rating agencies is generally focused on profitability, asset risk, capitalisation and on the business franchise as well as wholesale funding profile and liquidity, where the view on Nordea has been stable or strengthening during the year.

The specific focus from the rating agencies' side in 2016 was largely on the resolution framework, including analysis of BRRD and MREL and TLAC securities.

Through the mergers on 2 January 2017 in which the banking operations became branches of the parent company, the three banking subsidiaries Nordea Bank Danmark, Nordea Bank Finland and Nordea Bank Norge have ceased to exist and consequently the ratings for these entities have been withdrawn. Furthermore, this has been perceived as credit-positive.

The covered bond ratings for the covered bond-issuing entities are unaffected and these are all Aaa/AAA for the covered bonds issued by Nordea Hypotek AB (publ)(in Sweden), Nordea Kredit Realkreditaktieselskab (in Denmark), Nordea Mortgage Bank Plc (in Finland) and Nordea Eiendomskreditt (in Norway).

Ratings, 31 Dec 2016

	Moody's Investors Service		Standard & Poor's		Fitch		DBRS	
	Short	Long	Short	Long	Short	Long	Short	Long
Nordea Bank AB (publ)	P-1	Aa3	A-1+	AA-**	F1+	AA-	R-1 (mid)	AA (low)
Nordea Bank Danmark A/S***	P-1	Aa3	A-1+	AA-**	F1+	AA-	R-1 (mid)	AA (low)
Nordea Bank Finland Plc***	P-1	Aa3	A-1+	AA-**	F1+	AA-	R-1 (mid)	AA (low)
Nordea Bank Norge ASA***	P-1	Aa3	A-1+	AA-**	F1+	AA-	R-1 (mid)	AA (low)
Nordea Hypotek AB (publ)		Aaa*		AAA*				
Nordea Kredit Realkreditaktieselskab		Aaa*		AAA*				
Nordea Eiendomskreditt AS		Aaa*						
Nordea Mortgage Bank Plc		Aaa*						
AT1 in Sep 2014 issue rating				BBB		BBB		
AT1 in March 2015 issue rating				BBB		BBB		

* Covered bond rating
** Negative outlook as of 20 Nov 2012
*** Following the mergers of Nordea's subsidiaries Nordea Bank Danmark, Nordea Bank Finland and Nordea Bank Norge into the parent company Nordea Bank AB (publ), these three subsidiaries no longer exist as separate legal entities in the Nordea Group and subsequently the ratings of these subsidiaries have been withdrawn.

Our people shape the future

Our industry is undergoing a significant transformation. We are working proactively to ensure that we meet our customers' changing demands in the digital era, as well as the increasing regulatory demands affecting our industry.

As the leading bank in the Nordics, we have a tremendous opportunity to shape the industry, and our people can all be leaders of the transformation. Supporting our people to focus on performing while transforming is our main priority, and we are embarking on a major cultural change to enable this opportunity.

Co-creating the future

We see opportunities in the way we co-create our future and become the bank we want to be. We want to support our people in achieving our ambitious goals through four dimensions:

Desire: By raising the bar and our own ambitions, we ensure we become the bank we want to be.

Collaboration: Solving the challenges of the future requires collaboration beyond our own organisational units and ensuring we have the right people in the right places where they can bring the best value. Also, we want to be a responsible member of society, actively engaging with our most important stakeholders – customers, regulators and society at large.

Ownership: We want our people to feel ownership of their own expertise so they can fully contribute now and to the transformation ahead.

Learning: We want to create a vibrant learning environment in which we also learn from our mistakes, systematically acquiring the new competence we need to build our future.

Organisations do not change – people do

For us to change and meet the demands of the transformation, we first need to look at who we are and what we are good at. We are proud of the expertise and professional skills of our people, and their ability to deliver. Our capabilities in terms of rapidly building future-fit-expertise will determine our ability to keep us ahead of the curve. Recruitment and learning processes are therefore crucial to our future success and personal development, and talent management will ensure that competence is maintained at the highest professional level.

Embracing risk management and compliance

Today's complex risk-management landscape requires future-fit competence with a deep understanding of long-term risk factors. Through collaboration with Group Compliance, Group Risk Management and Control and Business Risks Implementation Support (BRIS), we have developed training for all our people, addressing the responsibility of being a risk manager. We have a compliance awareness programme for senior management to maintain accountability and competence at the necessary level.

Diversity and inclusion – a factor for success

We are confident that an inclusive workplace culture benefits everyone. We will broaden the scope of our efforts to more aspects of diversity to include gender, age, ethnicity, religious beliefs, sexual orientation, approaches and other identity-shaping factors. In 2016 we recruited people from 27 different countries of varying backgrounds, including compliance and IT. Having people with different backgrounds is a positive factor for finding collaborative solutions and solving problems. Diversity thereby creates resilience, preparing us better for tomorrow's challenges and opportunities.

Engagement counts

For several years we have conducted an employee engagement survey to encourage people to tell us how they feel about working at Nordea. The response rate was 93% in 2016, which demonstrates strong engagement. Not surprisingly, the internal perception of Nordea's image has suffered since last year. It is natural that when public opinion changes, we are not unaffected internally.

The overall result of the survey shows that we continue to have a high level of engagement (same overall index as in 2015 and six index points higher than the Nordic financial labour market), driven especially by our satisfaction with job content, local teamwork, our relationship with our immediate manager and our belief that we can develop and are stimulated in our work.

Our cultural journey

We want our people to come to work every day united by a strong culture, with a strong desire and the freedom to perform at their best. We call this our "cultural journey". Our "people agenda" plays a significant role in this journey, aiming at strengthening capacity and creating a positive, inclusive work culture across our entire organisation.

We will make sure we build a fit-for-purpose organisation in which there is clarity between the roles throughout the organisation, and that our business obtains the full support of the people organisation so that business goals can be achieved. We will drive a strategic workforce to ensure that we have the right expertise in place in the right roles, and with great capacity in the resource-intensive, high-impact areas.

> "We want all our people to ask the question: How can I contribute to the transformation?"
>
> **Karen Tobiasen, Chief People Officer**

Number of employees, by area or function

	2016	2015	2014
Personal Banking	13,105	13,197	12,824
Commercial & Business Banking	6,036	5,944	4,782
Wholesale Banking	4,059	3,898	5,985
Wealth Management	2,790	2,697	2,557
Group Functions	5,607	4,089	3,246
Total	31,596	29,826	29,395

Towards a proactive approach

In our 2016 Sustainability Report, we're excited to present the beginning of a new journey for Nordea towards enhanced compliance and a sharper focus on sustainability. The development of this new, proactive sustainability framework is in progress with the aim to consolidate and embed sustainability processes in all our business areas, increasing resilience and transparency across the group.

Integrating sustainability in our core business

In the development of our new sustainability framework, we have carried out a number of concrete actions in the past year. They include the establishment of a Financial Crime Change Programme and the Business Ethics and Values Committee, chaired by our CEO. We've strengthened our tax compliance with the creation of a new Tax Board at Group Level. We've also added to our internal expertise with the key appointments of a new Chief Compliance Officer, Chief People Officer and Head of Sustainability.

Communicating with our stakeholders

Banking and financial transactions are built on trusting relationships. We believe that trust is something that must be earned through ethical business practices, responsible partnerships and compliance with rules and regulations. Our customers and stakeholders help us define and redefine our business model, business practices and risk management approach. Maintaining meaningful customer relationships is key for driving Nordea forward as a sustainable financial entity in society. At Nordea we listen to our stakeholders and during the second half of 2016 we held over 170 stakeholder dialogues with key external and internal stakeholders, gauging their opinions and expectations. Based on the results from these dialogues a materiality analysis was conducted, which has helped us prioritise which aspects Nordea shall focus on going forward.

Creating and managing wealth responsibly

As a financial institution, our entire business model is built on creating value. For a sustainable business model to succeed, value cannot only include monetary means, but must include environmental, ethical and social aspects. Our efforts are recognised and appreciated on the international agenda through our strong position on sustainability. In light of this, we would still like to reflect on the issues raised during the year in regards to investments in controversial arms, coal and the rights of indigenous people. We can still be more stringent while continuing to create added value for our investors. The transforming global tax landscape has posed increased ethical demands on our advisors to go beyond compliance in our services. During 2016 we strengthened our tax policy for customers and we have continuously reviewed our processes and routines to ensure they are aligned with the high ethical standard that society has on a trustworthy financial partner like Nordea.

Meeting tomorrow's demands in lending

We understand that sustainability is not only a key issue for us as an investor, but equally important in the engagement we have with our credit customers. Therefore, during 2016, we addressed how we can embed and calibrate a fair and valuable Environmental, social and governance (ESG) process in the credit approval process that entails development, awareness and monitoring on our credits. The topics of how to manage nuclear power, shipping and oil are among the issues we must keep tabs on to ensure that we are not only compliant and mitigate risks but most importantly support our customers in an ever changing world in which ethics make up an increasing currency. Acknowledging the complexity from both our stakeholders but also equal and fair treatment of all business is a key success factor. We will strengthen our stand in dedicated position statements and increase our own competence in order to support our customers in their transformations when adapting to climate change.

Climate change and sustainable finance at Nordea

Nordea has signed the Paris Pledge launched at the COP21, with the objective to keep the global temperature rise well below 2°C. This is used when setting new science-based environmental targets, as our current targets ended in 2016. We acknowledge the importance of internalising environmental and climate aspects in our business and it must be considered in everything from investments to lending and supply chain management. We will keep developing programmes and guidelines to stimulate knowledge and preparedness for customers' needs to transform and adapt to climate change and legislation in their businesses. We have set the following operational sustainability targets in line with the outcome from our stakeholder dialogues.

Operational sustainability targets
- Follow-up on sustainability targets & actions with KPIs
- Identify risks in value chain
- Formulate and follow-up on science based climate targets
- Implement responsible lending practices
- Implement ESG tools in all Business Areas
- Update governance process, steering documents and reporting
- Implement sustainability information reporting
- Map and define finance sector regulations and legislation related to sustainability
- Implement ethical & responsible advisory
- Put diversity and equality in focus

Board of Directors' report

Financial Review 2016

- **Operating profit**[1,2] –9%, in local currencies –8%
- Total operating income[1] –2%, in local curr. –1%
- Total operating expenses[2] +4%, in local currencies +5%
- Loan loss ratio[3] 15 basis points (14 basis points last year)
- Return on equity (ROE)[1,2] 11.5% (last year 12.3%)
- Common equity tier 1 (CET1) capital ratio 18.4% (last year 16.5%)
- Overall credit quality remained solid
- Assets under Management up 12% to EUR 322.7bn
- Proposed dividend EUR 0.65 per share (actual dividend last year EUR 0.64 per share)

1) Excl. non-recurring items (Q4 2015: gain from divestment of Nordea's merchant acquisition business to Nets of EUR 176m before tax. Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax, Q4 2016: additional gain related to Visa of EUR 22m before tax).
2) Excl. non-recurring items (Q4 2015: restructuring charge of EUR 263m before tax, Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m before tax).
3) Incl. Loans to the public reported in Assets held for sale.

Legal structure

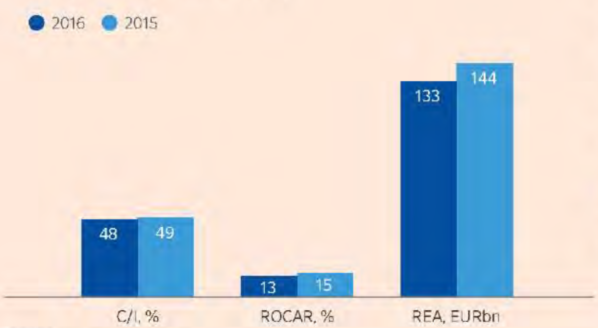
In February 2016, the Board of Directors of each of Nordea Bank AB (publ), Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA signed merger plans with the purpose to convert the Norwegian, Danish and Finnish subsidiary banks into branches of the Swedish parent company by means of cross-border mergers. The annual general meeting of Nordea Bank AB (publ) resolved to approve the merger plans on 17 March 2016. The remaining approvals needed in order to execute the mergers between Nordea Bank AB (publ) and Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA, respectively, were obtained during 2016.

As part of the merger process a new Mortgage Credit Institution (Nordea Mortgage Bank Plc) was established in Finland on 1 October 2016 in order to continue the covered bonds operations performed by Nordea Bank Finland Plc.

The cross border mergers between Nordea Bank AB (publ) and its subsidiary banks in Denmark, Finland and Norway were executed on 2 January 2017. As a result, all assets and liabilities of the subsidiary banks were transferred to Nordea Bank AB (publ) and each of Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA were dissolved. The banking business in Denmark, Finland and Norway is now carried out in branches of Nordea Bank AB (publ).

The new simplified legal structure supports the work to increase agility, efficiency and economies of scale and it strengthens governance.

Key figures[1], Nordea Group



1) Excl. non-recurring items.

Macroeconomic development

2016 was a year shaped by continued gradual global growth, low inflation and volatile financial and commodities markets. The dramatic fall in oil prices in particular characterised the second half of the year. The US and UK economies extended the more robust development with falling unemployment and positive GDP growth. While still at a slower pace, the European economy showed positive signs with improving growth and falling unemployment. Towards the second half of 2016, concerns over emerging market growth rose driven in part by the significant fall in commodity prices and the outlook of interest rate policy normalisation in the US.

The Nordic economies were characterised by divergence.

In Sweden the economic picture was strong with growth above 3%. In Denmark, the economy initially grew firmly, but then slowed somewhat in the second half of 2016. Still, the full-year picture remained robust, continuing the gradually improving trend. In Norway growth also initially held up, but as the deterioration in oil prices accelerated the economy was gradually impacted, weighing also on forward looking expectations. In Finland, the economic picture remained more muted, with growth swaying between positive and negative territory over the quarters.

Result summary 2016

Total income decreased in 2016 by 1% in local currencies (–2% in EUR) compared to 2015, excluding non-recurring items. Total expenses increased 5% in local currencies (+4% in EUR) excluding non-recurring items, in line with guidance and our cost base 2018 vs. 2016 remains largely unchanged. We expect a continued high activity level in 2017 (cost growth of approx. 2–3% in local currencies for 2017 vs. 2016). Net loan losses increased from last year to a level of 15 basis points of loans (14 basis points in 2015). Operating profit was down 8% in local currencies excluding non-recurring items (–9% in EUR).

Income

Net interest income decreased 3% in local currencies compared to 2015 (–5% in EUR). Lending volumes decreased 3% in local currencies excluding reverse repurchase agreements. Corporate and household lending margins increased compared to last year. Deposit margins overall were down from one year ago with a negative effect on net interest income of EUR 103m. Net interest margin, the average net interest income on lending and deposits, was slightly unchanged from last year (1%).

Net fee and commission income increased 1% in local currencies (unchanged in EUR), mainly due to a strong trend in savings and investment commissions.

Net result from items at fair value increased 4% in local currencies (+4% in EUR) compared to last year, the fourth quarter was positively affected by higher interest rates and a positive spread development.

Income under the equity method was EUR 112m (EUR 39m). Other income was EUR 135m (EUR 263m) including non-recurring items.

Expenses

Total expenses were up 5% in local currencies (+4% in EUR) compared to 2015 excluding non-recurring items. Staff costs were down 1% in local currencies excluding non-recurring items (–1.5% in EUR). Other expenses were up 15.7% in local currencies excluding non-recurring items (+14.5% in EUR).

Depreciations were up 11% in local currencies excluding non-recurring items (+9%).

Net loan losses
Net loan loss provisions increased 9% in local currencies to EUR 502m (5% in EUR), corresponding to a loan loss ratio of 15 basis points (14 basis points last year). The loan loss ratio was somewhat below the ten-year average loan loss ratio.

Taxes
The effective tax rate in 2016 was 18.6% compared to 22.2% last year.

Net profit and Return on equity (ROE)
Net profit increased 4% in local currencies (+3% in EUR) to EUR 3,766m.

Return on equity (ROE) was 11.5% excluding non-recurring items and 12.3% including these (last year 12.3% excluding non-recurring items and 12.2% including these).

Financial structure
Total assets decreased by 5% or EUR 31bn to EUR 616bn in 2016. Total liabilities decreased by 5% or EUR 33bn to EUR 583bn. All balance sheet items in foreign currencies are translated to EUR at the year-end rates when consolidated into the Nordea Group. See Note G1 for more information on accounting policies and section 28 therein for cross-currency rates used.

The euro strengthened against the Swedish krona and weakened against the Norwegian krone and against the Russian Rubel in 2016. It was largely unchanged against the Danish krone. The effect of changes in currency exchange rates amounted to a total decrease in the Group's assets of EUR 3bn and liabilities decreased by EUR 2bn.

Assets and liabilities held for sale (Baltic operations and sale of retail lending portfolio in Russia) have been transferred to the separate lines "Assets held for sale" and "Liabilities held for sale" as of 31 December 2016, but not as of 31 December 2015.

Loans
Total lending decreased EUR 27bn or 7% excluding assets held for sale, lending decreased EUR 15bn or 4% including assets held for sale. The decrease is mainly driven by repo lending.

Securities
Investments in interest-bearing securities and shares are on the same level as last year.

Deposits
Deposits and borrowings decreased by EUR 15bn or 8% excluding liabilities held for sale, deposits and borrowings decreased EUR 10bn or 5% including liabilities held for sale. The decrease is mainly driven by repos. Total debt securities in issue as per the end of 2016 amounted to EUR 192bn.

Life insurance activities
Net premiums received in the Life business are invested in interest-bearing securities, shares and properties. Increases of fair values on these investments as well as higher premiums written led to an increase in "liabilities to policyholders" of EUR 3bn or 6%.

Derivatives
The balance sheet items "Derivatives" reflect the net present value of derivative contracts split into positive and negative fair values. Positive market value of derivatives decreased from EUR 81bn to EUR 70bn and negative market values decreased from EUR 80bn to EUR 69bn. The reason for this was the increase in long-term interest rates and foreign exchange swaps. For more information, see Notes G1 and G18.

Financial targets
Nordea's financial targets, based on currently known regulatory requirements, for the period 2016–2018 are to have a ROE above the Nordic peer average (weighted to reflect Nordea's geographical mix), a cost CAGR of 1% excluding currency effects and performance related salaries, and to keep Risk Exposure Amount largely unchanged.

Capital position and capital policy
The CET1 capital ratio was further strengthened in 2016 through strong profit generation of the Group in combination with a continued focus on capital management, reaching 18.4% by the end of 2016 (last year 16.5%). In September 2016, Nordea issued a CRD IV compliant Tier 2 instrument of EUR 1bn, strengthening the total capital ratio by 60bps. The Group's total capital ratio was 24.7% at year-end.

Nordea's capital policy determines target capitalisation levels in Nordea. The capital policy states that Nordea Group under normal business conditions should have capital ratios for CET1, tier 1 and total capital that exceed the capital requirement as communicated by the Swedish FSA. The policy states that Nordea will maintain a management buffer of 50–150bps above the CET1 requirement.

A description of the Capital position is presented under Capital management on pages 53–55 and in Note G38.

Credit portfolio
Loans to the public excluding reverse repurchase agreements decreased by 3% in local currencies to EUR 298.5bn. The share of lending to corporate customers was 45%. Lending to shipping, offshore and oil services constituted 4% of the Group's total lending.

The overall credit quality remains solid with strongly rated customers. The total effect on credit risk exposure amount (REA) from migration was a marginal increase of approximately 0.7% during the full year 2016.

Impaired loans gross in the Group were down to EUR 5,550m at the end of the year compared to last year (EUR 5,960m). 58% of impaired loans gross are servicing and 42% are non-servicing.

Further information about the credit portfolio is presented under Risk management on page 45, in Note G46 and in the Capital and Risk Management Report 2016 published on the web pages.

Baltics
On 25 August 2016, Nordea and DNB announced an agreement to combine their operations in Estonia, Latvia and Lithuania to create a leading main bank in the Baltics with strong Nordic roots. The new bank will benefit from larger scale and the complementary nature of Nordea's and DNB's Baltic operations in terms of business lines and geographical footprint. Nordea's and DNB's Baltic operations have, respectively 1,300 and 1,800 employees and EUR 8bn and 5bn in assets[1]. Key objectives will be: to establish the bank as a leading customer-centric, main Baltic bank with Nordic roots; develop operational and funding independence; and to increase profitability and ROE over time. Nordea and DNB are strongly committed to supporting the creation of the new bank. The parties will have equal voting rights in the combined bank and equal representation on the Board. The majority of board members, including the chairman, will be independent. The financial ownership will reflect the relative equity value of contributions to the combined bank at the time of closing.

1) Based on loans and receivables to the public.

As of announcement, Nordea classified the assets and liabilities of its Baltic operations as held for sale at book value. At closing, Nordea's investment in the new bank will be treated as an associate for accounting purposes and the equity method will be applied in the consolidated accounts.

The transaction is conditional on regulatory approvals and is expected to close in the second quarter of 2017.

The banks will remain competitors and operate independently until all requisite approvals have been obtained and the transaction has closed.

Customer co-ownership of Nordea Liv & Pension in Denmark

Foreningen NLP representing the customers of Nordea Liv & Pension has purchased 25% of the holding in Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark from Nordea Life Holding AB. The transaction was approved by the Danish FSA and closed on 10 January 2017. The purchase price amounted to EUR 291m and the tax exempt gain to approx. EUR 125m. The gain is accounted for directly in equity at closing, i.e. in January 2017. In addition, Foreningen NLP has invested EUR 125m in Tier 1 subordinated debt issued by Nordea Liv & Pension

Changes to pension agreement in Norway

Due to recent changes in Norwegian social security and pension legislation Nordea, on 25 October 2016, decided to change the pension agreement with all employees in Norway born in 1958 or later from a defined benefit plan to a defined contribution plan. The pension rights earned under the defined benefit plan have been placed in paid-up policies and continue to be presented as defined benefit obligations, as they remain on Nordea's balance sheet, but the obligations have decreased as the assumption on future salary increases has been removed. This has led to an upfront gain (reduction in "Staff cost") amounting to EUR 86m including social charges in the fourth quarter of 2016.

Nordea's funding operations

Nordea issued approx. EUR 22.7bn of long-term debt during the year, excluding Danish covered bonds and subordinated debt. Liquidity management is presented on page 52. A maturity analysis is presented in Note G44.

Visa Inc.'s acquisition of Visa Europe Ltd.

In the Annual Report 2015 Nordea described Visa Inc.'s proposed acquisition of Visa Europe Ltd. The transaction closed in 2016 and Nordea recognised a total gain of EUR 173m. The total gain is split on "Profit from companies accounted for under the equity method" (EUR 97m net of tax) and "Other operating income" (EUR 76m of which EUR 29m tax exempt).

Market risk

A description of Market risk is presented on pages 49–50.

Hedge accounting

Nordea uses hedge accounting in order to have symmetrical accounting treatment of the changes in fair value of the hedged risks in the hedged items and of the hedging instruments and in order to hedge the exposure to variability in cash flows and net investments in foreign operations. More information on the hedged risks is presented in Note G1.

The Nordea share

According to the Articles of Association, shares in Nordea may be issued in two classes, ordinary shares and C-shares. The total number of shares in Nordea is 4,049,951,919. All shares are ordinary shares. See also Statement of changes in equity on page 76. The voting rights are described on page 59. C-shares are not entitled to any dividend.

In addition, there are provisions in the Articles of Association which will ensure that the reciprocal rights and obligations between each owner and each class remain in case of any issuance of new shares, warrants or convertibles. There are no restrictions in law or in the Articles of Association regarding the right to transfer shares and Nordea is not aware of any agreements between shareholders in this respect.

However, since Nordea is a credit institution, a direct or indirect acquisition of shares in Nordea, which causes the acquirer's total holding to comprise a qualified holding (represents 10% or more of the equity capital or of the voting capital) or an increase of qualified holdings, may take place only following consent by the Swedish Financial Supervisory Authority according to the Swedish Banking and Financing Business Act.

On 31 December 2016 Sampo plc was the largest individual shareholder with a holding of 21.3% and the only shareholder with a holding of more than 10%. A table showing the largest registered shareholders in Nordea at the end of 2016 is found on page 30.

On 31 December 2016, employees had an indirect shareholding of 0.55% in Nordea through the Nordea Profit-sharing Foundation and a minor indirect shareholding in Nordea through the pension foundation. The voting rights are in neither case exercised directly by the employees.

Holding of own shares

As of 31 December 2016, Nordea held 13,349,246 shares (0.3% of the total number of shares) in Nordea, a decrease of 5,223,339 shares compared to 31 December 2015. The par value is EUR 1 and the acquisition price amounts to EUR 41m.

These shares are partly held for trading purposes and partly as hedges of conditional rights in the Long Term Incentive Programmes.

Dividend

The Board of Directors proposes to the AGM a dividend of EUR 0.65 per share (EUR 0.64) and further, that the record date for dividend should be 20 March 2017. The dividend corresponds to a payout ratio of 70 percent of net profit. Total proposed dividend amounts to EUR 2,625m.

The ex-dividend date for the Nordea share is 17 March 2017. The dividend payments are scheduled to be made on 27 March 2017.

Mandate to acquire and convey own shares

The AGM 2015 authorised the Board of Directors to decide on acquisition of own shares on a regulated market where the company's shares are listed, or by means of an acquisition offer directed to all shareholders. The authorisation, which was valid until the AGM 2016, was limited so that Nordea's holdings of own shares might not exceed 10% of all shares.

The AGM 2015 further authorised the Board of Directors to decide on conveyance of own shares, to be used as payment for or financing of acquisitions of companies or businesses. Such conveyance could be made in another way than on a regulated market and with deviation from shareholders' pre-emptive rights.

The AGM 2016 did not, however, decide on corresponding authorisations to acquire and convey own shares. Consequently, during 2016 the Board of Directors had such mandate from the beginning of the year until the day of the AGM 2016, i.e, on 17 March 2016, but not thereafter.

The Board of Directors has not proposed that the AGM 2017 should decide on any authorisations to acquire and convey own shares.

Mandate to issue convertible instruments

The Board of Directors proposes that the AGM 2017 should authorise the Board of Directors to decide on issuing of convertible instruments, with or without preferential rights for existing shareholders. The authorisation means that the share capital may be increased by a maximum 10% of the Company's share capital. The authorisation may be used on one or several occasions up until the next AGM.

An issue of convertible instruments should be done on market conditions. The purpose of the authorisation is to facilitate a flexible and efficient adjustment of the Company's capital structure to the capital requirements.

The AGM 2016 decided on a corresponding authorisation to decide to issue convertible instruments.

Rating

Ratings of the Nordea Group are presented on page 32.

Personnel

Personnel expenses, significant agreements with key management personnel and the distribution by number of employees by country and gender are disclosed in Note G7. More information is presented on the page about Our people on page 33.

Profit sharing and share-based incentive systems

For 2016, a total of approx. EUR 35m (including social charges) was expensed under Nordea's ordinary profit-sharing scheme for all employees and the Long-Term Incentive Programmes for managers and key employees (EUR 84m last year)

For 2016, each employee can receive a maximum of EUR 3,200, based on a pre-determined set of performance criteria. The Profit Sharing scheme and the share-based incentive systems as well as other remuneration principles are presented in the chapter Remuneration on page 66–68 and in Note G7.

Pension liabilities

The total pension obligation in defined benefit plans increased from EUR 3,271m to EUR 3,434m in 2016. The increase is mainly due to re-measurements from changes in financial assumptions, mainly following lower discount rates, partly offset by a change to the mortality assumption (demographic assumption) in Sweden and the change to the pension agreement in Norway. Pensions paid have had a reducing effect on the pension obligation offset by new pension rights earned and discounting effects. The fair value of plan assets amounted to EUR 3,438m (EUR 3,319m). The actual return and contributions have had an increasing effect on plan assets, partly offset by pension payments. The net pension asset amounts to EUR 4m (EUR 48m). See Note G32 for more information.

Legal proceedings

Within the framework of normal business operations, the Group faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on the Group or its financial position.

Further information is presented in Note G36.

Environmental concerns and corporate social responsibility

Nordea is committed to sustainable business and development by combining financial performance with environmental and social responsibility as well as sound governance practices. Nordea has adopted a Nordea Sustainability Policy that spells out the Group's values and commitments to ethical business. The policy is based on the ten principles of the UN Global Compact, the UN Declaration of Human Rights, ILO-conventions and the OECD Guidelines for Multinational Enterprises. The Sustainability Policy has a specific section on environmental issues providing guidance on how the Group is to manage and control environmental issues in its business activities and its own operations. All employees of Nordea Group, including non-permanent staff working on behalf of Nordea, are subject to this policy.

Nordea policies are supported by a number of specific and concrete policies to ensure compliance with the principles in everyday business. Examples are the human resources policies, the anti-corruption policies and investment and credit policies.

Further information is presented under Sustainability on page 34 and in Nordea's Sustainability Report available on the web pages.

Foreign branches

The parent company has foreign branches in the Baltic countries, China, Denmark, Finland, Germany, Norway, Poland, Singapore, the United Kingdom, and the United States.

Sale of retail lending portfolio in Russia

Due to the challenging geopolitical and economic environment we maintained our strategy to reduce our risks and exposure in Russia and focus on corporate banking services only. Following our earlier communicated strategy, it was decided to sell the existing portfolio of mortgage and consumer loans. New lending for these segments was discontinued already in 2014. The carrying amount of the portfolio, classified as "Assets held for sale" on the balance sheet at 31 December 2016, was EUR 228m and the sales loss to be recognised on "Net result from items at fair value" in the first quarter 2017 was EUR 14m. The buyer was SovCombank.

Securitisation

During the year, Nordea agreed on risk sharing related to EUR 8.4bn of Nordea loans through a synthetic securitisation with a limited number of investors. The selected portfolio consists of EUR 8.4bn in corporate and SME loans from over 3,000 borrowers across Sweden and Denmark, spread across a wide range of industries and asset classes. No specific industry class was targeted for the transaction. Under the transaction, investors have agreed to invest in notes linked to the junior credit risk of the portfolio. In contrast to an outright sale of loan portfolios, no assets have been de-recognised from Nordea's balance sheet and Nordea continues to service the loans. Hence, Nordea has maintained all of its client relationships. The transaction was accounted for as a derivative, freed up capital at an attractive price reflecting Nordea's strong origination practices, while enhancing Nordea's CET1 ratio by approximately 30bps.

Annual General Meeting

The AGM will be held on Thursday 16 March 2017 in Stockholm. Further information is presented on the last page of the Annual Report.

Business area results

Personal Banking, operating profit by market

EURm	Total 2016	Total 2015	Change %	Change Loc. curr. %	Personal Banking Denmark 2016	Personal Banking Denmark 2015	Personal Banking Finland 2016	Personal Banking Finland 2015	Personal Banking Norway 2016	Personal Banking Norway 2015	Personal Banking Sweden 2016	Personal Banking Sweden 2015	Banking Baltic countries 2016	Banking Baltic countries 2015	Personal Banking other 2016	Personal Banking other 2015
Net interest income	2,112	2,162	–2	–1	603	612	381	432	302	348	693	597	149	145	–16	28
Net fee and commission income	727	791	–8	–8	158	205	187	196	85	86	247	255	37	33	13	16
Net result on items at fair value	104	106	–2	–1	9	–1	27	28	14	26	26	38	23	14	5	1
Equity method & other income	7	1	–	–	–2	–1	2	2	3	–1	1	0	1	0	2	1
Total operating income	**2,950**	**3,060**	**–4**	**–3**	**768**	**815**	**597**	**658**	**404**	**459**	**967**	**890**	**210**	**192**	**4**	**46**
Staff costs	–854	–899	–5	–4	–169	–176	–146	–148	–72	–77	–144	–151	–28	–27	–295	–320
Other expenses and depr.	–931	–900	3	4	–378	–388	–290	–280	–160	–160	–303	–288	–63	–60	263	276
Total operating expenses	**–1,785**	**–1,799**	**–1**	**0**	**–547**	**–564**	**–436**	**–428**	**–232**	**–237**	**–447**	**–439**	**–91**	**–87**	**–32**	**–44**
Profit before loan losses	**1,165**	**1,261**	**–8**	**–7**	**221**	**251**	**161**	**230**	**172**	**222**	**520**	**451**	**119**	**105**	**–28**	**2**
Net loan losses	–62	–145	–57	–57	0	–50	–13	–22	–4	–4	–10	–16	–21	–13	–14	–40
Operating profit	**1,103**	**1,116**	**–1**	**0**	**221**	**201**	**148**	**208**	**168**	**218**	**510**	**435**	**98**	**92**	**–42**	**–38**
Cost/income ratio, %	61	59	–	–	71	69	73	65	57	52	46	49	43	45	–	–
ROCAR, %	12	12	–	–	12	10	10	17	12	15	18	18	10	10	–	–
Other information, EURbn																
Lending to corporates[1]	6.5	6.2	3	4	0.3	0.3	0.1	0.1	0.0	0.1	0.6	0.6	5.4	5.2	–	–
Household mortgage lending	127.7	123.8	3	3	29.5	29.4	26.0	25.8	26.4	24.2	43.2	41.8	2.6	2.5	–	–
Consumer lending	20.7	21.4	–3	–3	9.6	10.2	5.3	5.3	1.3	1.1	4.1	4.3	0.4	0.4	–	–
Corporate deposits[2]	6.9	6.1	12	12	2.4	2.0	0.6	0.6	0.3	0.3	0.1	0.1	3.4	3.1	–	–
Household deposits	73.6	73.3	0	1	21.8	22.0	19.9	19.8	8.5	8.1	22.1	22.1	1.4	1.3	–	–

1) EUR 5.4bn related to corporate customers in the Baltics in Dec 2016 (Dec 2015: EUR 5.2bn). The rest from customers in PeB, which has both household and corporate business.
2) EUR 3.4bn related to corporate customers in the Baltics in Dec 2016 (Dec 2015: EUR 3.1bn). The rest from customers in PeB, which has both household and corporate business.

Commercial and Business Banking, operating profit by unit

EURm	Total 2016	Total 2015	Change %	Change Loc. curr. %	Commercial Banking 2016	Commercial Banking 2015	Business Banking 2016	Business Banking 2015	Commercial and Business Banking other 2016	Commercial and Business Banking other 2015
Net interest income	1,110	1,125	–9	–8	466	512	602	653	42	50
Net fee and commission income	413	432	–4	–4	218	213	252	269	–57	–50
Net result on items at fair value	278	285	–2	–1	211	209	73	76	–6	0
Equity method & other income	32	37	–13	–12	8	11	0	1	24	25
Total operating income	**1,833**	**1,969**	**–7**	**–6**	**903**	**945**	**927**	**999**	**3**	**25**
Staff costs	–486	–521	–7	–6	–108	–110	–157	–157	–221	–254
Other expenses and depr.	–455	–415	10	11	–256	–270	–372	–385	173	240
Total operating expenses	**–941**	**–936**	**0**	**2**	**–364**	**–380**	**–529**	**–542**	**–48**	**–14**
Profit before loan losses	**892**	**1,033**	**–14**	**–13**	**539**	**565**	**398**	**457**	**–45**	**11**
Net loan losses	–160	–171	–6	–5	–68	–38	–87	–128	–5	–5
Operating profit	**732**	**862**	**–15**	**–14**	**471**	**527**	**311**	**329**	**–50**	**6**
Cost/income ratio, %	51	48	–	–	40	40	57	54	–	–
ROCAR, %	9	13	–	–	10	14	10	11	–	–
Other information, EURbn										
Lending to corporates	70.6	70.7	0	0	42.2	42.9	28.3	27.7	–	–
Household mortgage lending[1]	6.9	6.9	0	1	0.2	0.2	6.8	6.7	–	–
Lending to households[1]	2.3	2.4	–3	–2	0.7	0.6	1.7	1.8	–	–
Corporate deposits	36.0	37.4	–4	–4	17.0	18.8	19.0	18.6	–	–
Household deposits[1]	3.3	3.2	1	20	0.2	0.2	3.1	3.0	–	–

1) Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

Business area results, cont.

Wholesale Banking, operating profit by unit

	Total		Change		Corporate & Institutional Banking (CIB)		Shipping, Offshore & Oil Services		Banking Russia		Wholesale Banking other (including Capital Markets unallocated)	
EURm	2016	2015	%	Loc. curr. %	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	830	1,018	–18	–15	519	602	252	294	173	214	–114	–92
Net fee and commission income	629	600	5	6	574	535	57	68	14	16	–16	–19
Net result on items at fair value	803	832	–3	–4	311	310	31	39	15	11	446	472
Equity method & other income	0	2	–	–	0	0	0	0	0	1	0	1
Total operating income	**2,262**	**2,452**	**–8**	**–6**	**1,404**	**1,447**	**340**	**401**	**202**	**242**	**316**	**362**
Staff costs	–625	–649	–4	–2	–33	–37	–18	–20	–34	–45	–540	–547
Other expenses and depr.	–290	–304	–5	–3	–410	–404	–44	–45	–21	–30	185	175
Total operating expenses	**–915**	**–953**	**–4**	**–3**	**–443**	**–441**	**–62**	**–65**	**–55**	**–75**	**–355**	**–372**
Profit before loan losses	**1,347**	**1,499**	**–10**	**–8**	**961**	**1,006**	**278**	**336**	**147**	**167**	**–39**	**–10**
Net loan losses	–279	–158	77	88	–103	–142	–147	–6	–31	–23	2	13
Operating profit	**1,068**	**1,341**	**–20**	**–20**	**858**	**864**	**131**	**330**	**116**	**144**	**–37**	**3**
Cost/income ratio, %	40	39	–	–	32	30	18	16	27	31	–	–
ROCAR, %	10	13	–	–	14	16	7	19	19	23	–	–
Other information, EURbn												
Lending to corporates	80.3	99.1	–19	–	37.9	41.4	12.0	12.4	3.8	5.7	26.6	39.6
Lending to households	0.2	0.3	–33	–	–	–	–	–	0.2	0.3	–	–
Corporate deposits	47.1	57.3	–18	–	35.5	40.0	5.1	5.4	0.6	0.7	5.9	11.2
Household deposits	0.1	0.1	0	–	–	–	–	–	0.1	0.1	–	–

Wealth Management, operating profit by unit

	Total		Change		Asset Management		Private Banking		Life & Pensions		Wealth Management other	
EURm	2016	2015	%	Loc. curr. %	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	112	121	–7	–10	0	0	112	121	0	0	0	0
Net fee and commission income	1,521	1,437	6	6	849	760	326	337	346	340	0	0
Net result on items at fair value	352	341	3	2	1	3	85	102	266	236	0	0
Equity method & other income	19	30	–37	–37	0	4	7	9	18	17	–6	0
Total operating income	**2,004**	**1,929**	**4**	**4**	**850**	**767**	**530**	**569**	**630**	**593**	**–6**	**0**
Staff costs	–500	–501	0	–1	–146	–135	–162	–175	–109	–111	–83	–80
Other expenses and depr.	–304	–300	1	1	–98	–102	–199	–182	–89	–86	82	70
Total operating expenses	**–804**	**–801**	**0**	**0**	**–244**	**–237**	**–361**	**–357**	**–198**	**–197**	**–1**	**–10**
Profit before loan losses	**1,200**	**1,128**	**6**	**5**	**606**	**530**	**169**	**212**	**432**	**396**	**–7**	**–10**
Net loan losses	0	–1	–	–	0	0	0	–1	0	0	0	0
Operating profit	**1,200**	**1,127**	**6**	**5**	**606**	**530**	**169**	**211**	**432**	**396**	**–7**	**–10**
Cost/income ratio, %	40	42	–3	–	29	31	68	63	31	33	–	–
ROCAR, %	36	37	0	–	–	–	23	31	20	19	–	–
Other information, EURbn												
Lending to households	11.5	10.6	8	8	–	–	11.5	10.6	–	–	–	–
Deposits from the public	13.5	12.6	7	7	–	–	13.5	12.6	–	–	–	–

Business area results, cont.

Group Corporate Centre, operating profit

EURm	2016	2015
Net interest income	496	385
Net fee and commission income	–14	–14
Net result on items at fair value	229	93
Equity method	0	0
Other operating income	0	18
Total operating income	711	481
Total operating expenses	–291	–142
Operating profit	418	335

Life & Pensions, profit drivers

EURm	2016	2015
Profit drivers		
Profit Traditional products	123	110
Profit Market Return products	231	223
Profit Risk products	81	72
Total product result	435	405
Return on shareholders' equity, other profits and group adjustments	–3	–9
Operating profit	432	405
Other information		
Solvency in % of requirement	159	–

Total Nordea Group and Business Areas

	Personal Banking		Commercial and Business Banking		Wholesale Banking		Wealth Management		Group Corporate Centre		Group Functions, Other and Eliminations		Nordea Group		Change	
EURm	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	%	Loc. curr. %
Net interest income	2,112	2,162	1,110	1,215	830	1,018	112	121	496	385	67	62	4,727	4,963	–5	–3
Net fee and commission income	727	791	413	432	629	600	1,521	1,437	–14	–14	–38	–16	3,238	3,230	0	1
Net result on items at fair value	104	106	278	285	803	832	352	341	229	93	–51	–12	1,715	1,645	4	4
Equity method	2	2	11	10	0	0	0	0	0	0	98	27	112	39	–	–
Other operating income	5	–1	21	27	0	2	19	30	0	18	90	187	135	263	–	–
Total operating income	2,950	3,060	1,833	1,969	2,262	2,452	2,004	1,929	711	481	166	249	9,927	10,140	–2	–1
Staff costs	–854	–899	–486	–521	–625	–649	–500	–501	–286	–237	–175	–456	–2,926	–3,263	–10	–9
Other expenses	–881	–846	–424	–391	–270	–285	–295	–295	57	140	167	192	–1,646	–1,485	11	12
Depreciations	–50	–54	–31	–24	–20	–19	–9	–5	–62	–45	–56	–62	–228	–209	9	11
Total operating expenses	–1,785	–1,799	–941	–936	–915	–953	–804	–801	–291	–142	–64	–326	–4,800	–4,957	–3	–2
Net loan losses	–62	–145	–160	–171	–279	–158	0	–1	0	0	–1	–4	–502	–479	5	9
Operating profit	1,103	1,116	732	862	1,068	1,341	1,200	1,127	418	335	104	–77	4,625	4,704	–2	–1
Cost/income ratio[1], %	61	59	51	48	40	39	40	42	41	26	–	–	48	49	–	–
ROCAR, %	12	12	9	13	10	13	36	37	–	–	–	–	13	15	–	–
Volumes, EURbn																
Lending to corporates[2]	6.5	6.2	70.6	70.7	80.3	99.1	–	–	–	–	–0.7	0.5	156.7	175.5	–	–
Household mortgage lending[3]	127.7	123.8	6.9	6.9	0.2	0.3	7.2	6.7	–	–	–	–	142.0	137.7	–	–
Consumer lending[3]	20.7	21.4	2.3	2.4	–	–	4.3	3.8	–	–	–	–	27.3	27.6	–	–
Corporate deposits[4]	6.9	6.1	36.0	37.4	47.1	57.3	–	–	–	–	–1.7	–1.0	88.3	99.8	–	–
Household deposits[3]	73.6	73.3	3.3	3.2	0.1	0.1	13.5	12.6	–	–	–	–	90.5	89.2	–	–

1) Excluding non-recurring items 2015 and 2016.

2) For PeB: EUR 5.4bn related to corporate customers in the Baltics in Dec 2016 (Dec 2015: EUR 5.2bn). The rest from customers in PeB, which has both household and corporate business.

3) Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

4) For PeB: EUR 3.4bn related to corporate customers in the Baltics in Dec 2016 (Dec 2015: EUR 3.1bn). The rest from customers in PeB, which has both household and corporate business

A 5-year income statement and balance sheet overview of the Group are presented in the financial statements chapter.

Risk, Liquidity and Capital management

Management of risk, liquidity and capital is a key success factor in the financial services industry.

Maintaining risk awareness in the organisation is engrained in the business strategies. Nordea has defined clear risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and capital structure.

Management principles and control

Board of Directors and Board Risk Committee

The Board of Directors has the ultimate responsibility for limiting and monitoring Nordea's risk exposure as well as for defining target capital ratios and deciding on the risk appetite. Risk is measured and reported according to common principles and policies approved by the Board of Directors. The Board of Directors also decides on Group Directives for credit risk, counterparty credit risk, market risk, liquidity risk, business risk, life and health insurance risk, operational risk, model risk, compliance risk as well as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP).

In the credit instructions, the Board of Directors decides on powers-to-act for major credit committees at different levels within the Business Areas. These authorisations vary for different decision-making levels, mainly in terms of the size of limits but also depending on the internal risk categorisation of customers. The Board of Directors furthermore decides on the limits for market and liquidity risk in the Group.

The Board Risk Committee (BRIC) assists the Board of Directors in fulfilling its oversight responsibilities concerning management and control of risk, risk frameworks as well as controls and processes associated with Nordea's operations.

Responsibility of CEO and GEM

The Chief Executive Officer (CEO) has the overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control of Nordea.

The CEO and GEM regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management.

The Asset and Liability Committee (ALCO), chaired by the Chief Operating Officer (COO), prepares issues of major importance concerning Nordea's financial operations and balance sheet either for decision by the CEO in GEM or for recommendation by the CEO in GEM and for decision by the Group Board.

The Financial Management Committee (FMC) has been established next to ALCO and Risk Committee. FMC governs performance management and financial reporting related issues (e.g. Group Valuation Committee).

The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of Nordea's risks on aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with the various risks. The Risk Committee furthermore decides, within the scope of resolutions adopted by the Board of Directors, on the allocation of credit risk limits, market risk limits as well as the liquidity risk limits to the risk-taking units. Unit heads allocate their respective limits within their units and may introduce more detailed limits and require other risk mitigating techniques such as stop-loss rules. The Risk Committee has established sub-committees for its work and decision-making within specific risk areas.

The GEM Credit Committee is chaired by the CEO. As of January 2017, the Executive Credit Committee is chaired by the Head of Group Credit Risk Management (GCRM), while the Group Credit Committee Commercial and Business Banking and the Group Credit Committee Wholesale Banking are chaired by the Chief Credit Officer (CCO). These credit committees approve major internal credit risk limits constituting the maximum credit risk appetite on the customer in question. Individual credit decisions within approved internal credit risk limits are taken within the customer responsible units. Internal credit risk limits are granted as individual limits for customers or consolidated customer groups as well as industry limits for certain defined industries.

Governance of Risk Management and Compliance

Group Risk Management and Control and Group Compliance are the second line of defence. The flow of risk related information from the Business Areas and the Group Functions to the Board of Directors passes through Risk Committee and BRIC. Reporting from Group Compliance is presented directly to the Board of Directors as well as discussed in the Board Audit Committee (BAC).

As of January 2017, Group Risk Management and Control is organised in the following divisions: Group Credit Risk and Control, Group Market and Counterparty Credit Risk, Group Operational Risk, Balance Sheet Risk Controls, Chief Operating Officer Function, and CRO Office. The flow of information starts with the divisions that monitor and analyse information on the respective risk type. The risks are presented and discussed in the Risk Committee and sub committees. Information on risk is then brought to BRIC, where risk issues are being discussed and prepared before presentation to the Board of Directors.

The other second line function, 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 adds value to Nordea and its stakeholders by providing an independent view on compliance with applicable rules and regulations, based to a great extent on conducted monitoring activities. Furthermore, Group Compliance advises and supports the first line of defence on ways to effectively and efficiently manage compliance obligations.

Risk appetite

Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of shareholders. Risk appetite is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

The Board of Directors is ultimately responsible for Nordea's overall risk appetite and for deciding on principles for how risk appetite should be managed. BRIC assists the Board of Directors in fulfilling these responsibilities by reviewing the development of the risk profile in relation to risk appetite and making recommendations for changes to Nordea's risk appetite. Nordea's risk appetite framework is based on explicit top-down risk appetite statements covering all key risks faced by Nordea. These statements, approved by the Board of Directors, collectively define the boundaries for Nordea's risk-taking activities, help identify areas with scope for additional risk taking, and set the basis for the risk reporting structure. Moreover, the framework supports management decision processes such as planning and target setting. This is achieved through a limit scale with three levels:

- **Green:** Risk level is well within the defined risk appetite
- **Amber:** A threshold set as a trigger level for further monitoring, investigation, or analysis
- **Red:** The limit of the bank's risk appetite

The starting point for defining Nordea's Risk Appetite is the available own funds and overall business strategy.

The Risk Appetite framework considers key risks relevant to Nordea's business activities and is at an aggregate level represented in terms of credit risk, market risk, liquidity risk, operational risk, solvency and compliance/non-negotiable risks. The Risk Appetite framework is further presented in the Capital and Risk Management Report.

Monitoring and reporting

The "Policy for Internal Control in the Nordea Group" states the components of the internal control framework as: Control environment, risk assessment, control activities, information and communication, and monitoring (including reporting of findings and deficiencies). It creates the fundamentals for the whole organisation to contribute to the effectiveness and the high quality of internal control. It is based on clear definitions, assignments of roles and responsibilities, common tools and procedures and is expressed in a common language.

Management of risks includes all activities aiming at identifying, measuring, assessing, monitoring and controlling risks as well as measures to limit and mitigate the consequences of the risks. Management of risk is proactive, emphasising training and risk awareness. Nordea maintains a high standard of risk management by means of applying available techniques and methodology to its needs. In order to support all employees in managing risks, Nordea has gathered relevant e-learnings, policies and guidelines – internally defined as Licence to work. Licence to Work is a set of stepwise requirements for learning about risk and compliance and shall be renewed every year.

The control environment is, among other things, based on the principles for segregation of duties and independence. Monitoring and reporting of risk are conducted on a daily basis for market risk, counterparty credit risk, liquidity risk and on a monthly and quarterly basis for credit risk, operational risk, IT risk and overall capital adequacy.

Detailed risk information, covering all risks as well as capital adequacy, is regularly reported to the Risk Committee, GEM and the Board of Directors. In addition to this Nordea's compliance with regulatory requirements is reported to GEM and Board of Directors. The Board of Directors and CEO in each legal entity regularly receive local risk reporting.

Disclosure requirements of the CRR – Capital and Risk Management Report 2016

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2016, 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.

Nordea's Capital and Risk Management Report 2016 available on www.nordea.com

Risk management

Credit Risk management
Credit Risk Management in 1st LoD is responsible for the credit process framework and Group Risk Management and Control (2nd LoD) is responsible for the credit risk management framework, consisting of policies, instructions and guidelines for the Group. Group Risk Management and Control is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process. 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.

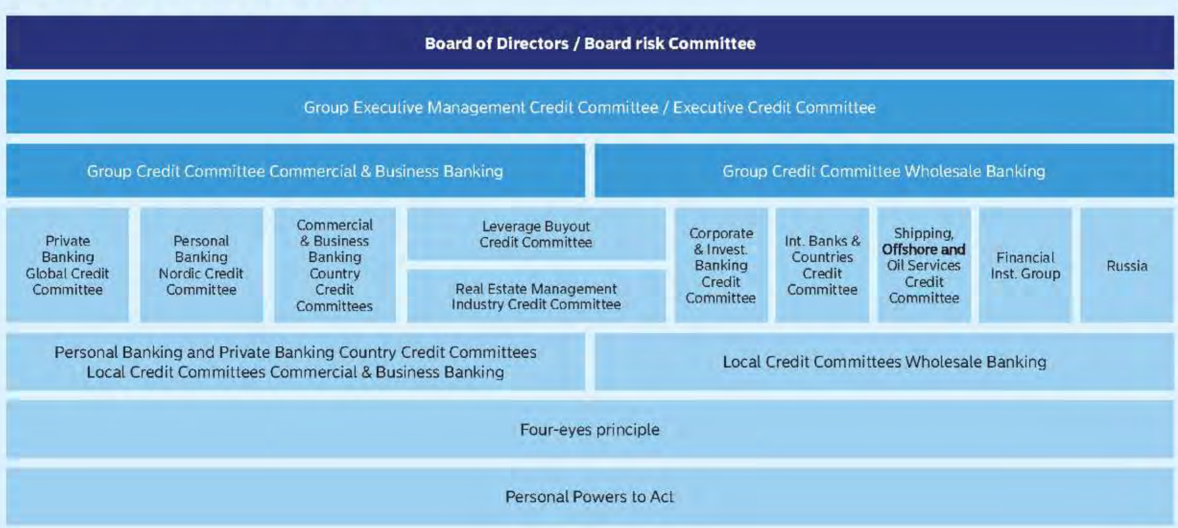
Within the powers to act granted by the Board of Directors, Internal credit risk limits are approved by credit decision making authorities on different levels in the organisation constituting the maximum risk appetite on the customer in question. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU). The risk categorisation and the exposure of the customer determine at what level the decision will be made. Responsibility for a credit risk lies with a customer responsible unit. Customers are risk categorised by a rating or score in accordance with Nordea's rating and scoring guidelines. From 1 January 2017 representatives from 1st LoD credit organisation independently approve the rating.

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. It stems mainly from various forms of lending, but also from issued guarantees and documentary credits. Credit risk includes counterparty credit risk, transfer risk and settlement risk. Credits granted within Nordea shall conform to a common framework. For monitoring the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are industry credit policies in place establishing requirements and caps.

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. Pledging of collateral is the main credit risk mitigation technique. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong. Limit decisions are taken independently from collateral coverage. Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation by the use of 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.

Individual and collective assessment of impairment
Throughout the process of identifying and mitigating credit impairments, Nordea continuously reviews the quality of the credit exposures. Weak and impaired exposures are closely and continuously 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. A provision is recognised if there is objective evidence based on loss events and observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, pledged collateral included. Exposures with provisions are considered as impaired. The size of the provision is equal to the estimated loss being the difference of the book value of the outstanding exposure and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either servicing or non-servicing. Exposures that have been past due more than 90 days are by definition regarded as defaulted and non-servicing, and reported as impaired or not impaired depending on the deemed loss potential. Forbearance is negotiated terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting

Credit Committee Structure



forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants.

Forbearance is undertaken on a selective and individual basis and followed by impairment testing. Loan loss provisions are recognised if necessary. Forborne rated customers without impairment charges are fully covered by either collateral and/or the net present value of future cash flows.

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The purpose of collective loan loss reserves is to account for value reductions in the performing credit portfolio due to transpired loss events. Nordea's model for collective provisions uses a statistical model as a base-line for assessing the amount of provisions needed for the parts of Nordea's portfolios that are not individually assessed. The Collective provisioning model is based on migration of rated and scored customers in the credit portfolio. The assessment of collective impairment is built on an incurred loss concept, where the credit quality of each exposure is related to its initial credit quality. If the credit quality has deteriorated, collective provisions corresponding to a true and fair assessment of the expected loss is calculated by the model. Moreover, defaulted customers without individual provisions are also collectively assessed. The output of the model is complemented with an expert based analysis process to ensure adequate provisioning. The model is executed quarterly and the output is a result of a bottom-up calculation from sub-exposure level, taking the latest portfolio development into account Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day.

Further information on credit risk is presented in Note G46 to the Financial statements.

Credit portfolio

Credit risk is measured, monitored and segmented in different ways. On-balance lending constitutes the major part of the credit portfolio and is the basis for impaired loans and loan losses. Credit risk in lending is measured and presented as the principle 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. Including off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 544bn (EUR 588bn last year). Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 499bn (EUR 498bn). See more information and breakdown of exposure according to the CRR definition in Note G46 and in the Capital and Risk Management Report.

Credit risk exposure and loans
(excluding cash and balances with central banks and settlement risk exposure)

EURm	31 Dec 2016	31 Dec 2015
To central banks and credit institutions	20,261	24,183
To the public	317,689	340,920
- of which corporate	152,964	177,542
- of which household	161,099	158,150
- of which public sector	3,626	5,228
Total loans	337,950	365,103
Off-balance credit exposure[1]	77,881	93,569
Counterparty risk exposure	33,628	32,457
Treasury bills and interest-bearing securities[2]	72,700	75,342
Total credit risk exposure in the banking operations	522,159	566,471
Credit risk exposure in the life insurance operations	21,841	21,167
Total credit risk exposure including life insurance operations	544,000	587,638

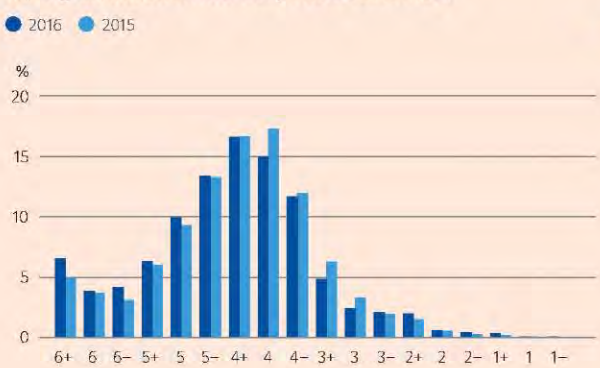
1) Of which for corporate customers approx. 90%.
2) Also includes Treasury bills and interest-bearing securities pledged as collateral in repurchase agreements.

Nordea's loans to the public decreased by 7% to EUR 318bn during 2016 (EUR 341bn in 2015), which excludes discontinued operations in the Baltics. Lending to customers in the Baltic countries was EUR 8.3.bn (EUR 8.5bn). The corporate portfolio decreased by approx. 14% and the household portfolio increased 2%. The overall credit quality is solid with strongly rated customers and a positive effect from rating migration in total in the portfolio. Out of lending to the public, corporate customers accounted for 48% (52%), household customers for 51% (46%) and the public sector for 1% (2%). Lending in the Shipping and offshore industry constitutes 3.3% (3.1%) of the Group's total lending to the public. Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 20bn at the end of 2016 (EUR 24bn).

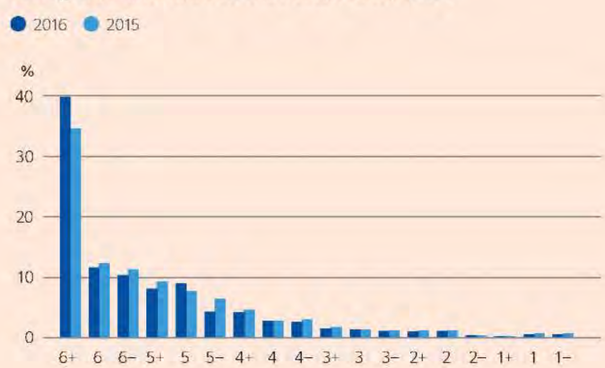
Loans to corporate customers

Loans to corporate customers at the end of 2016 amounted to EUR 153bn (EUR 178bn), down 14%. The sector that increased the most in 2016 was Construction and engineering while Financial institutions decreased the most. The concentration

Rating distribution IRB Corporate customers



Risk grade distribution IRB Retail customers



Loans to the public by country and industry

31 Dec 2016, EURm	Denmark	Finland	Norway	Sweden	Russia	Group 2016	Group 2015
Energy (oil, gas, etc.)	1	85	970	1,445	176	2,678	3,035
Metals and mining materials	14	200	140	388	113	856	836
Paper and forest materials	302	832	19	457	0	1,610	1,629
Other materials (building materials, etc.)	341	1,630	466	1,505	647	4,589	6,087
Industrial capital goods	634	775	55	495	0	1,959	1,932
Industrial commercial services, etc.	5,091	1,489	1,991	3,167	0	11,738	12,517
Construction and engineering	989	871	2,143	1,155	0	5,158	4,613
Shipping and offshore	146	2,923	5,387	2,038	0	10,494	10,510
Transportation	530	1,305	678	1,008	138	3,659	3,601
Consumer durables (cars, appliances, etc.)	266	375	449	520	0	1,611	2,272
Media and leisure	776	530	330	836	0	2,472	2,467
Retail trade	3,012	2,117	980	2,892	2	9,003	9,584
Consumer staples (food, agriculture, etc.)	7,198	1,309	1,552	735	3	10,796	11,515
Healthcare and pharmaceuticals	677	344	125	247	0	1,393	1,781
Financial institutions	2,662	1,321	1,145	8,473	0	13,600	17,013
Real estate	9,206	7,742	9,085	14,461	648	41,142	41,811
IT software, hardware and services	690	363	188	394	0	1,634	1,609
Telecommunication equipment	4	63	0	9	0	76	79
Telecommunication operators	43	342	266	384	8	1,044	1,242
Utilities (distribution and productions)	979	1,324	1,195	1,227	384	5,109	6,200
Other, public and organisations	3,096	0	39	32	0	3,167	4,938
Total excl reverse repurchase agreements	36,657	25,941	27,203	41,868	2,119	133,788	145,268
Reverse repurchase agreements		19,174	1	0		19,176	32,274
Total corporate loans	36,657	45,115	27,205	41,868	2,119	152,964	177,542
Household mortgage loans	31,031	28,978	27,801	45,531	0	133,341	130,232
Household consumer loans	10,320	8,789	1,525	5,406	0	27,759	27,919
Public sector	1,268	1,084	38	1,236	0	3,626	5,228
Total loans to the public	79,276	83,966	56,568	94,041	2,119	317,689	340,920
Loans to central banks and credit institutions	9,800	3,481	588	4,793		20,261	24,183
Total loans	89,075	87,447	57,156	98,834	2,119	337,950	365,103

Impaired loans and ratios

	2016	2015
Gross impaired loans, Group, EURm	5,550	5,960
- of which performing	3,244	3,682
- of which non-performing	2,306	2,278
Impaired loans ratio, basis points	163	162
Total allowance ratio, basis points	71	72
Provisioning ratio, %	44	45

of the three largest industries is approximately 23% of total lending. Real estate remains the largest industry in Nordea's lending portfolio, at EUR 41.1bn (EUR 41.8bn). The real estate **portfolio predominantly consists of relatively large and financially strong companies**, with 90% (83%) of the lending in rating grades 4- and higher. **Loans to Shipping and offshore** industry remained flat (EUR 10.5bn) during the year. The **shipping and offshore markets are presently experiencing** challenging times due to lower than expected demand and **significant over-supply. Nordea's portfolio is well diversified by type of vessel or offshore segment, and is focused on large and financially robust industrial players, Despite this, the**

Net loan losses and loan loss ratios

	2016[1]	2015
Net loan losses, EURm	–502	–479
Loan loss ratio, Group, basis points	15	14
- of which individual	12	13
- of which collective	3	1
Loan loss ratio, Personal Banking, basis points	4	10
Loan loss ratio, Commercial & Business Banking, basis points	20	21
Loan loss ratio, Baltic countries, basis points	25	16
Loan loss ratio, Corporate & Institutional Banking, basis points	27	34
Loan loss ratio, Shipping, Offshore & Oil Services, basis points	123	5

1) In 2016 the ratio is including Loans to the public reported as assets held for sale.

Impaired loans gross and allowances by country and industry

31 Dec 2016, EURm	Denmark	Finland	Norway	Sweden	Russia	Group	Allowances	Provisioning ratio
Energy (oil, gas, etc.)	0	1	54	60	0	116	100	86%
Metals and mining materials	1	30	30	2	0	63	37	58%
Paper and forest materials	6	1	0	0	0	7	4	51%
Other materials (building materials, etc.)	19	162	12	27	0	220	111	50%
Industrial capital goods	12	16	0	7	0	34	43	>100%
Industrial commercial services, etc.	120	98	62	112	0	392	193	49%
Construction and engineering	111	23	23	3	0	160	86	54%
Shipping and offshore	36	70	135	3	0	244	240	98%
Transportation	27	11	5	2	0	45	27	60%
Consumer durables (cars, appliances, etc.)	29	14	60	19	0	123	82	67%
Media and leisure	27	20	4	12	0	63	34	54%
Retail trade	162	80	8	81	0	331	165	50%
Consumer staples (food, agriculture, etc.)	825	56	27	1	0	909	301	33%
Healthcare and pharmaceuticals	12	6	0	0	0	18	8	42%
Financial institutions	156	27	58	42	0	284	163	57%
Real estate	267	56	59	1	17	400	183	46%
IT software, hardware and services	28	36	1	0	0	65	38	58%
Telecommunication equipment	0	1	0	0	0	1	1	79%
Telecommunication operators	1	11	4	0	0	16	26	>100%
Utilities (distribution and productions)	3	1	16	2	0	23	17	76%
Other, public and organisations	17	2	0	0	0	19	42	>100%
Reverse repurchase agreements	0	0	0	0	0	0	0	0%
Total corporate impaired loans	1,860	722	559	375	17	3,533	1,900	54%
Household mortgages impaired loans	579	344	122	64	0	1,126	83	7%
Household consumer impaired loans	478	297	21	86	0	882	441	50%
Public sector impaired loans	0	0	0	0	0	0	0	–
Credit institutions impaired loans	0	9	0	0	0	9	2	22%
Total impaired loans	2,917	1,372	701	525	17	5,550		
Total allowances	1,056	594	450	298	22		2,425	
Total provisioning ratio	36%	43%	64%	57%	128%			44%

portfolio credit quality deteriorated last year, and negative rating migration is expected also for 2017. The portfolio has an average rating of 4. Nordea is a leading bank to the global shipping and offshore industry with strong brand recognition and a world leading loan syndication franchise. The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 69% (66%) of the corporate volume is for loans up to EUR 50m per customer.

Loans to household customers
In 2016 lending to household customers increased by 2% to EUR 161bn (EUR 158bn). Mortgage loans increased slightly to EUR 133bn (EUR 130bn) and consumer loans were stable at EUR 28bn. The proportion of mortgage loans of total household loans was unchanged at 83%.

Geographical distribution
Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries and Russia account for 99% (94%). The portfolio is geographically well diversified with no market accounting for more than 30% of total lending. Other EU countries represent the largest part of lending outside the Nordic countries. At the end of 2016, lending to Russian customers was EUR 2.1bn (EUR 3.6bn).

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 credit quality was slightly improved in the corporate credit portfolio as well as in the scoring portfolio in 2016. 27% of the number of corporate customers migrated upwards (31%) while 20% were down-rated (9%). Exposure-wise, 19% (24%) of the corporate customer exposure migrated upwards while 19% (18%) was down-rated. 84% (86%) of the corporate exposure were rated 4- or higher, with an average rating for this portfolio of 4+.

Institutions and retail customers on the other hand exhibit a distribution that is biased towards the higher rating grades. 91% (92%) of the retail exposures are scored C- or higher, which indicates a probability of default of 1% or lower. Impaired 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. 0.7.% during the full year 2016.

Impaired loans
Impaired loans gross in the Group decreased to EUR 5,550m (EUR 5,960m), corresponding to 163 basis points of total loans (162 bps). 58% of impaired loans gross are servicing and 42% are non-servicing. Impaired loans net, after allowances for

Market risk for the trading book figures, VaR[1]

EURm	Measure	31 Dec 2016	2016 high	2016 low	2016 avg	31 Dec 2015
Total risk	VaR	15.7	56.1	12.4	28.7	32.9
Interest rate risk	VaR	11.7	50.7	9.5	25.5	32.4
Equity risk	VaR	5.1	10.9	1.9	4.5	6.8
Credit spread risk	VaR	6.2	12.5	3.2	6.6	5.6
Foreign exchange risk	VaR	4.2	16.1	3.1	7.3	3.7
Diversification effect	VaR	42%	57%	16%	36%	32%

1) For a description of Nordea's VaR model, see Measurement of market risk below.

Market risk for the banking book figures, VaR[1]

EURm	Measure	31 Dec 2016	2016 high	2016 low	2016 avg	31 Dec 2015
Total risk	VaR	58.7	110.0	54.0	77.1	77.2
Interest rate risk	VaR	57.6	104.3	48.1	70.0	76.1
Equity risk	VaR	1.0	14.8	0.9	3.7	3.3
Credit spread risk	VaR	1.6	5.9	1.2	3.2	3.2
Foreign exchange risk	VaR	5.1	46.1	3.0	26.9	3.3
Inflation risk	VaR	0.1	2.2	0.1	1.2	0.0
Diversification effect	VaR	10%	38%	10%	32%	10%

1) For a description of Nordea's VaR model, see Measurement of market risk below.

individually assessed impaired loans amounted to EUR 3,637m (EUR 3,747m), corresponding to 108 basis points of total loans (102 bps). Allowances for individually assessed loans decreased slightly to EUR 1,913m from EUR 2,213m. Allowances for collectively assessed loans increased slightly to EUR 513m from EUR 451m. The ratio of individual allowances to cover impaired loans decreased to 34% and total allowances in relation to impaired loans were slightly higher at 44%. The decrease in impaired loans was mainly related to the industries Other materials (Chemical, Building materials and Real estate management and investment. The industry with the largest increases in impaired loans were Shipping and offshore and Energy. Past due loans 6 days or more to corporate customers that are not considered impaired decreased to EUR 704m (EUR 962m), and past due loans to household customers decreased to EUR 1,410m (EUR 1,620m) in 2016.

Net loan losses

Loan losses increased 5% to EUR 502m in 2016 from EUR 479m in 2015. This corresponded to a loan loss ratio of 15 basis points (14 basis points). EUR 427m related to corporate customers (EUR 336m), and EUR 74m (EUR 143m) to household customers. Within corporates the main provisions were in the industries Consumer durables, in Consumer staples and in Retail trade. Shipping, Offshore & Oil Services reported net loan losses of EUR 127m in 2016 compared to loan losses of EUR 7m in 2015.

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. The exposure at the end of December 2016 was EUR 33.6bn (EUR 32.5bn in 2015), of which the current exposure net (after close-out netting and collateral reduction) represents EUR 13.6bn. 56% of the exposure and 35% of the current exposure net was towards financial institutions. For information about financial instruments subject to master netting agreement, see note G41.

Market risk

Market risk is defined as the risk of loss in Nordea's holdings and transactions as a result of changes in market rates and parameters that affect the market value, for example, changes in interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities. Nordea Markets, Group Treasury & Asset and Liability Management (TALM) are the key contributors to market risk in the Nordea Group. Nordea Markets is responsible for the customer-driven trading activities; Group TALM is responsible for funding activities and investments for Nordea's own account, asset and liability management, liquidity portfolios and pledge/collateral account portfolios. For all other banking activities, market risks are managed by Group TALM.

Structural FX risk arises from investments in subsidiaries and associated enterprises denominated in foreign currencies. Generally, Nordea hedges investments by matched funding, although exceptions may be made in markets where matched funding is impossible to obtain, or can be obtained only at an excessive cost.

Earnings and cost streams generated in foreign currencies or from foreign branches generate an FX exposure, which for the individual Nordea legal entities is handled in each entity's FX position. Currency translation differences in the Group's equity are generally the difference between equity and goodwill in foreign currency less net investment hedges and tax. In addition to the immediate change in the market value of Nordea's assets and liabilities that could be caused by a change in financial market variables, a change in interest rates could also affect the net interest income over time. This is structural interest income risk (SIIR) discussed further below. Market risk on Nordea's account also arises from the Nordea-sponsored defined benefit pension plans for employees (pension risk) and from investment and insurance risks associated with Nordea Life & Pensions (NLP).

Measurement of market risk

Nordea calculates value-at-risk (VaR) using historical simulation. The current portfolio is revaluated using the daily changes in market prices and parameters observed during the last 500 trading days, thus generating a distribution of 499 returns based on empirical data. From this distribution, the expected shortfall method is used to calculate a VaR figure, meaning that the VaR figure is based on the average of the worst outcomes from the distribution. The one-day VaR figure is subsequently scaled to a 10-day figure. The 10-day VaR figure is used to limit and measure market risk both in the trading book and in the banking book. Separate VaR figures are calculated for interest rate, credit spread, foreign exchange rate equity and inflation risks. The total VaR includes all these risk categories and allows for diversification among them. The VaR figures include both linear positions and options. The model has been calibrated to generate a 99% VaR figure. This means that the 10-day VaR figure can be interpreted as the loss that will be exceeded in one out of a hundred 10-day trading periods. It is important to note that while every effort is made to make the VaR model as realistic as possible, all VaR models are based on assumptions and approximations that have a significant effect on the risk figures produced. While historical simulation has the advantage of not being dependent on a specific assumption regarding the distribution of returns, it should be noted that the historical observations of the market variables that are used as input may not give an adequate description of the behaviour of these variables in the future. The choice of the time period used is also important. While using a longer time period may enhance the model's predictive properties and lead to reduced cyclicality, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. Nordea's choice to use the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons of using longer or shorter time series in the calculation of VaR.

Foreign exchange rate positions in FX VaR[1]

EURm	2016	2015
DKK	–845.3	665.3
SEK	134.2	–45.4
NOK	30.0	12.1
USD	28.3	91.7
Other[2]	7.1	

1) The disclosed FX positions relate to positions in financial instruments in the banking book and trading book. Financial derivatives are included with their delta equivalent. Structual FX risk e.g. related to investments in subsidiaries and associated companies or related to earnings and cost streams denominated in foreign currencies, are not included.

2) Aggregate net positions for foreign exchange positions with and individual absolute value below EUR 20m.

Market risk analysis

The market risk for the Nordea trading book is presented in the tables above. The total VaR was EUR 16m at the end of 2016 (EUR 33m at the end of 2015). Interest rate VaR was EUR 12m (EUR 32m). The market risk for the Nordea banking book is presented in the tables above. The total VaR was EUR 59m at the end of 2016 (EUR 77m at the end of 2015). Interest rate VaR was EUR 58m (EUR 76m). The fair value of the portfolio of illiquid alternative investments was EUR 517m at the end of 2016 (EUR 553m at the end of 2015), of which private equity funds EUR 238m, hedge funds EUR 48m, credit funds EUR 168m and seed-money investments EUR 63m. All four types of investments are spread over a number of funds.

Structural Interest Income Risk (SIIR)

SIIR is the amount by which Nordea's accumulated net interest income would change during the next 12 months if all interest rates were to change by one percentage point. Scenario reference rates are floored at zero. SIIR reflects the mismatches in the balance sheet items and the off-balance sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly. Nordea's SIIR management is based on policy statements resulting in different SIIR measures and organisational procedures.

Policy statements focus on optimising financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information.

SIIR measurement methods

Nordea's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios. Several interest rate scenarios are applied, but the basic measures for SIIR are the two scenarios (increasing rates and decreasing rates). These scenarios measure the effect on Nordea's net interest income for a 12 month period of a one percentage point change in all interest rates. The balance sheet is assumed to be constant over time, however main elements of customer behaviour and Nordea's decision-making process concerning Nordea's own rates are taken into account.

SIIR analysis

At the end of the year, the SIIR for increasing market rates was EUR 822m (EUR 384m) and the SIIR for decreasing market rates was EUR –762m (EUR 13m) These figures imply that net interest income would increase if interest rates rise. Due to floors on the scenario definitions, the net interest income increase in both upward and downward scenarios.

Operational risk

Operational risk means the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, or from people, systems or external events. Regarding own funds requirements for operational risk also covers legal risk and compliance risk. Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

The key principle for the management of Operational risks is the three lines of defence. The first line of defence is represented by the Business Areas and Group Functions that are responsible for their own daily risk management and for operating their business within limits for risk exposure and in accordance with decided framework for internal control and risk management at first line of defence. The control function Group Operational Risk (GOR), part of Group Risk Management and Control in the second line of defence, responsible for developing and maintaining the framework for managing operational risks and for supporting, challenging and controlling the line organisation in its implementation of the framework. GOR establishes and maintains adequate policies and procedures for operational risk. The Nordea Operational Risk Policy forms part of the risk management and internal control framework and sets out the general principles for operational risk management. Management of operational risks is proactive, emphasising training and risk awareness. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in the third line of defence.

The key process for management of operational risks is the annual Operational Risk Assessment process. The process includes the risk and control self-assessment (RCSA), scenario analysis and Group level controls, and places focus on both the risks on a divisional and unit level threatening its daily activities and the risks which could cause extreme financial losses or other significant impacts to Nordea as well as assessing and ensuring fulfilment of requirements specified in Group Directives. The risks are identified both through top-down and through bottom-up analysis of results obtained from control questions as well as existing information from processes, such as incident reporting, scenario analysis, quality and risk analyses as well as product approvals. Upon identification of risks, the estimated impact of risk materialisation is assessed and mitigating actions are identified. The timing of this process is synchronised with the annual planning process to be able to ensure adequate input to the Group's overall prioritisations.

The reporting of the outcomes is done to Group Risk Management and Control (GRMC), Group Executive Management (GEM) and the Group Board or relevant Group Board committee.

Compliance risk

Nordea defines compliance risk as the risk of failing to comply with laws, regulations, rules and prescribed practises and ethical standards, governing Nordea's activities in any jurisdiction, which could result in material financial or reputational loss to the Group, regulatory remarks or sanctions.

The key principle for the management of compliance risk is the three lines of defence. The first line of defence represented by the Business Areas and Group Functions are risk owners, and are responsible for their own daily risk management and control of compliance risks. Management on all levels are responsible for operating their business within defined limits for risk exposure and in accordance with decided directives, instructions and risk management processes, and for implementing and executing Group level and Business Area level instructions and guidelines.

Group Compliance is a second line of defence risk control function in the Group, coordinating, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance provides an independent view on compliance to relevant rules and regulations, through monitoring and other activities. Furthermore, Group Compliance also advises, supports and trains first line on ways to effectively and efficiently handle compliance obligations. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in the third line of defence.

In April 2016 the CEO initiated an internal investigation to assess whether the business activities in our Private Banking operations are in line with internal policies as well as external tax rules and anti-money laundering regulations. The investigation covered Panama-related offshore structures in Nordea Bank S.A. in Luxembourg (NBSA) as well as Nordic Private Banking. The investigation did not find evidence that employees initiated the establishment of offshore structures, nor that they proactively contributed to customers' potential tax evasion. The investigation however found that many of the reviewed KYC files fall clearly below the standards set forth in the Group's policy. This is mainly related to the so-called enhanced due diligence (EDD) required for high-risk customers. A number of initiatives have been initiated to address the deficiencies.

In June 2016 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding anti-money laundering (AML). The outcome has resulted in criticism and the matter was in June 2016, in accordance with Danish administrative practice, referred over to the police for further handling and possible sanctions.

To address the deficiencies highlighted by the Swedish FSA last spring, and the similar deficiencies highlighted by the Danish FSA, the bank established a Financial Crime Change Programme in 2015 with the goal of ensuring robust group wide frameworks, policies, standards and processes. The Group has invested in a significant increase in resources to improve its financial crime risk management capability since then and is making good progress in progressively embedding the revised approach.

The Business Ethics and Values Committee was established at the end of 2015 to oversee that Nordea runs its business in a responsible manner and in line with our values and ethical standards. In order to strengthen the corporate culture within the Group, a culture transformation programme was initiated in Q3 2016 involving all the employees of the Group.

The supervisory authorities have during 2016 conducted ongoing investigations with regards to Nordea's compliance in several areas, e.g. investment advice, AML, taxation rules, competition law, governance and control. The Nordea Group is also responding to inquiries from U.S. govermental authorities regarding historical compliance with certain U.S. financial sanctions during 2008–2013. The outcome of some investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions.

In addition to the Financial Crime Change programme, the bank is investing more generally in enhanced compliance standards, processes and resources. Nordea has developed a revised compliance operating model, accelerated recruitment and introduced dedicated first line compliance and operational risk support units.

Life insurance risk and market risks in the Life & Pensions operations

The Life & Pensions business of Nordea Life & Pensions (NLP) generally consists of a range of different life & health products, from endowments with a duration of a few years to very long term pension savings contracts, with durations of more than 40 years. There continues to be a strategic move away from traditional business, where policyholders are offered guaranteed investment returns to market return business, where policyholders bear more of the investment risk and benefit from any upside in the return attained. The two major risks in the life insurance business continue to be market risk and life & health insurance risks.

Market risk arises at NLP mainly due to a mismatch between assets and liabilities and the sensitivity of the values of these assets and liabilities to changes in the level or in the volatility of market prices or rates. In addition, NLP is exposed to market risk through the investment of the shareholders' equity. The market risk is mitigated through liability driven investment where appropriate, aiming at reducing the asset-liability mismatch, while at the same time creating an investment return enabling Nordea Life & Pensions to meet the guarantees offered to meet customer's expectations.

The life and health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality rates, longevity rates, disability rates and surrender/lapse risks. The risk is generally measured through exposure measurement, experience analysis of mortality, morbidity lapse and expense risks, together with sensitivity and stress tests.

The life and health insurance risk is primarily controlled using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and setting up adequate provisions for risks.

Liquidity management

Key issues during 2016

During 2016, Nordea continued to benefit from its focus on prudent liquidity risk management, in terms of maintaining a diversified and strong funding base. Nordea had access to all relevant financial markets and was able to actively use all of its funding programmes. Nordea issued approx. EUR 23bn in long-term debt, excluding subordinated debt and covered bonds issued by Nordea Kredit Realkreditaktieselskab, of which approx. EUR 14bn in the Swedish, Finnish and Norwegian covered bond markets. Swedish FSA introduced Liquidity Coverage Ratio (LCR) requirement in the beginning of 2013, and Nordea is LCR compliant in all currencies combined and separately in USD and EUR. Nordea is also compliant with EBA Delegated Act LCR, which came into force in October 2015.

Management principles and control

TALM is responsible for pursuing Nordea's liquidity strategy, managing the liquidity and for compliance with the group-wide limits set by the Board of Directors and the Risk Committee. TALM, as the 1st LoD, develops the liquidity management and risk frameworks, which consist of policies, instructions and guidelines as well as defines the principles for pricing liquidity risk. GMCCR, as an independent 2nd LoD, reviews the policies and frameworks and executes control over the liquidity management.

The Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk measures. The most central measure is survival horizon, which defines the risk appetite by setting the minimum survival of three months under institution-specific and market-wide stress scenarios with limited mitigation actions.

Liquidity risk management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea's liquidity management and strategy are 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 Funding programmes are both short-term (US commercial paper, European commercial paper, commercial paper, Certificates of Deposits) and long-term (covered bonds, European medium-term notes, medium term notes) and cover a range of currencies.

Nordea's funding sources are presented in a table below. As of year-end 2016, the total volume utilised under short-term programmes was EUR 36.9bn (EUR 49.3bn) with the average maturity being 0.3 (0.3) years. The total volume under long-term programmes was EUR 154.9bn (EUR 152.7bn) with average maturity being 6.0 (6.0) years. During 2016, the volume of long-term programmes increased by EUR 2.2bn whilst the volume of short-term programmes decreased by EUR 12.4bn. Trust is fundamental in the funding market, therefore Nordea periodically publishes information on the liquidity situation of the Group. Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. The stress testing framework includes also survival horizon metrics (see below), which represent a combined liquidity risk scenario (idiosyncratic and market-wide stress).

Liquidity risk measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors.

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 buffer minimum level is set by the Board of Directors. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Treasury & ALM that can be readily sold or used as collateral in funding operations.

During 2011, the Survival horizon metric was introduced. It is conceptually similar to Liquidity Coverage Ratio. The metric is composed of the liquidity buffer and funding gap risk cash flows, and includes expected behavioural cash flows from contingent liquidity drivers. Survival horizon defines the short-term liquidity risk appetite of the Group and until March 2016 expressed the excess liquidity after a 30-day period without access to market funding. In April 2016 the period was prolonged to 90 days. The Board of Directors has set the limit for minimum survival without access to market funding during 90 days. The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the Net Balance of Stable Funding (NBSF), which is defined as the difference between stable liabilities and stable assets. These liabilities primarily comprise retail deposits, bank deposits and bonds with a remaining term to maturity of more than 12 months, as well as shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 12 months and committed facilities. The CEO in GEM has set as a target that the NBSF should be positive, which means that stable assets must be funded by stable liabilities.

Liquidity risk analysis

The short-term liquidity risk remained at moderate levels throughout 2016. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR +21.6bn (EUR +20.4bn). Nordea's liquidity buffer range was EUR 54.4 – 68.6bn (EUR 54.6bn – 82.3bn) throughout 2016 with an average buffer size of EUR 59.9bn (EUR 61.9bn). Nordea's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury & ALM, as shown in the table below. Survival horizon was in the range EUR 24.6bn – 49.4bn (EUR 40.6bn – 55.8bn) throughout 2016 with an average of EUR 32.3bn (EUR 48.4bn). The aim of always maintaining a positive NBSF was comfortably achieved throughout 2016. The yearly average for the NBSF was EUR 69.3bn (EUR 55.0bn).

The total Liquidity Coverage Ratio (LCR) according to Swedish rules for the Nordea Group was at the end of 2016 159% (201%) with yearly average of 158% (134%). At the end of 2016 the LCR according to Swedish rules in EUR was 334% (303%) and in USD 221% (188%), with yearly averages of 209% and 224%, respectively. LCR according to EBA Delegated Act was 165% (161%) at the end of the year.

Net balance of stable funding, 31 December 2016

EURbn	
Stable liabilities and equity	
Tier 1 and tier 2 capital	31.5
Secured/unsecured borrowing >1 year	133.9
Stable retail deposits	30.1
Less stable retail deposits	51.0
Wholesale deposits <1 year	77.7
Total stable liabilities	**324.3**
Stable assets	
Wholesale and retail loans >1 year	237.1
Long-term lending to banks and financial companies	3.8
Other illiquid assets	11.2
Total stable assets	**252.1**
Off-balance-sheet items	**2.2**
Net balance of stable funding (NBSF)	**69.9**

Funding sources, 31 December 2016

Liability type, EURm	Interest rate base	Average maturity (years)	Amount
Deposits by credit institutions			
- Shorter than 3 months	Euribor etc.	0.0	34,775
- Longer than 3 months	Euribor etc.	1.9	3,383
Deposits and borrowings from the public			
- Deposits on demand	Administrative	0.0	149,191
- Other deposits	Euribor etc.	0.2	29,613
Debt securities in issue			
- Certificates of deposits	Euribor etc.	0.3	19,089
- Commercial papers	Euribor etc.	0.2	17,805
- Mortgage covered bond loans	Fixed rate, market-based	7.3	109,477
- Other bond loans	Fixed rate, market-based	2.9	45,379
Derivatives		n.a.	68,638
Other non-interest-bearing items		n.a.	54,230
Subordinated debentures			
- Dated subordinated debenture loans	Fixed rate, market-based	6.1	7,085
- Undated and other subordinated debenture	Fixed rate, market-based	n.a.	3,374
Equity			32,411
Total			**574,449**
Liabilities to policyholders			41,210
Total, including life insurance operations			**615,659**

For a maturity breakdown, see Note G45.

Capital management

Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to different asset, liability and risk categories. The goal is to enhance returns to shareholders while maintaining a prudent capital structure. The Board of Directors decides ultimately on the targets for capital ratios, capital policy and the overall framework of capital management in Nordea. The ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

Capital requirements

The capital requirement and the own funds described in this section follow the CRR rules and not accounting standards, see Note G38 for details. Therefore the capital requirement and the own funds are only applicable for Nordea Bank AB (publ) on its consolidated situation, in which the insurance companies are not consolidated.

Capital policy

The Nordea Group's current capital policy states that Nordea Group under normal business conditions should have minimum targets for common equity tier 1 (CET1) capital ratio, tier 1 ratio and total capital ratio that exceed the capital requirements set out by the Swedish FSA. In addition, Nordea will maintain a management buffer of 50–150bps above the regulatory CET1 requirement. The current capital targets reflect the latest communication from the Swedish FSA, however, there are still uncertainties with respect to ongoing regulatory uncertainties such as the replacement of the current capital floor.

Minimum capital requirements

Risk exposure amount (REA) is calculated in accordance with the requirements in the CRR. Nordea had 87% of the credit risk exposure amount covered by internal rating based (IRB) approaches by the end of 2016. Nordea aims to implement the IRB approach for some remaining portfolios in 2017. Nordea is approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for the major share of the market risk in the trading book. For operational risk the standardised approach is applied.

Internal capital requirement

Nordea's Internal Capital Requirement (ICR) was EUR 14.6bn at the end of the year. The ICR should be compared to the own funds, which was EUR 32.9bn at the end of the fourth quarter. The ICR is calculated based on a Pillar I plus Pillar II approach. For more detailed information about the ICR methodology see the Pillar III report. In addition, supervisors require Nordea to hold capital for other risks which are identified and communicated as part of the Supervisory Review and Evaluation Process (SREP). The outcome of the 2016 SREP, which was communicated in October 2016, indicated that the CET1 requirement as of third quarter 2016 was 17.3%. The CET1 requirement is assessed to be 17.4% as of year-end 2016. The combined buffer requirement consists of a 3% systemic risk buffer, a 2.5% capital conservation buffer and a countercyclical buffer of approximately 0.5%. The countercyclical buffer is expected to increase to approximately 0.7% as of year-end 2017 after the planned increase in the countercyclical buffer rates in Sweden during Q1 2017 and in Norway in Q4 2017. The Pillar II other part consists of the SFSA standardised benchmark models for Pillar II risks as well as other Pillar II add-ons as a result of the SREP. The final capital requirement for 2017 will depend on the outcome of the 2017 SREP which Nordea expects in October 2017.

Capital requirements and REA

	31 Dec 2016		31 Dec 2015
EURm	Minimum capital requirement	REA	REA
Credit risk	8,601	107,512	116,978
- of which counterparty credit risk	759	9,489	9,510
IRB	7,517	93,958	103,717
- corporate	4,977	62,212	70,371
- advanced	3,887	48,585	56,211
- foundation	1,090	13,627	14,160
- institutions	572	7,144	8,526
- retail	1,755	21,933	22,520
- secured by immovable property collateral	1,001	12,505	12,702
- other retail	754	9,428	9,818
- items representing securitisation positions	66	828	–
- other	147	1,841	2,300
Standardised	1,084	13,554	13,261
- central governments or central banks	26	320	504
- regional governments or local authorities	21	266	237
- public sector entities	3	39	32
- multilateral development banks	2	32	0
- international organisations	–	–	–
- institutions	40	498	282
- corporate	173	2,159	2,109
- retail	258	3,223	3,137
- secured by mortgages on immovable properties	229	2,863	2,887
- in default	9	114	119
- associated with particularly high risk	56	701	741
- covered bonds	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–
- collective investments -undertakings (CIU)	–	–	–
- equity	221	2,760	2,617
- other items	46	579	596
Credit Value Adjustment Risk	144	1,798	1,751
Market risk	358	4,474	6,534
- trading book, Internal Approach	236	2,942	2,990
- trading book, Standardised Approach	74	928	1,209
- banking book, Standardised Approach	48	604	2,335
Operational risk	1,350	16,873	17,031
Standardised	1,350	16,873	17,031
Additional risk exposure amount, Article 3 CRR	200	2,500	1,000
Sub total	10,653	133,157	143,294
Adjustment for Basel I floor			
Additional capital requirement according to Basel I floor	6,612	82,655	78,533
Total	17,265	215,812	221,827

The Pillar II add-ons, including risk weight floors, do not affect the maximum distributable amount (MDA) level at which automatic restrictions on distributions linked to the combined buffer requirement would come into effect unless a formal decision on Pillar II has been made. A formal decision on Pillar II has not been made. Currently the MDA level is 10.5% and it is expected to increase to 10.7% in 2017 when the countercyclical buffer rates in Sweden and Norway are increased.

Economic Capital (EC)

Economic Capital is a method for allocating the cost of holding capital, as a result of risk taking. The allocation of costs within the EC model is based on the same risk components as the ICAAP but also includes risks in the insurance businesses. EC is calculated for the legal group whereas the ICAAP, which is governed by the CRD, covers only Nordea Bank AB (publ) on its consolidated situation. EC has been aligned to CET1 capitalisation requirements according to CRR. Economic Capital (EC including Nordea Life and Pensions) was at the end of 2016 EUR 26.3bn (EUR 25.0bn as of 2015).

Own funds

Own funds is the sum of tier 1 and tier 2 capital. Tier 1 capital consists of both common equity tier 1 (CET1) and additional tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Additional tier 1 and tier 2 capital consists mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Securitisation

Nordea has agreed on risk sharing related to EUR 8.4bn of Nordea loans through a synthetic securitisation with a limited number of investors. The selected portfolio consists of EUR 8.4bn in corporate and SME loans from over 3,000 borrowers across Sweden and Denmark, spread across a wide range of industries and asset classes. No specific industry class was targeted for the transaction. Under the transaction, investors have agreed to invest in notes linked to the junior credit risk of the portfolio. In contrast to an outright sale of loan portfolios, no assets will be de-recognised from Nordea's balance sheet and Nordea will continue to service the loans. Nordea will therefore maintain all of its client relationships. The transaction, which is accounted for as a derivative, frees up capital at an attractive price reflecting Nordea's strong origination practices

Capital situation of the financial conglomerate

As Sampo Plc has an owner share of more than 21.3% in Nordea Bank AB (publ), Nordea is part of the Sampo financial conglomerate in accordance with the Finnish Act on the Supervision of Financial and Insurance Conglomerates (2004/699), based on Directive 2002/87/EC.

Further information – Note G38 Capital adequacy and the Capital and Risk Management Report

Further information on capital management and capital adequacy is presented in Note G38 Capital adequacy and in the Capital and Risk Management Report at www.nordea.com.

Summary of items included in own funds

EURm	31 Dec 2016[3]	31 Dec 2015[3]
Calculation of own funds		
Equity in the consolidated situation	31,533	29,959
Proposed/actual dividend	–2,625	–2,584
Common Equity Tier 1 capital before regulatory adjustments	28,908	27,375
Deferred tax assets	–	–
Intangible assets	–3,435	–2,866
IRB provisions shortfall (–)	–212	–296
Deduction for investments in credit institutions (50%)	–	–
Pension assets in excess of related liabilities[1]	–240	–296
Other items, net	–483	–342
Total regulatory adjustments to Common Equity Tier 1 capital	–4,370	–3,800
Common Equity Tier 1 capital (net after deduction)	**24,538**	**23,575**
Additional Tier 1 capital before regulatory adjustments	3,042	2,968
Total regulatory adjustments to Additional Tier 1 capital	–25	–27
Additional Tier 1 capital	3,017	2,941
Tier 1 capital (net after deduction)	**27,555**	**26,516**
Tier 2 capital before regulatory adjustments	6,541	5,940
IRB provisions excess (+)	78	–
Deduction for investments in credit institutions (50%)	–	–
Deductions for investments in insurance companies	–1,205	–1,501
Pension assets in excess of related liabilities	–	–
Other items, net	–65	–55
Total regulatory adjustments to Tier 2 capital	–1,192	–1,556
Tier 2 capital	5,349	4,384
Own funds (net after deduction)[2]	**32,904**	**30,900**

1) Based on conditional FSA approval.

2) Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 33,038m by 31 Dec 2016.

3) Including profit for the period.

Capital adequacy ratios

	2016	2015
Common Equity Tier 1 (CET1) capital ratio excluding Basel I floor (%)	18.4	16.5
Tier 1 ratio excluding Basel I floor (%)	20.7	18.5
Capital ratio excluding Basel I floor (%)	24.7	21.6
Capital adequacy quotient (Own funds/ capital requirement excluding Basel I floor)	3.1	2.7
Capital adequacy quotient (Own funds/ capital requirement including Basel I floor)	1.9	1.8

Life & Pensions - Solvency II position 30.11.2016

EURm	Life & Pensions
Required solvency	2,549
Actual solvency capital	4,065
Solvency buffer	1,516
Solvency in % of req	159%

Life & Pensions - Solvency II sensitivity 30.11.2016

Percentage	Life & Pensions
Solvency in % of requirement	159%
Equities drop 12%	164%
Interest rates down 50bp	164%
Interest rates up 50bp	162%

New regulations

The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) entered into force on 1 January 2014 followed by the Bank Recovery and Resolution Directive (BRRD) on 15 May 2014. The CRR became applicable in all EU countries from 1 January 2014 while the CRD IV and BRRD were implemented through national law within all EU member states during 2014.

On 14 March 2016 the Swedish FSA decided to increase the countercyclical capital buffer (CCyB) rate from 1.5% to 2% from 19 March 2017. Additionally, the Norwegian FSA announced that the current CCyB of 1.5% will be increased to 2% from 31 December 2017.

On 24 May 2016 the Swedish FSA published two new methods intented to raise the capital requirements for exposures to corporates for banks that use the Internal Ratings Based (IRB) approach. The new methods require banks to include a financial down-turn period every fifth year in the estimation of PD, as well as introducing a maturity floor of 2.5 years under Pillar II for banks that use the advanced IRB approach.

Proposal on amended CRR, CRD IV and BRRD

In November 2016 the European Commission (EC) published a proposal amending the BRRD, the CRD IV and the CRR. The amendments to the CRR, being a regulation, will be directly applicable in all EU countries once implemented whereas the amendments to the CRD IV and BRRD, being directives, need to be implemented into national legislation before being applicable. The time for implementation is uncertain but it is stated that the amendments will start entering into force in 2019 at the earliest, with some parts being implemented later and subject to phase-in. Some of the main amendments include:

TLAC / MREL

The EC proposes to implement the Total Loss Absorbing Capacity (TLAC) standard, issued by the Financial Stability Board, building on the existing framework of the BRRD which includes the Minimum Requirement for own funds and Eligible Liabilities (MREL). TLAC requires Global Systemically Important Banks (G-SIBs), referred to as G-SIIs in EU legislation, to have a sufficient amount of highly loss absorbing ("bailinable") liabilities to ensure smooth and fast absorption of losses and recapitalisation in resolution. The purpose of MREL is to achieve the same objective as for the TLAC standard, although it is technically different from the TLAC standard and is applied for both G-SIIs and non G-SII institutions in EU.

According to the EC proposal amending the BRRD, both G-SIIs and non G-SII should meet the so-called firm specific MREL requirement decided by the resolution authorities. The requirement should not exceed the sum of loss absorption amount and recapitalisation amount, both of which are determined by the minimum capital requirement of 8% and Pillar II capital requirement. In order to make it possible for banks to issue eligible instruments in a cost efficient and harmonised way, the EC proposes to introduce a new insolvency hierarchy for non-preferred senior debt.

Pillar II

The proposal introduces a split of Pillar II add-ons into Pillar II Requirements (P2R) and Pillar II Guidance (P2G), where the P2R will increase the Maximum Distributable Amount (MDA) level while the P2G is a soft measure that does not affect the MDA level.

NSFR

The EC proposes to introduce a binding Net Stable Funding Ratio (NSFR) that requires institutions to finance their long-term activities (assets and off-balance sheet items) with stable funding. The NSFR proposal aligns NSFR governance, compliance and supervisory actions with the EU Liquidity Coverage Ratio (LCR) requirement.

Leverage ratio

The proposal introduces a binding leverage ratio requirement of 3% of tier 1, harmonised with the international Basel Committee on Banking Supervision (BCBS) standard. A possible higher requirement for G-SII is postponed until a decision is taken by the BCBS.

Market risk

In January 2016, the BCBS concluded its work on the Fundamental Review of the Trading Book (FRTB) and published a new standard on the treatment of market risk. The amendments to the CRR incorporates the FRTB rules into EU regulation with some adjustments, such as postponing the implementation to 2021 and including a three year phase-in period. The key features of the framework include a revised boundary for trading book and non-trading book (banking book) exposures, a revised internal model approach and a revised standardised approach.

SME supporting factor

The EC proposal includes an extended Small and medium-sized enterprises (SME) supporting factor. The current SME supporting factor provides a capital reduction of 23.81% for exposures up to EUR 1.5 million towards SMEs. The proposal extends this discount with an additional 15% reduction for the part above the EUR 1.5 million threshold, intended to further stimulate lending to SMEs.

Revisions to the Basel III capital framework ("Basel IV")

Basel III is a global, regulatory framework on bank capital adequacy, stress testing, and liquidity risk. It was agreed upon by the members of the BCBS in 2010 and 2011, however some parts are currently under revision.

The revisions include proposals on the IRB approach imposing restrictions on the use of the IRB approach for certain exposures, such as exposures towards institutions and large corporates, as well as introducing model-parameter floors. The revisions also include a revised standardised approach (SA) which bases the risk weights on risk drivers and external ratings. The BCBS also proposes a revised operational risk framework that will be based on a single non-model-based method. Moreover, the BCBS proposal is to introduce a capital floor that should be based on the revised standardised approaches for credit, market and operational risks. There are also ongoing discussions in the BCBS regarding a potential leverage ratio buffer for G-SIBs.

In January 2017, the BCBS announced that it is working to finalise its reforms and expects to complete its work in the near future.

Regulatory treatment of IFRS 9

In October 2016, the BCBS published a discussion paper and a consultative document on the policy considerations associated with the regulatory treatment of accounting provisions related to IFRS 9 under the Basel III regulatory capital framework. The discussion paper presents proposals on a revised long-term regulatory treatment of provisions to be applied once the revisions to the SA and IRB approach become applicable. IFRS 9 enters into force in 2018 and the proposal is, during an interim period, to retain the current regulatory treatment of provisions as applied under both the SA and IRB approach to allow thorough consideration of the longer-term options for the regulatory treatment of provisions.

Corporate Governance Report 2016

Strong corporate governance is about companies having clear and systematic decision-making processes, thus providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory internal control, risk management and transparency. Commitment to Nordea's mission and vision requires the integration of sound corporate governance practices into regular business activities in order to, attain – as far as possible – a company that is well governed and well managed.

This Corporate Governance Report is prepared in accordance with the requirements in the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance (the Code). The main emphasis is on the Board of Directors in its role as the main decision-making body in Nordea's corporate governance structure, and the interaction with the other bodies to ensure sound corporate governance. Nordea's system for internal control and risk management regarding financial reporting is also covered.

Corporate governance at Nordea

Nordea Bank AB (publ) (the "Company") is a Swedish public limited company listed on the NASDAQ stock exchanges in Stockholm, Helsinki and Copenhagen. Corporate governance at Nordea follows generally adopted principles of corporate governance. The external framework that regulates corporate governance work includes the Swedish Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act of Credit Institutions and Securities Companies, EU regulations for the financial industry, rules issued by relevant financial supervisory authorities, NASDAQ's rules for each stock exchange and the rules and principles of the Code. Nordea complies with the Code and has no deviations to report in 2016.

In 2016, the Company had neither any infringement of the applicable stock exchange rules nor any breach of good practice in the securities market reported by the relevant exchange's disciplinary committee or the Swedish Securities Council.

The Code is available at www.corporategovernanceboard.se.

Division of powers and responsibilities

The management and control of Nordea is divided among the shareholders (at the General Meeting), the Board of Directors and the President and CEO, pursuant to the provisions of the external framework, the Articles of Association and the internal instructions set forth by the Board of Directors.

General Meetings (1)

The General Meeting is the Company's highest decision-making body, at which shareholders exercise their voting rights. At the General Meeting, decisions are taken regarding matters such as the annual accounts, dividend, election of the Board of Directors and auditors, remuneration for Board members and auditors and guidelines for remuneration for executive officers.

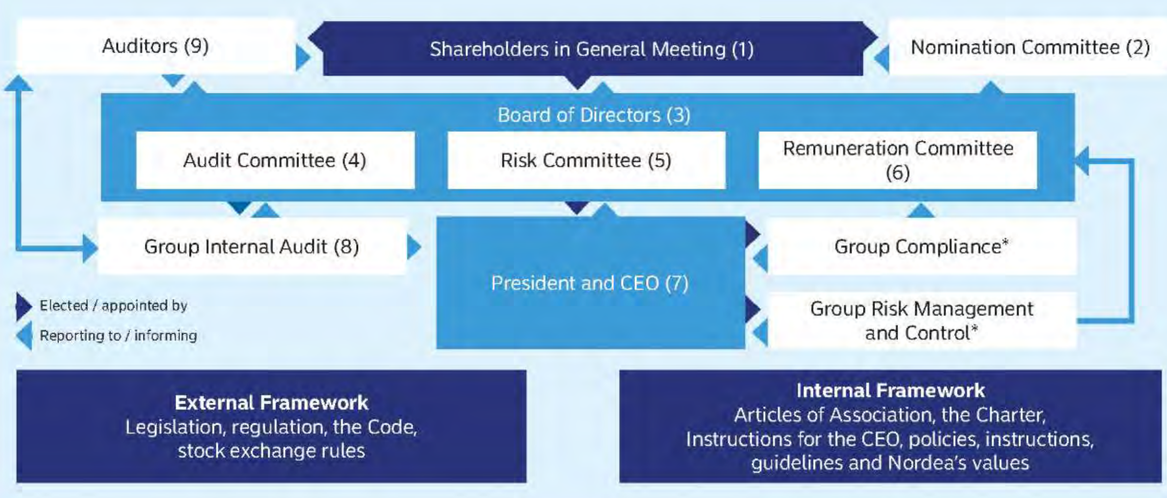
General Meetings are held in Stockholm. The minutes of the Annual General Meeting (AGM) 2016, are available at www.nordea.com.

The AGM 2017 will be held on Thursday 16 March 2017.

Voting rights

According to the Articles of Association, shares may be issued in two classes, ordinary shares and C-shares. All shares in Nordea carry voting rights, with each ordinary share entitled to one vote and each C-share entitled to one tenth of one vote at General Meetings. At General Meetings, each shareholder is entitled to vote for the full number of shares that he or she owns or represents. Nordea is not entitled to vote for its own shares at General Meetings. More information about the Nordea share is presented in the section "The Nordea share and ratings" on page 29 and in the "Financial Review 2016" on page 38.

Corporate Governance Structure



The numbers within brackets are references to the various subsections in the Corporate Governance Report 2016

* Group Risk Management and Control as well as Group Compliance are described in the section "Risk, Liquidity and Capital Management" on page 43.

Articles of Association

The Articles of Association are available at www.nordea.com. Amendments to the Articles of Association are resolved by the General Meeting pursuant to Swedish law and are subject to the approval of the Swedish Financial Supervisory Authority.

Mandate to acquire and convey own shares

Information on the mandate to acquire and convey own shares is presented in the Financial Review 2016 on page 38.

Mandate to issue convertible instruments

Information on the mandate to issue convertible instruments is presented in the Financial Review 2016 on page 39.

Nomination process (2)

The AGM 2016 decided to establish a Nomination Committee with the task of proposing Board members, the Chairman of the Board and auditor as well as remuneration for the Board members and auditor to the AGM 2017.

The Nomination Committee shall comprise the Chairman of the Board Björn Wahlroos and four members appointed by the four largest shareholders in terms of voting rights on 31 August 2016, who wish to participate in the Committee.

The composition of the Nomination Committee was made public on 12 September 2016. Sampo plc had appointed Torbjörn Magnusson, Nordea-fonden had appointed Mogens Hugo, Alecta had appointed Katarina Thorslund and AMF and AMF Funds had appointed Anders Oscarsson. Torbjörn Magnusson had been appointed chairman of the Nomination Committee. At the date of constitution, the Nomination Committee represented 29.5 per cent of the shareholders' votes.

The proposals of the Nomination Committee are presented in the notice of the AGM 2017 and at www.nordea.com.

Nordea Board of Directors (3)

Composition of the Board of Directors

According to the Articles of Association, the Board of Directors consists of at least six and no more than fifteen members elected by the shareholders at the General Meeting. The term of office for Board members is one year. Nordea has neither a specific retirement age for Board members nor a time limit for how long a Board member may serve on the Board. There are no such requirements in the external framework.

According to the Articles of Association, the aim is to ensure that the Board as a whole for the purpose of its work possesses the requisite knowledge of and experience in the social, business and cultural conditions of the regions and markets in which the main activities of the Nordea Group are carried out. Furthermore, according to the Code, the board is to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The board members elected by the General Meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. According to the Code, the company is to strive for equal gender distribution on the board.

All board assignments in Nordea are based on merit with the prime consideration being to maintain and enhance the Board's overall effectiveness. In order to fulfil this, a broad set of qualities and competences are sought for and it is recognised that diversity, including age, gender, geographical provenance and educational and professional background, are important factors to consider.

The Board consists of nine members elected by the General Meeting. They are Björn Wahlroos (Chairman), Marie Ehrling (Vice Chairman), Tom Knutzen, Robin Lawther, Lars G. Nordström, Sarah Russell, Silvija Seres, Kari Stadigh and Birger Steen.

In addition, three members and one deputy member are appointed by the employees: Gerhard Olsson (who replaced retiring Lars Oddestad on 1 October 2016), Hans Christian Riise, Toni H. Madsen and Kari Ahola (currently deputy member). Employees are entitled under Swedish legislation to be represented on the Board. The CEO of Nordea is not a member of the Board. The composition of the Board of Directors is shown in the table on page 62 and further information regarding the Board members elected by the AGM 2016 is presented in the section "Board of Directors" on page 232.

Independence of the Board of Directors

Nordea complies with applicable rules regarding the independence of the Board. The Nomination Committee considers all of the members elected by the shareholders to be independent of the Company and its executive management.

All Board members elected by the shareholders, apart from Björn Wahlroos and Kari Stadigh, are independent in relation to the Company's major shareholders. Björn Wahlroos is chairman of Sampo plc and Kari Stadigh is managing director and CEO of Sampo plc, which owns more than 10% of all shares and votes in Nordea.

Thus, the number of Board members who are independent in relation to the Company and its executive management, and independent in relation to the Company's major shareholders, exceeds the minimum requirements.

No Board member elected by the General Meeting is employed by or works in an operative capacity at the Company. All Board members and the deputy Board member appointed by the employees are employed by the Nordea Group and are therefore not independent of the Company. The independence of the individual Board members is also shown in the table on page 62.

The work of the Board of Directors

The Board of Directors annually establishes its working plan, in which the management and risk reporting to the Board is also established. The statutory board meeting following the AGM 2016 elected the vice Chairman and appointed the Board Committees. The Board has adopted written work procedures governing its work and its work carried out in the Board Committees (the Charter). For example, the Charter sets forth the Board's and the Chairman's areas of responsibility, documentation and quorum as well as the frequency of meetings. It also contains rules regarding conflicts of interest and confidentiality. Furthermore, the Board of Directors has adopted instructions for the CEO specifying the CEO's responsibilities as well as other charters, policies and instructions for the operations of the Group. These, together with the Articles of Association, the Charter and Nordea's values, constitute the internal framework that regulates corporate governance at Nordea.

The Board is charged with the organisation of Nordea and the management of the Company's operations and the overall management of the Nordea Group's affairs in accordance with the external and internal framework. Furthermore, the Board shall ensure that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general includes satisfactory controls. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained. Group Internal Audit (GIA) provides annually the Board with an assessment of the overall effectiveness of the governance, and risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile. Further information regarding internal control within Nordea is provided on page 62 under "Internal Control Process".

At least once a year, the Board meets the external auditor without the CEO or any other member of Group Executive Management (GEM) being present. In addition, the auditor in charge meets separately with the Chairman of the Board and with the Chairman of the Board Audit Committee.

In 2016, the Board held 19 meetings. 13 meetings were held in Stockholm and one in London, while 5 meetings were held per capsulam. For more information see the table on page 62. The Board regularly follows up on the strategy, business development as well as the financial position and development and on the financial market and macroeconomic trends. Furthermore, the Board is regularly updating the policies and internal rules for the governance and control on which it has decided. The Board is also reviewing the risk appetite and regularly follows up on the development of risks, capital and liquidity. The Internal Capital Adequacy Assessment Process (ICAAP), organisational changes and transactions of significance are other matters dealt with by the Board. The work of the Board Committees is also reported to the Board. In 2016 the Board also dealt with for example the change of the legal structure, the Group Simplification programme, digitalisation, HR and remuneration issues as well as reports on and issues related to internal control and compliance, AML and the internal investigation related to Nordea Bank S.A. in Luxembourg.

The Secretary of the Board of Directors is Lena Eriksson, Head of Group Legal.

The Chairman

The Chairman of the Board is elected by the shareholders at the General Meeting. According to the Charter, the Chairman is to ensure that the Board's work is conducted efficiently and that the Board fulfils its duties. The Chairman is to organise and lead the Board's work, maintain regular contact with the CEO, ensure that the Board receives sufficient information and documentation and ensure that the work of the Board is evaluated annually and that the Nomination Committee is informed of the result of the evaluation.

Evaluation of the Board

The Board of Directors annually conducts a self-evaluation process, through which the performance and the work of the Board is evaluated for the purpose of continuously improving the work. The evaluation is based on methodology that includes questionnaires to evaluate the Board as a whole, the Chairman and individual Board members. The result of the self-evaluation process is discussed by the Board and presented to the Nomination Committee by the Chairman.

According to European regulatory requirements, an internal process has been set up for assessing the suitability both of the members of the Board of Directors individually and of the Board of Directors as a whole. This assessment is done when new board members are to be notified to the Swedish Financial Supervisory Authority and whenever appropriate.

Board Committees

In accordance with the external framework and in order to increase the effectiveness of the board work, the Board of Directors has established separate working committees to assist the Board in preparing matters, belonging to the competence of the Board and to decide in matters delegated by the Board. The duties of the Board Committees, as well as working procedures, are defined in the Charter. Each Committee regularly reports on its work to the Board.

The Board Audit Committee (4)

The Board Audit Committee (BAC) assists the Board in fulfilling its oversight responsibilities by inter alia monitoring the Nordea Group's financial reporting process and submit recommendations or proposals to ensure its reliability, in relation to the financial reporting process monitoring the effectiveness of the internal control and risk management systems, monitoring the effectiveness of GIA, keeping itself informed as to the statutory audit of the annual and consolidated accounts as well as of the conclusions from the quality assurance reviews of the external auditors carried out by the Swedish Supervisory Board of Public Accountants or where relevant other authority, informing the Board of Directors of the outcome of the statutory audit and explaining how the statutory audit contributed to the reliability of financial reporting and what the role of the BAC was in that process, and by reviewing and monitoring the impartiality and independence of the external auditors, and, in conjunction therewith, pay special attention to whether the auditor provides the Company and the Nordea Group with services other than auditing services.

Members of the BAC are Tom Knutzen (chairman), Sarah Russell and Silvija Seres. Generally, the Group Chief Audit Executive (CAE), the Group Chief Operating Officer (COO) and Deputy Group CEO as well as the Group Chief Financial Officer (CFO) are present at meetings and are entitled to participate in discussions, but not in decisions. The majority of the members of the BAC are to be independent of the Nordea Group and its executive management. At least one of the committee members who is independent of the Nordea Group and its executive management must also be independent of the Company's major shareholders and have competence in accounting and/or auditing. None of the members of the BAC may be employed by the Nordea Group. The chairman of the BAC shall be appointed by its members and be independent of the Nordea Group, its executive management and the Company's major shareholders as well as not be the chair of the Board of Directors or of any other board committee. Nordea follows the legal requirement as well as complies with the Code. For more information, see the table on page 62.

The Board Risk Committee (5)

The Board Risk Committee (BRIC) assists the Board of Directors in fulfilling its oversight responsibilities concerning the management and control of the risks, risk frameworks, controls and processes associated with the Group's operations, including credit, market, liquidity, business, life and operational risk.

The duties of the BRIC include reviewing the development of the Group's overall risk management and control framework, as well as the Group's risk profile and key risk issues. In addition, the BRIC reviews and makes recommendations regarding the Group's risk appetite and limits for market and liquidity risks. Furthermore, the BRIC reviews resolutions made by lending entities concerning credits or limits above certain amounts, as well as strategic credit policy matters and the development of the credit portfolio.

Members of the BRIC are Kari Stadigh (chairman), Lars G Nordström, Robin Lawther and Birger Steen (as of the AGM 2016). Generally, the Head of Group Risk Management and Control and, when deemed important and to the extent possible, the CEO are present at meetings and are entitled to participate in discussions, but not in decisions. Further information regarding the credit decision-making structure for main operations and risk management within Nordea is presented in the section "Risk management", on page 45.

According to regulations issued by the Swedish Financial Supervisory Authority, the BRIC members shall be board members who are not members of the Company's executive management. The Company complies with these rules. For more information, see the table on page 62.

The Board Remuneration Committee (6)

The Board Remuneration Committee (BRC) is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This duty includes proposals regarding the Nordea Remuneration Policy and underlying instructions, as well as guidelines for remuneration for the executive officers to be decided by the AGM. The BRC is also responsible for proposals regarding remuneration for the CEO and Group COO and Deputy Group CEO, other members of GEM as well as the CAE, CRO and, on proposal of the CEO, for the Group Compliance Officer.

	Board of Directors	Board Audit Committee	Board Risk Committee	Board Remuneration Committee	Independence in relation to the Company[1]	Independence in relation to the major shareholders[1]
Number of meetings (of which per capsulam)	19(5)	10(1)	6(0)	9(3)		
Meetings attended:						
Elected by AGM						
Björn Wahlroos[2]	19	-	-	9	Yes	No
Marie Ehrling[3]	19	-	-	9	Yes	Yes
Tom Knutzen	19	10	-	-	Yes	Yes
Robin Lawther	19	-	6	-	Yes	Yes
Lars G Nordström	18	-	6	-	Yes	Yes
Sarah Russell	19	10	-	-	Yes	Yes
Silvija Seres	19	10	-	-	Yes	Yes
Kari Stadigh	19	-	6	-	Yes	No
Birger Steen[4]	19	-	4	-	Yes	Yes
Appointed by employees						
Lars Oddestad[5] (deputy 1 Nov 2015–30 April 2016)	15	-	-	-	No	Yes
Toni H Madsen (deputy 1 May 2016–31 Oct 2016)	19	-	-	-	No	Yes
Kari Ahola (deputy 1 Nov 2016–30 April 2017)	18	-	-	-	No	Yes
Hans Christian Riise	19	-	-	-	No	Yes
Gerhard Olsson[6]	4	-	-	-	No	Yes

1) For additional information, see Independence on page 60.
2) Chairman from AGM 2011.
3) Vice Chairman from AGM 2011.
4) Committee member from AGM 2016.
5) Board member until 30 Sept. 2016.
6) Board member from 1 Oct 2016.

At least annually, the BRC follows up on the application of the Nordea Remuneration Policy and underlying instructions through an independent review by the GIA, and exercises an assessment of the Nordea Remuneration Policy and remuneration system with the participation of appropriate control functions. The BRC also has the duty of annually monitoring, evaluating and reporting to the Board on the programmes for variable remuneration for GEM, as well as the application of the guidelines for remuneration for executive officers. At the request of the Board, the BRC also prepares other issues of principle for the consideration of the Board.

Members of the BRC are Marie Ehrling (chairman) and Björn Wahlroos. Generally, the CEO and the Chief People Officer are present at the meetings and are entitled to participate in discussions, but not in decisions. Neither the CEO nor the Chief People Officer participates in considerations regarding his/her respective employment terms and conditions.

According to the Code, the members of the BRC are to be independent of the Company and the executive management of the Company. Nordea complies with this rule.

Further information regarding remuneration at Nordea is presented in the separate section "Remuneration", on page 66 and in Note G7, on page 110.

Meetings, attendance and independence

The table above shows the number of meetings held by the Board of Directors and its Committees as well as the attendance of the individual Board members. It also shows the independence of the individual Board members in relation to the Company as well as to the major shareholders.

The CEO and Group Executive Management (7)

Nordea's President and CEO is charged with the day-to-day management of Nordea Bank AB and the Nordea Group's affairs in accordance with the external and internal framework. The internal framework regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO works closely with the Chairman of the Board in relation to the planning of Board meetings.

The CEO is accountable to the Board for the management of the Nordea Group's operations and he is also responsible for developing and maintaining effective systems for internal control within the Group. Further information regarding the control environment for risk exposures is presented in the section; "Risk, Liquidity and Capital management", on page 43. The CEO works together with certain senior officers within the Group in GEM. Presently, GEM consists of nine members and the CEO. GEM meets regularly and whenever necessary upon request by the CEO. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Notes of meetings, verified by the CEO, are kept. Further information regarding the CEO and GEM is presented in the section "Group Executive Management", on page 234.

Internal control process

The Internal Control Process is carried out by the Board of Directors, management and other staff at Nordea and is designed to provide reasonable assurance regarding objective fulfilment in terms of effectiveness and efficiency of operations, reliability of financial and non-financial reporting, compliance with external and internal regulations, safeguarding of assets as well as sufficient management of risks in the operations. The Internal Control Process is based on five main components: Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

The framework for the Internal Control Process aims to create 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.

Roles and responsibilities with respect to internal control and risk management are divided into three lines of defence. In the first line of defence, the business organisation and Group Functions are risk owners, and thus responsible for conducting their business within risk exposure limits and the risk appetite and in accordance with the decided internal control and risk management framework. As second line of defence, the centralised risk control functions are responsible for activities such as, identifying, assessing, monitoring, controlling and reporting of issues related to all key risks including compliance with internal and external frameworks. Group Internal Audit (GIA), which is the third line of defence, performs audits and provides the Board of Directors with an assessment of the overall effectiveness of the governance, and risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile.

Internal audit (8)

GIA is an independent function commissioned by the Board of Directors. The BAC is responsible for guidance on and evaluation of GIA within the Nordea Group. The Group Chief Audit Executive (CAE) has the overall responsibility for GIA. The CAE reports on a functional basis to the Board of Directors and the BAC and reports on an administrative basis to the CEO. The Board of Directors approves the appointment and dismissal of the CAE and decides, on proposal from its BRC, on salary and other employment terms and conditions for the CAE.

GIA does not engage in consulting activities unless the BAC gives it special assignments. The objective of GIA is, on the basis of its audits, to provide the Board of Directors with an assessment of the overall effectiveness of the governance, and risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile.

All activities and entities of the Group fall within the scope of GIA. GIA makes a risk based decision as to which areas within its scope should be included in the audit plan approved by the Group Board.

GIA shall operate free from interference in determining the scope of internal auditing, in performing its audit work, and in communicating its results. This means for example that GIA, via the CAE, is authorised to inform the financial supervisory authorities on any matter without further approval. GIA is authorised to carry out all investigations and obtain all information required to discharge its duties. This includes the right to sufficient and timely access to the organisation's records, systems, premises and staff. GIA has the right to attend and observe Group Board committees, GEM, overall committees and fora for the Nordea Group and other key management decision-making fora when relevant and necessary.

External audit (9)

According to the Articles of Association, one or two auditors must be elected by the General Meeting for a term of one year. At the AGM 2016, Öhrlings PricewaterhouseCoopers AB was re-elected auditor until the end of the AGM 2017. Peter Clemedtson is the auditor-in-charge.

Report on internal control and risk management regarding financial reporting

The systems for internal control and risk management of financial reporting are designed to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. The internal control and risk management activities are included in Nordea's planning and resource allocation processes. Internal control and risk management of financial reporting at Nordea can be described in accordance with the COSO Framework as follows below.

Control Environment

The control environment constitutes the basis for Nordea's internal control and centres around the culture and values established by the Board of Directors and GEM and the organisational structure, with clear roles and responsibilities.

A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, ensuring strong business momentum and meeting increased requirements on capital and liquidity. The business and the organisation are under continuous development.

Clear roles and responsibilities are critical in the governance of Internal Control over Financial Reporting where the risk owners, in the business areas, and the Group Finance & Business Control are responsible for the risk management activities. A risk management function supports the CFO in maintaining a Group wide set of controls (in Nordea defined as Accounting Key Controls (AKC)), in line with the risk framework, which covers the controlling of risks and the risk identification process, that to a large extent is based on the actual business and financial closing processes in place. An independent risk control function that is responsible for identifying, controlling and reporting on financial reporting risk has been established in Group Risk Management and Control (GRMC). In addition, the internal audit function provides the Board of Directors with an assessment of the overall effectiveness of the governance, risk management and control processes.

Risk Assessment

The Board of Directors bears ultimate responsibility for limiting and monitoring Nordea's risk exposure. Risk management is considered to be an integral part of running the business and the main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation. Performing risk assessments close to the business increases the possibility of identifying the most relevant risks. In order to govern the quality, central functions stipulate in governing documents when and how these assessments are to be performed. Examples of risk assessments, performed at least annually, are the Quality and Risk Analysis for changes and Risk and Control Self-Assessments.

Risk assessment in relation to reliable financial reporting involves the identification and analysis of risks of material misstatements. Financial risk control work in Nordea focuses on risks and processes which could lead to material financial misstatements, i.e. if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item. Structured risk assessment procedures determine in which divisions, locations and/or processes risks for material financial misstatements exist and therefore need to be monitored under the AKC framework to ensure reasonable assurance of the reliability of Nordea's external financial reporting.

Control Activities

The heads of the respective units are primarily responsible for managing risks, associated with the units' operations and financial reporting processes. This responsibility is primarily supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, such as the Group Valuation Committee. The GAM includes a standard reporting package used by all entities to ensure consistent use of Nordea's principles and coordinated financial reporting. Fundamental internal control principles at Nordea are the segregation of duties and the four-eyes principle when approving, for instance, transactions and authorisations.

The AKC framework is based on Transaction Level Controls (TLC) that are identified through analysing risks based on high level processes with an end-to-end product focus. After deciding on the TLCs an analysis is performed to determine what systems/applications are in scope for AKCs where specific IT General Controls are governed. The analysis aims at scoping in the major systems where there is a risk that data which is not detected in the TLC controlstructure, could become corrupt.

The quality assurance vested in the management reporting process, where a detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. The reconciliations constitute another set of important controls in which Nordea works continuously to further strengthen the quality.

Information & Communication

Group Finance & Business Control is responsible for ensuring that the Group Accounting Manual and the Financial Control Principles are up-to-date and that changes are communicated with the responsible units. These governing documents are broken down into guidelines and standard operating procedures in the responsible units. Accounting specialists from Group Finance & Business Control continuously provide accountants and controllers with information on changes in order to inform of existing and updated rules and regulations with an impact on Nordea.

Nordea interacts with relevant subject-matter experts to ensure fulfilment of financial reporting objectives. Nordea actively participates in relevant national forums, for example forums established by the Financial Supervisory Authorities, Central Banks and associations for financial institutions.

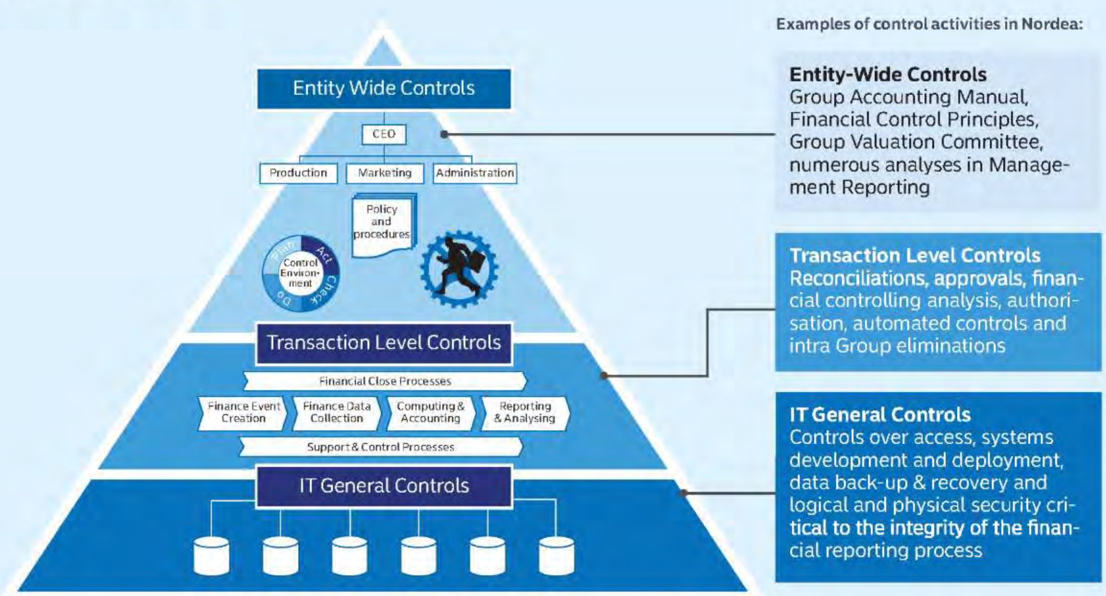
The AKC reporting procedures provide management at different levels in the organisation with information related to the performance and assessment of the identified AKCs in the form of Process Owner reports and Management Dashboard reports with a summarised assessment of the outcome and any high risk areas.

Monitoring

Nordea has established a process with the purpose of ensuring proper monitoring of the quality of the financial reporting and follow-up regarding possible deficiencies. This interactive process aims to cover all COSO-components in the Framework and is illustrated in the diagram below.

The Risk and Control Self-Assessment process includes monitoring the quality of internal control for financial reporting. The assessment is presented in the annual Group Opera-

Control Activities

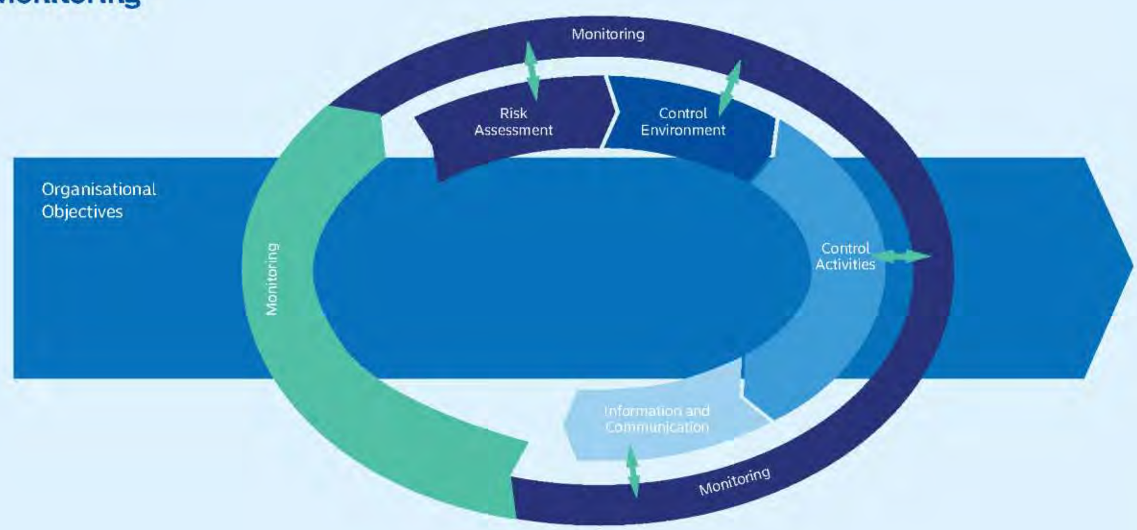


tional and Compliance Risk Map, which is submitted to the CEO in GEM, the BRIC and the Board of Directors.

The Board of Directors, the BAC, the BRIC and GIA have important roles in respect to overseeing and monitoring the **internal control of financial reporting at Nordea Group.** For further information, see "The work of the Board of Directors (3)", "Board Audit Committee (4)", "Board Risk Committee (5)" and "Group Internal Audit (8)" above.

Group Finance & Business Control has also established **specific quarterly reporting regarding Internal Control over** Financial Reporting to the Group CFO covering risk management and high risk areas. The independent risk control function within GRMC reports specifically on financial reporting risk to Board Audit Committee and the CEO in GEM on a quarterly basis.

Monitoring



Remuneration

Nordea has a clear remuneration policy, instructions and processes, ensuring sound remuneration structures throughout the organisation.

The Board of Directors decides on the Nordea Remuneration Policy, based on an analysis of the possible risks involved, and ensures that it is applied and followed-up as proposed by the Board Remuneration Committee (BRC).

The Nordea Remuneration Policy will

- Support Nordea's ability to recruit, develop and retain highly motivated, competent and performance-oriented employees and hence the People strategy.
- Supplement excellent leadership and challenging tasks as driving forces for creating high commitment among employees and a Great Nordea.
- Ensure that compensation at Nordea is aligned with efficient risk management and the Nordea values: Great customer experiences, It's all about people and One Nordea team.

Nordea offers competitive, but not market-leading compensation packages.

Nordea has a total remuneration approach to compensation that recognises the importance of well-balanced but differentiated remuneration structures based on business and local market needs, and of compensation being consistent with and promoting sound and effective risk management, and not encouraging excessive risk-taking or counteracting Nordea's long-term interests.

Nordea remuneration components – purpose and eligibility

Fixed Salary remunerates employees for full satisfactory performance. The individual salary is based on three cornerstones: Job complexity and responsibility, performance and local market conditions.

Profit Sharing aims to stimulate value creation for customers and shareholders and is offered to all employees. The performance criteria for the 2016 programme are Return on Capital at Risk, Return on Equity relative to peers, Customer Satisfaction Index both absolute and relative to Nordic peers.

Variable Salary Part (VSP) is offered to selected managers and specialists to reward strong performance. Individual performance is assessed based on a predetermined set of well-defined financial and non-financial success criteria, including Nordea Group criteria.

Bonus scheme is offered only to selected groups of employees in specific businesses areas or units. The aim is to ensure strong performance and to maintain cost flexibility for Nordea. Assessment of individual performance shall be based on a predetermined set of well-defined financial and non-financial success criteria, including Nordea Group criteria.

One Time Payment (OTP) can be granted to employees in the event of extraordinary performance that exceeds requirements or expectations, or in connection with temporary project work.

Pension and Insurance schemes aim at ensuring an appropriate standard of living after retirement and personal insurance during employment. Pension and insurance provisions are according to local laws, regulations and market practice and take the form either of collective agreements, company-determined schemes or a combination thereof. Nordea aims to have defined contribution pension schemes.

Benefits at Nordea are granted as a means to stimulate performance and well-being. Benefits are either linked to the employment contract or local conditions.

Executive Incentive Programme (EIP) may be offered to recruit, motivate and retain selected managers and key employees, and aims to reward strong performance and efforts. EIP contains predefined financial and non-financial performance criteria at Group, BA/GF/Division and Unit/individual level. The Group performance criteria for EIP 2016 are Return on Capital at Risk, Total costs, Return on Equity relative to peers, Customer Satisfaction Index both absolute and relative to Nordic peers.

Further information regarding Profit Sharing, VSP, Bonus schemes and EIP is provided below in this section.

Risk analysis

Nordea's remuneration components are evaluated annually to ensure compliance with both international and local remuneration guidelines. In addition to the evaluation of Nordea's remuneration components, the risk analysis addressing issues arising with respect to Nordea's Remuneration Policy was updated in March 2016. Key factors addressed include risks related to the governance and structure of the remuneration schemes, target-setting and measurement of results, as well as fraud and reputation. The main focus of the analysis is the variable components that potentially lead to total compensation that could be considered high.

Nordea mitigates these risks by regularly reviewing the structure of the remuneration components, including the participants and potential payout amounts, and by disclosing relevant information to the public. Furthermore, Nordea has established clear processes for target-setting, aligned with the Group's strategy, and predefined growth and development initiatives. The measurement of results is aligned with Nordea's overall performance measurement, and payout decisions are subject to separate processes and the Grandparent principle (approval by the manager's manager). Nordea also mitigates relevant risks by means of its internal control framework, which is based on the control environment and includes the following elements: Values and management culture, goal orientation and follow-up, a clear and transparent organisational structure, separation of duties, the four-eye principle, quality and efficiency of internal communication and an independent evaluation process.

Performance-related compensation for 2016 for employees in the risk analysis defined as Identified Staff will be partially deferred in 2017 to comply with international guidelines and national regulations. Amounts deferred and details about the deferrals will be published on nordea.com one week before the ordinary Annual General Meeting on 16 March 2017.

Audit of the remuneration policy

At least annually, the BRC follows up on the application of the Nordea Remuneration Policy and supplementary instructions with an independent review by Group Internal Audit.

Remuneration for the Board of Directors

The AGM annually decides on remuneration for the Board of Directors. Further information is found in Note G7 on page 110.

Remuneration for the CEO and Group Executive Management (GEM)

The Board of Directors prepares the proposal for guidelines for remuneration for executive officers to be approved by the AGM annually. According to these guidelines, the Board of Directors has decided on the actual remuneration for the CEO and members of GEM following a proposal from the BRC. More information regarding the BRC is found in the separate section "Corporate Governance Report", page 59.

The external auditors presented a report to the AGM 2016 stating that, in 2015, the Board of Directors and the CEO complied with the guidelines for remuneration for executive officers as adopted by the AGM 2014 and 2015.

Further information about remuneration is found in Note G7 on page 110 to 111.

Approved guidelines for remuneration for executive officers for 2016

The AGM 2016 approved the following guidelines for remuneration for executive officers.

"Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver on the strategy and targets thus enabling Nordea to become a Great European bank.

The "executive officers" shall in this context mean the CEO and Deputy CEO of Nordea Bank AB (publ) and the executives who are members of Group Executive Management. Remuneration for executive officers will be decided by the board of directors in accordance with Nordea's internal policies and procedures, which are based on the Swedish Financial Supervisory Authority's ("SFSA") regulations on remuneration systems, national implementation of the EU's directive on capital requirements for banks as well as international sound compensation practices.

Salaries and other remuneration in line with market levels constitute the overriding principle for compensation for executive officers at Nordea. Compensation for the executive officers shall be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract Nordea's long term interests.

Annual remuneration consists of fixed salary and variable salary.

Variable salary to the executive officers will be offered as an Executive Incentive Programme 2016 ("GEM EIP 2016") to reward performance that meets predetermined targets at Group, business area/group function and individual level (GEM members responsible for 2nd line of defence, Head of Group Risk Management and Head of Group Compliance, do not have Group targets). The effect on the long term result is to be considered when determining the targets. The outcome from GEM EIP 2016 will be paid over a five-year period in cash and be subject to forfeiture clauses, Total Shareholder Return indexation and retention based on the SFSA's regulations on remuneration systems, taking account of domestic rules and practices where relevant. GEM EIP 2016 has a one year performance period and the outcome shall not exceed the fixed salary. The executive officers were offered a similar programme in 2013, 2014 and 2015 (GEM EIP 2013, GEM EIP 2014 and GEM EIP 2015).

In accordance with SFSA's remuneration regulations guaranteed variable salary is to be exceptional and may only occur in the context of hiring a new executive officer and then be limited to the first year of employment.

Non-monetary benefits are given as a means to facilitate executive officers' performance. The levels of these benefits are determined by what is considered fair in relation to general market practice. The executive officers shall be offered retirement benefits in accordance with market practice in the country of which they are permanent residents. Fixed salary during the period of notice and severance pay shall in total not exceed 24 months of fixed salary for executive officers.

The board of directors may deviate from these guidelines if required due to new remuneration regulations or if there are other special reasons for this in a certain case."

Proposal for guidelines for remuneration for executive officers for 2017

The Board of Directors of Nordea Bank AB (publ) proposes that the annual general meeting on 16 March 2017 resolves on the following guidelines for remuneration to executive officers.

Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver on the strategy and targets thus enabling Nordea to become a Great European bank.

The term "executive officers" shall in this context mean the CEO and Deputy CEO of Nordea Bank AB (publ) and the executives who are members of Group Executive Management.

Remuneration for executive officers will be decided by the Board of Directors in accordance with Nordea's internal policies and procedures, which are based on the Swedish Financial Supervisory Authority's ("SFSA") regulations on remuneration systems, the Swedish Corporate Governance Code, national implementation of the EU's directive on capital requirements for banks as well as international sound compensation practices.

Salaries and other remuneration in line with market levels constitute the overriding principle for compensation for executive officers at Nordea. Compensation for the executive officers shall be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract Nordea's long term interests.

Annual remuneration consists of fixed salary and variable salary.

Variable salary to the executive officers will be offered as an Executive Incentive Programme 2017 ("GEM EIP 2017") with predetermined targets at Group, business area/group function and individual level. The effect on the long term result is to be considered when determining the targets. The outcome of GEM EIP 2017 will be based on the Board of Directors assessment of performance of the predetermined targets. The outcome from GEM EIP 2017 will be paid over a five-year period in cash, and be subject to forfeiture clauses, Total Shareholder Return indexation (dividend factor to be excluded during the deferral period) and retention based on the SFSA's regulations on remuneration systems, taking account of domestic rules and practices where relevant. GEM EIP 2017 has a one year performance period and the outcome shall not exceed the fixed salary. The executive officers have been offered similar programmes since 2013.

In accordance with SFSA's remuneration regulations guaranteed variable salary is to be exceptional and may only occur in the context of hiring a new executive officer and then be limited to the first year of employment.

Non-monetary benefits are given as a means to facilitate executive officers' performance. The levels of these benefits are determined by what is considered fair in relation to general market practice. The executive officers shall be offered retirement benefits in accordance with market practice in the country of which they are permanent residents. Fixed salary during the period of notice and severance pay shall in total not exceed 24 months of fixed salary for executive officers.

The Board of Directors may deviate from these guidelines if required due to new remuneration regulations or if there are other special reasons for this in a certain case.

Additional information to the Board of Directors' proposal for guidelines for remuneration to the executive officers

Deviations from approved guidelines 2016:

There have been no deviations from the approved guidelines 2016.

Cost of variable remuneration for executive officers (excluding social cost):

The actual cost for GEM EIP 2016 is EUR 3.4m to be paid over a five year period.

The estimated maximum cost for GEM EIP 2017 is EUR 7.1m and the estimated cost assuming 65% fulfilment of the performance criteria is EUR 4.6m.

Additional information about variable compensation

Cost of variable remuneration for non-executive officers (excluding social cost):

The actual cost for EIP 2016 is EUR 33m to be paid over a three to five year period.

The actual cost for bonus 2016 is EUR 192m to be paid over a three to five year period.

The actual cost for variable salary programmes in 2016 is EUR 92m to be paid over a three to five year period.

Profit Sharing scheme

The Profit Sharing scheme is capped and not based on the value of the Nordea share. It is a benefit through which employees receive a share of the profit to encourage sound performance and one Nordea team which, in turn, will lead to better profitability and make working for the Nordea Group more attractive.

In 2016, a total of EUR 35m was provided for under Nordea's Profit Sharing scheme for all employees. For 2016, each employee can receive a maximum of EUR 3,200, based on a pre-determined set of performance criteria. If all performance criteria were met, the cost of the scheme would have amounted to a maximum of approx. EUR 97m.

Variable Salary Part (VSP)

VSP may be offered to selected managers and specialists to reward strong performance and as a means to recruit, motivate and retain strongly performing employees at the Nordea Group. VSP must be transparent and have predefined success criteria with clear weightings. A VSP must include financial and non-financial success criteria based on Nordea Group KPIs decided annually by CEO. In the event of weak or negative overall results for the Nordea Group, VSP outcomes can be adjusted downwards at the discretion of the CEO.

A VSP agreement does not exceed a maximum outcome of 25% of annual fixed salary, except for a few managers and key specialists within specific areas, where the amount can be a maximum of 100% of annual fixed salary. The responsible GEM member may, in extraordinary cases, approve a VSP agreement up to 100% of annual fixed salary.

Nordea adheres to the Grandparent principle when enrolling employees to any VSP scheme and approving the outcome. Nordea has introduced deferral programmes for the staff in the risk analysis defined as Identified Staff.

Bonus schemes

Bonus schemes are only offered to selected groups of employees in specific business areas or units approved by the Board of Directors. Nordea pays bonuses linked to performance, with both divisional bonus pools and individual allocations being explicitly based on defined performance measures. Divisional financial performance is measured as risk-adjusted profits, explicitly incorporating capital and funding costs, and is adjusted for multi-period revenue effects and minimum required profit. In the event of weak or negative overall results for the Nordea Group, bonus pools can be adjusted downwards at the discretion of the Board of Directors. As such, individual compensation is determined based on detailed performance evaluations covering a range of financial and non-financial factors.

Inappropriate individual bonuses are prevented through both caps on the percentage of risk-adjusted profit that can be paid out, as well as individual caps. Nordea has introduced deferral programmes for the staff in the risk analysis defined as Identified Staff.

Care is taken to ensure that control and compliance staff employed in divisions with bonus schemes is competitively rewarded although not eligible for bonus.

The Board of Directors decides on new or revised bonus schemes and the outcome of divisional bonus pools by proposal from BRC. GEM is responsible for the implementation of the agreed bonus schemes. Nordea also applies a stringent process to ensure that compensation for individuals does not encourage excessive risk-taking behaviour. To supplement the division-level assessment, there is an approval process for significant bonuses for individuals.

Executive Incentive Programme

Nordea's Executive Incentive Programme 2016 ("EIP 2016") aims to strengthen Nordea's capability of retaining and recruiting the best talents. Furthermore, the aim is to stimulate the managers and key employees whose efforts have a direct impact on Nordea's result, profitability and long-term value growth. In 2017, Nordea will offer an EIP 2017 with similar aims and structure as EIP 2016.

EIP rewards performance that meets agreed predetermined targets at Group, business unit and individual level. The effect on the long-term result is to be considered when determining the targets. EIP shall not exceed the fixed salary.

EIP shall be paid in the form of cash and be subject to share price indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2016 is paid no earlier than October 2020.

Participation in the programme will be offered to up to 400 managers and key employees, except GEM, at the Nordea Group. Since 2013, EIP has been offered instead of Nordea's LTIP and VSP for the invited employees.

Proposed distribution of earnings

According to the parent company's balance sheet, the following amount is available for distribution by the Annual General Meeting:

EUR	
Share premium reserve	1,079,925,521
Retained earnings	9,049,852,113
Other free funds	2,762,284,828
Net profit for the year	2,899,588,070
Total	15,791,650,532

The Board of Directors proposes that these earnings be distributed as follows:

EUR	
Dividends paid to shareholders, EUR 0.65 per share	2,625,368,991
To be carried forward to	
- share premium reserve	1,079,925,521
- retained earnings	9,324,071,192
- other free funds	2,762,284,828
Total	15,791,650,532

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the **business, and the Company's and the Group's need for consolidation, liquidity and financial position in general.**

Financial statements, Group

Financial statements, Contents

Income statement

EURm	Note	2016	2015
Operating income			
Interest income		7,747	8,549
Interest expense		–3,020	–3,586
Net interest income	G3	4,727	4,963
Fee and commission income		4,098	4,092
Fee and commission expense		–860	–862
Net fee and commission income	G4	3,238	3,230
Net result from items at fair value	G5	1,715	1,645
Profit from associated undertakings accounted for under the equity method	G19	112	39
Other operating income	G6	135	263
Total operating income		9,927	10,140
Operating expenses			
General administrative expenses:			
Staff costs	G7	–2,926	–3,263
Other expenses	G8	–1,646	–1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	–228	–209
Total operating expenses		–4,800	–4,957
Profit before loan losses		5,127	5,183
Net loan losses	G10	–502	–479
Operating profit		4,625	4,704
Income tax expense	G11	–859	–1,042
Net profit for the year		3,766	3,662
Attributable to:			
Shareholders of Nordea Bank AB (publ)		3,766	3,662
Non-controlling interests		–	–
Total		3,766	3,662
Basic earnings per share, EUR	G12	0.93	0.91
Diluted earnings per share, EUR	G12	0.93	0.91

Statement of comprehensive income

EURm	2016	2015
Net profit for the year	3,766	3,662
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	438	–544
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	–219	308
Tax on valuation gains/losses during the year	48	–68
Available for sale investments[1]		
Valuation gains/losses during the year	186	–94
Tax on valuation gains/losses during the year	–42	23
Transferred to the income statement during the year	–69	–66
Tax on transfers to the income statement during the year	15	14
Cash flow hedges:		
Valuation gains/losses during the year	–569	611
Tax on valuation gains/losses during the year	147	–145
Transferred to the income statement during the year	525	–527
Tax on transfers to the income statement during the year	–137	126
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	–205	483
Tax on remeasurement of defined benefit plans during the year	47	–108
Other comprehensive income, net of tax	165	13
Total comprehensive income	3,931	3,675
Attributable to:		
Shareholders of Nordea Bank AB (publ)	3,931	3,675
Non-controlling interests	–	–
Total	3,931	3,675

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	Note	31 Dec 2016	31 Dec 2015	1 Jan 2015
Assets				
Cash and balances with central banks		32,099	35,500	31,067
Loans to central banks	G13	11,235	13,224	6,958
Loans to credit institutions	G13	9,026	10,762	12,096
Loans to the public	G13	317,689	340,920	348,085
Interest-bearing securities	G14	87,701	86,535	85,666
Financial instruments pledged as collateral	G15	5,108	8,341	12,151
Shares	G16	21,524	22,273	24,002
Assets in pooled schemes and unit-linked investment contracts	G17	23,102	20,434	17,442
Derivatives	G18	69,959	80,741	105,119
Fair value changes of the hedged items in portfolio hedge of interest rate risk		178	151	256
Investments in associated undertakings and joint ventures	G19	588	515	487
Intangible assets	G20	3,792	3,208	2,908
Properties and equipment		566	557	509
Investment properties	G22	3,119	3,054	3,135
Deferred tax assets	G11	60	76	130
Current tax assets		288	87	132
Retirement benefit assets	G32	306	377	42
Other assets	G23	18,973	18,587	17,543
Prepaid expenses and accrued income	G24	1,449	1,526	1,614
Assets held for sale	G42	8,897	–	–
Total assets		**615,659**	**646,868**	**669,342**
Liabilities				
Deposits by credit institutions	G25	38,136	44,209	56,322
Deposits and borrowings from the public	G26	174,028	189,049	192,967
Deposits in pooled schemes and unit-linked investment contracts	G17	23,580	21,088	18,099
Liabilities to policyholders	G27	41,210	38,707	38,031
Debt securities in issue	G28	191,750	201,937	194,274
Derivatives	G18	68,636	79,505	97,340
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,466	2,594	3,418
Current tax liabilities		487	225	368
Other liabilities	G29	24,413	25,745	26,973
Accrued expenses and prepaid income	G30	1,758	1,805	1,943
Deferred tax liabilities	G11	830	1,028	983
Provisions	G31	306	415	305
Retirement benefit liabilities	G32	302	329	540
Subordinated liabilities	G33	10,459	9,200	7,942
Liabilities held for sale	G42	4,888	–	–
Total liabilities		**583,249**	**615,836**	**639,505**
Equity				
Non-controlling interests		1	1	2
Share capital		4,050	4,050	4,050
Share premium reserve		1,080	1,080	1,080
Other reserves		–1,023	–1,188	–1,201
Retained earnings		28,302	27,089	25,906
Total equity		**32,410**	**31,032**	**29,837**
Total liabilities and equity		**615,659**	**646,868**	**669,342**
Assets pledged as security for own liabilities	G34	189,441	184,795	163,041
Other assets pledged	G35	8,330	9,038	11,265
Contingent liabilities	G36	23,089	22,569	22,017
Commitments	G37	79,434	78,002	75,935

Statement of changes in equity

2016

	Attributable to shareholders of Nordea Bank AB (publ)[2]									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2016	4,050	1,080	–1,617	71	–10	368	27,089	31,031	1	31,032
Net profit for the year	–	–	–	–	–	–	3,766	3,766	–	3,766
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	–	–	438	–	–	–	–	438	–	438
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	–	–	–219	–	–	–	–	–219	–	–219
Tax on valuation gains/losses during the year	–	–	48	–	–	–	–	48	–	48
Available for sale investments:										
Valuation gains/losses during the year	–	–	–	–	186	–	–	186	–	186
Tax on valuation gains/losses during the year	–	–	–	–	–42	–	–	–42	–	–42
Transferred to the income statement during the year	–	–	–	–	–69	–	–	–69	–	–69
Tax on transfers to the income statement during the year	–	–	–	–	15	–	–	15	–	15
Cash flow hedges:										
Valuation gains/losses during the year	–	–	–	–569	–	–	–	–569	–	–569
Tax on valuation gains/losses during the year	–	–	–	147	–	–	–	147	–	147
Transferred to the income statement during the year	–	–	–	525	–	–	–	525	–	525
Tax on transfers to the income statement during the year	–	–	–	–137	–	–	–	–137	–	–137
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans:										
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–205	–	–205	–	–205
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	47	–	47	–	47
Other comprehensive income, net of tax	–	–	267	–34	90	–158	–	165	–	165
Total comprehensive income	–	–	267	–34	90	–158	3,766	3,931	–	3,931
Dividend for 2015	–	–	–	–	–	–	–2,584	–2,584	–	–2,584
Disposal of own shares[3]	–	–	–	–	–	–	31	31	–	31
Balance at 31 Dec 2016	4,050	1,080	–1,350	37	80	210	28,302	32,409	1	32,410

1) Total shares registered were 4,050 million.

2) Restricted equity was at 31 December 2016 EUR 4,889m, which consists of share capital was EUR 4,050m, equity method reserve was EUR 240m and development cost reserves EUR 599m. Equity method reserve and development costs reserve are recognised in retained earnings. Unrestricted equity was at 31 December 2016 EUR 27,520m.

3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.3 million. The total holdings of own shares related to LTIP is 10.9 million.

Statement of changes in equity, Nordea Group, cont.

2015

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)[2]			Other reserves:						
Balance at 1 Jan 2015	4,050	1,080	–1,313	6	113	–7	25,906	29,835	2	29,837
Net profit for the year	–	–	–	–	–	–	3,662	3,662	–	3,662
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	–	–	–544	–	–	–	–	–544	–	–544
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	–	–	308	–	–	–	–	308	–	308
Tax on valuation gains/losses during the year	–	–	–68	–	–	–	–	–68	–	–68
Available for sale investments:										
Valuation gains/losses during the year	–	–	–	–	–94	–	–	–94	–	–94
Tax on valuation gains/losses during the year	–	–	–	–	23	–	–	23	–	23
Transferred to the income statement during the year	–	–	–	–	–66	–	–	–66	–	–66
Tax on transfers to the income statement during the year	–	–	–	–	14	–	–	14	–	14
Cash flow hedges:										
Valuation gains/losses during the year	–	–	–	611	–	–	–	611	–	611
Tax on valuation gains/losses during the year	–	–	–	–145	–	–	–	–145	–	–145
Transferred to the income statement during the year	–	–	–	–527	–	–	–	–527	–	–527
Tax on transfers to the income statement during the year	–	–	–	126	–	–	–	126	–	126
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans:										
Remeasurement of defined benefit plans during the year	–	–	–	–	–	483	–	483	–	483
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–108	–	–108	–	–108
Other comprehensive income, net of tax	–	–	–304	65	–123	375	–	13	–	13
Total comprehensive income	–	–	–304	65	–123	375	3,662	3,675	–	3,675
Share-based payments	–	–	–	–	–	–	2	2	–	2
Dividend for 2014	–	–	–	–	–	–	–2,501	–2,501	–	–2,501
Disposal of own shares[3]	–	–	–	–	–	–	20	20	–	20
Change in non-controlling interests	–	–	–	–	–	–	–	–	–1	–1
Balance at 31 Dec 2015	4,050	1,080	–1,617	71	–10	368	27,089	31,031	1	31,032

1) Total shares registered were 4,050 million.

2) Restricted equity was at 31 December 2015 EUR 4,318m, of which share capital was EUR 4,050m and equity method reserve was EUR 268m. Equity method reserve is recognised in retained earnings. Unrestricted equity was at 31 December 2015 EUR 26,713m.

3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 18.6 million. The total holdings of own shares related to LTIP is 11.7 million.

Cash flow statement

EURm	2016	2015
Operating activities		
Operating profit	4,625	4,704
Adjustment for items not included in cash flow	3,892	2,824
Income taxes paid	–952	–1,056
Cash flow from operating activities before changes in operating assets and liabilities	**7,565**	**6,472**
Changes in operating assets		
Change in loans to central banks	7,824	–10,002
Change in loans to credit institutions	689	1,171
Change in loans to the public	14,357	5,173
Change in interest-bearing securities	–154	–831
Change in financial assets pledged as collateral	3,233	3,812
Change in shares	488	–937
Change in derivatives, net	–751	4,453
Change in investment properties	–174	38
Change in other assets	–3,217	–1,402
Changes in operating liabilities		
Change in deposits by credit institutions	–6,482	–13,495
Change in deposits and borrowings from the public	–9,686	–4,272
Change in liabilities to policyholders	2,602	2,361
Change in debt securities in issue	–7,357	4,374
Change in other liabilities	–5,657	3,281
Cash flow from operating activities	**3,280**	**196**
Investing activities		
Sale of business operations	–	175
Investments in associated undertakings and joint ventures	–5	0
Sale of associated undertakings and joint ventures	134	10
Acquisition of property and equipment	–124	–162
Sale of property and equipment	20	27
Acquisition of intangible assets	–658	–467
Sale of intangible assets	1	9
Net divestments in debt securities, held to maturity	–360	–139
Sale of other financial fixed assets	58	25
Cash flow from investing activities	**–934**	**–522**
Financing activities		
Issued subordinated liabilities	1,000	2,159
Amortised subordinated liabilities	–	–1,424
Divestment of own shares including change in trading portfolio	31	20
Dividend paid	–2,584	–2,501
Cash flow from financing activities	**–1,553**	**–1,746**
Cash flow for the year	**793**	**–2,072**
Cash and cash equivalents at the beginning of year	40,200	39,683
Translation difference	867	2,589
Cash and cash equivalents at the end of year	41,860	40,200
Change	**793**	**–2,072**

Cash flow statement, Nordea Group, cont.

Comments on the cash flow statement

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

Operating activities

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

EURm	2016	2015
Depreciation	221	189
Impairment charges	7	20
Loan losses	560	543
Unrealised gains/losses	–2	1,401
Capital gains/losses (net)	–72	–197
Change in accruals and provisions	126	143
Translation differences	919	811
Change in bonus potential to policyholders, Life	–115	236
Change in technical reserves, Life	2,491	1,053
Change in fair value of hedged items, assets/liabilities (net)	–92	–753
Other	–151	–622
Total	**3,892**	**2,824**

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

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

EURm	2016	2015
Interest payments received	7,649	8,810
Interest expenses paid	–3,198	–3,473

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2016	31 Dec 2015
Cash and balances with central banks	32,099	35,500
Loans to central banks, payable on demand	8,538	2,684
Loans to credit institutions, payable on demand	1,093	2,016
Assets held for sale	130	–
Total	**41,860**	**40,200**

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

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

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

Quarterly development

EURm	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2016	2015
Net interest income	1,209	1,178	1,172	1,168	1,203	1,233	1,274	1,253	4,727	4,963
Net fee and commission income	867	795	804	772	821	767	833	809	3,238	3,230
Net result from items at fair value	498	480	405	332	421	211	386	627	1,715	1,645
Profit from associated undertakings accounted for under the equity method	4	−2	101	9	3	18	8	10	112	39
Other operating income	32	15	74	14	197	24	22	20	135	263
Total operating income	2,610	2,466	2,556	2,295	2,645	2,253	2,523	2,719	9,927	10,140
General administrative expenses:										
Staff costs	−687	−743	−756	−740	−956	−756	−772	−779	−2,926	−3,263
Other expenses	−475	−389	−396	−386	−455	−303	−363	−364	−1,646	−1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	−71	−51	−54	−52	−65	−49	−50	−45	−228	−209
Total operating expenses	−1,233	−1,183	−1,206	−1,178	−1,476	−1,108	−1,185	−1,188	−4,800	−4,957
Profit before loan losses	1,377	1,283	1,350	1,117	1,169	1,145	1,338	1,531	5,127	5,183
Net loan losses	−129	−135	−127	−111	−142	−112	−103	−122	−502	−479
Operating profit	1,248	1,148	1,223	1,006	1,027	1,033	1,235	1,409	4,625	4,704
Income tax expense	−148	−260	−227	−224	−179	−253	−283	−327	−859	−1,042
Net profit for the year	1,100	888	996	782	848	780	952	1,082	3,766	3,662
Diluted earnings per share (DEPS), EUR	0.27	0.22	0.25	0.19	0.21	0.19	0.24	0.27	0.93	0.91
DEPS, rolling 12 months up to period end, EUR	0.93	0.87	0.84	0.83	0.91	0.92	0.95	0.89	0.93	0.91

5 year overview

Income statement[1]

EURm	2016	2015	2014	2013	2012
Net interest income	4,727	4,963	5,349	5,525	5,563
Net fee and commission income	3,238	3,230	3,017	2,642	2,468
Net result from items at fair value	1,715	1,645	1,383	1,539	1,774
Profit from associated undertakings accounted for under the equity method	112	39	18	79	93
Other operating income	135	263	474	106	100
Total operating income	**9,927**	**10,140**	**10,241**	**9,891**	**9,998**
General administrative expenses:					
Staff costs	–2,926	–3,263	–3,159	–2,978	–2,989
Other expenses	–1,646	–1,485	–1,656	–1,835	–1,808
Depreciation, amortisation and impairment charges of tangible and intangible assets	–228	–209	–585	–227	–267
Total operating expenses	**–4,800**	**–4,957**	**–5,400**	**–5,040**	**–5,064**
Profit before loan losses	**5,127**	**5,183**	**4,841**	**4,851**	**4,934**
Net loan losses	–502	–479	–534	–735	–895
Operating profit	**4,625**	**4,704**	**4,307**	**4,116**	**4,039**
Income tax expense	–859	–1,042	–950	–1,009	–970
Net profit for the year from continuing operations	**3,766**	**3,662**	**3,357**	**3,107**	**3,069**
Net profit for the year from discontinued operations, after tax	–	–	–25	9	57
Net profit for the year	**3,766**	**3,662**	**3,332**	**3,116**	**3,126**

Balance sheet[1]

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Cash and balances with central banks	32,099	35,500	31,067	33,529	36,060
Loans to central banks and credit institutions	20,261	23,986	19,054	22,512	18,574
Loans to the public	317,689	340,920	348,085	342,451	346,251
Interest-bearing securities and pledged instruments	92,809	94,876	97,817	96,889	94,596
Assets in pooled schemes and unit-linked investment contracts	23,102	20,434	17,442	–	–
Derivatives	69,959	80,741	105,119	70,992	118,789
Other assets	50,843	50,411	50,758	55,166	53,908
Assets held for sale	8,897	–	–	8,895	–
Total assets	**615,659**	**646,868**	**669,342**	**630,434**	**668,178**
Deposits by credit institutions	38,136	44,209	56,322	59,090	55,426
Deposits and borrowings from the public	174,028	189,049	192,967	200,743	200,678
Deposits in pooled schemes and unit-linked investment contracts	23,580	21,088	18,099	–	–
Liabilities to policyholders	41,210	38,707	38,031	47,226	45,320
Debt securities in issue	191,750	201,937	194,274	185,602	183,908
Derivatives	68,636	79,505	97,340	65,924	114,203
Subordinated liabilities	10,459	9,200	7,942	6,545	7,797
Other liabilities	30,562	32,141	34,530	31,897	32,841
Liabilities held for sale	4,888	-	–	4,198	–
Equity	32,410	31 032	29,837	29,209	28,005
Total liabilities and equity	**615,659**	**646,868**	**669,342**	**630,434**	**668,178**

1) The comparative figures for 2014/2015 have been restated, for more information see Note G1 "Accounting policies".

Ratios and key figures[1]

	2016	2015	2014	2013	2012
Basic earnings per share, EUR	0.93	0.91	0.83	0.77	0.78
Diluted earnings per share, EUR	0.93	0.91	0.83	0.77	0.78
Share price[2], EUR	10.60	10.15	9.68	9.78	7.24
Total shareholders' return, %	16.3	8.2	9.2	44.6	21.0
Proposed/actual dividend per share, EUR	0.65	0.64	0.62	0.43	0.34
Equity per share[2], EUR	8.03	7.69	7.40	7.27	6.96
Potential shares outstanding[2], million	4,050	4,050	4,050	4,050	4,050
Weighted average number of diluted shares, million	4,037	4,031	4,031	4,020	4,026
Return on equity, %	12.3	12.2	11.4	11.0	11.6
Assets under management[2], EURbn	322.7	288.2	262.2	232.1	218.3
Cost/income ratio[3], %	50	47	49	51	51
Loan loss ratio, basis points[4]	15	14	15	21	26
Common Equity Tier 1 capital ratio excluding Basel I floor[2,5,6] ,%	18.4	16.5	15.7	14.9	13.1
Tier 1 capital ratio, excluding Basel I floor[2,5,6], %	20.7	18.5	17.6	15.7	14.3
Total capital ratio, excluding Basel I floor[2,5,6], %	24.7	21.6	20.6	18.1	16.2
Tier 1 capital[2,5,6], EURbn	27.6	26.5	25.6	24.4	24.0
Risk exposure amount, excluding Basel I floor[2,5,6], EURbn	133	143	146	155	168
Number of employees (full-time equivalents)[2]	31,596	29,815	29,643	29,429	29,491
Economic capital[2,5], EURbn – Total operations	26.3	25.0	24.3	23.5	22.8
ROCAR[3,7],%	13.4	14.8	14.0	13.7	13.9

1) Fore more information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/. All key ratios reflect Nordea's continuing operations. The comparative figures for 2015 have been restated, for more information see Note G1 "Accounting policies".
2) End of the year.
3) Excluding non-recurring items in 2016, 2015 and 2014.
4) In 2016 the ratio is including Loans to the public reported as assets held for sale.
5) Since 2014 ratios are reported using the Basel III (CRR/CRDIV) framework.
6) Including result for the period.
7) ROCAR restated 2015 due to changed definition.

Business definitions

Allowances in relation to impaired loans
Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

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

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

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

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

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

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

Impairment rate, gross
Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate, net
Individually assessed impaired loans after allowances divided by total loans before allowances.

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

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

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

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

Return on equity
Net profit for the year excluding non-controlling interests as a percentage of average equity for the year. Average equity including net profit for the year and dividend until paid, non-controlling interests excluded.

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

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

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

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

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

Total allowance rate
Total allowances divided by total loans before allowances.

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

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

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

G1. Accounting policies

Content for Note G1

1. Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied.

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

On 3 February 2017 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 16 March 2017.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2015 Annual Report. The new accounting requirements implemented during 2016 and their effects on Nordea's financial statements are described below.

The following new and amended standards and interpretations were implemented by Nordea 1 January 2016 but have not had any significant impact on the financial statements of Nordea:

- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment entities – Applying the Consolidation Exception"
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to IAS 1"Disclosures Initiative"
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Annual Improvements to IFRSs, 2012–2014 Cycle

Amendments have in addition been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) which were implemented by Nordea 1 January 2016. These amendments have not had any significant impact on Nordea's financial statements.

The Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2015:20. Those amendments were implemented by Nordea 1 January 2016 but have not had any significant impact on Nordea's financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing "RFR 1 Supplementary Accounting Rules for Groups- January 2016". These changes were implemented by Nordea 1 January 2016 but have not had any significant impact on Nordea´s financial statements.

Changed presentation of pooled schemes and unit-linked investment contracts

Nordea invests in interest-bearing securities and shares on behalf of customers, in pension pools and unit-linked investment contracts, where the customers bear the investment risk. Such assets have been reclassified to the separate balance sheet line "Assets in pooled schemes and unit-linked investment contracts" in order to disclose them separately from assets for which Nordea bears the investment risk. The corresponding liabilities to customers have been reclassified to the separate balance sheet line "Deposits in pooled schemes and unit-linked investment contracts" following that these liabilities behave differently than the normal deposits received from customers.

The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the income statement or equity.

G1. Accounting policies, cont.

EURm	31 Dec 2016 Old policy	31 Dec 2016 Restatement	31 Dec 2016 New policy	31 Dec 2015 Old policy	31 Dec 2015 Restatement	31 Dec 2015 New policy	1 Jan 2015 Old policy	1 Jan 2015 Restatement	1 Jan 2015 New policy
Assets									
Loans to credit institutions	9,290	–264	9,026	10,959	–197	10,762	12,217	–121	12,096
Interest-bearing securities	89,375	–1,674	87,701	88,176	–1,641	86,535	87,110	–1,444	85,666
Shares	42,543	–21,019	21,524	40,745	–18,472	22,273	39,749	–15,747	24,002
Assets in pooled schemes and unit-linked investment contracts	–	23,102	23,102	–	20,434	20,434	–	17,442	17,442
Investment properties	3,258	–139	3,119	3,165	–111	3,054	3,227	–92	3,135
Other assets	18,979	–6	18,973	18,600	–13	18,587	17,581	–38	17,543
Liabilities									
Deposits and borrowings from the public	178,368	–4,340	174,028	193,342	–4,293	189,049	197,254	–4 287	192,967
Deposits in pooled schemes and unit-linked investment contracts	–	23,580	23,580	–	21,088	21,088	–	18,099	18,099
Liabilities to policyholders	60,439	–19,229	41,210	55,491	–16,784	38,707	51,843	–13,812	38,031
Other liabilities	24,424	–11	24,413	25,756	–11	25,745	26,973	–	26,973

Changed presentation of refinancing fees and pay-out fees

Refinancing fees and pay-out fees received in connection with mortgage lending in Denmark have been reclassified from "Net result from items at fair value" to "Net fee and commission income" in the income statement, in order to align with Nordea's classification policy for loan processing fees. A refinancing fee is charged when an adjustable rate mortgage loan is refinanced, and a pay-out fee when a loan is initially paid out. The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

Changed presentation of stability fees

Nordea has, in order to align with local market practice, reclassified state guarantee fees from "Net fee and commission income" to "Net interest income". The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

EURm	2016 Old policy	2016 Restatement	2016 New policy	2015 Old policy	2015 Restatement	2015 New policy
Net interest income	4,855	–128	4,727	5,110	–147	4,963
- of which state guarantee fees		*–128*			*–147*	
Net fee and commission income	3,060	178	3,238	3,025	205	3,230
- of which state guarantee fees		*128*			*147*	
- of which refinancing/pay-out fees		*50*			*58*	
Net result from items at fair value	1,765	–50	1,715	1,703	–58	1,645
- of which refinancing/pay-out fees		*–50*			*–58*	

Changed presentation of "Net fee and commission income"

The presentation within Note G4 "Net fee and commission income" has, in addition to the changes described above, been changed. The main change is that income and expenses have been set off to better reflect the net return from different business activities. Commission expenses have been split more granularly to better match the related commission income. The gross impact on income and expense is also provided in Note G4.

Commission income in connection with initial public offerings (IPOs) have in addition been reclassified from "Custody and issuer services" to "Brokerage, securities issues and corporate finance" (impact full year 2015 EUR 27m), and commission expenses connected to asset management activities from "Other" to "Asset management commissions" (impact full year 2015 EUR 80m). These reclassifications have been made to better reflect the purpose of services performed/ received.

Presentation of disposal groups held for sale

Assets and liabilities held for sale consist of Nordea's Baltic operations and lending to retail customers in Russia as further described in Note G42 "Disposal groups held for sale". Assets and liabilities related to the disposal group are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale" respectively as from the classification date. Financial instruments continue to be measured under IAS 39, while non-financial assets are held at the

G1. Accounting policies, cont.

lower of carrying amount and fair value. Comparative figures are not restated.

3. Changes in IFRSs not yet applied by Nordea

IFRS 9 "Financial instruments"

IASB has completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The standard is endorsed by the EU-commission. Earlier application is permitted, but Nordea does not intend to early adopt the standard. Nordea does not either intend to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

Classification and measurement

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

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

Nordea has analysed whether the cash flows from the financial assets held as of 31 December 2015 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group.

No business model assessment or SPPI analysis has been made for Nordea Life & Pension as Nordea has awaited the IFRS 9 EU endorsement process.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes compared to how the financial instruments are measured under IAS 39. No significant impact is thus expected on Nordea's financial position, financial performance or equity in the period of initial application. No significant impact on the capital adequacy, large exposures, risk management or alternative performance measures are expected in the period of initial application. These tentative conclusions are naturally dependent on the financial instruments on Nordea's balance sheet at transition.

Impairment

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

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. Nordea has yet to decide what parameters to use for identifying the increase in credit risk and how much these parameters need to change in order to constitute a "significant increase". For assets held at transition, Nordea has tentatively decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets to be recognised going forward, changes to the lifetime Probability of Default (PD) will be used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without undue cost or effort and without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has tentatively decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due will also be transferred to stage 2. Nordea has not yet determined the threshold for the change in rating, scoring and PDs when assessing whether it is significant or not.

Nordea's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the triggering event for moving items from stage 1 to stage 2 under IFRS 9.

The provisions under IFRS 9 will be calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation will only be based on the coming 12 months, while it for assets in stage 2 will be based on the expected lifetime of the asset.

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

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

It is expected the new requirements will increase loan loss provisions and decrease equity in the period of initial application. It is not expected to have any material impact on large exposures. The impact on capital adequacy is not possible to determine as it is expected the Basel committee will issue new rules for the transition to IFRS 9, but these are not yet final. It is furthermore expected that the long term effects, once the transitional rules become obsolete, will be negative on capital adequacy, as the reduction in equity is expected to reduce CET 1 capital. It is however not expected the full increase in provisions will decrease CET 1 capital as there are mitigating effects, for instance the current shortfall deduction that is expected to be reduced when provisions are calculated under IFRS 9.

G1. Accounting policies, cont.

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

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally uses macro (portfolio) hedge accounting Nordea's assessment is that the new requirements will not have any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application.

Nordea's tentative conclusion is to continue using the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented, but that remains to be confirmed.

IFRS 15 "Revenue from Contracts with Customers"

The IASB published the new standard, IFRS 15 "Revenue from Contracts with Customers" in 2014. Clarifications to the standard were published in April 2016. The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The standard was endorsed by the EU-commission in 2016 and the clarifications are expected to be endorsed in 2017. Nordea does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application.

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

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

IFRS 16 "Leases"

The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The amendments are expected to be endorsed by the EU-commission in 2017. Nordea does not currently intend to early adopt the amendments. Nordea's current assessment is that the new standard will change the accounting of property leases which mainly affects Nordea's balance sheet.

Other changes in IFRS

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

- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- Amendments to IAS 7: "Disclosure Initiative"
- Amendments to IFRS 2: "Classification and Measurement of Share based Payment Transactions

4. Critical judgements and estimation uncertainty

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

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

Critical judgements and estimates are in particular associated with:

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

Fair value measurement of certain financial instruments

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

- The choice of valuation techniques.

G1. Accounting policies, cont.

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

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

In all of these instances, decisions are based upon professional judgment in accordance with Nordea's accounting and valuation policies. The valuation policy is governed by the Group Valuation Committee, which is chaired by the Group CFO. The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was EUR 208,371m (EUR 244,266m) and EUR 129,441m (EUR 156,354m) respectively at the end of the year.

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

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

Impairment testing of goodwill

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G20 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 2,247m (EUR 2,170m) at the end of the year.

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

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

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

Impairment testing of loans to the public/credit institutions

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

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. Nordea's total lending before impairment allowances was EUR 340,376m (EUR 367,570m) at the end of the year. For more information, see Note G13 "Loans and impairment".

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. Nordea monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Effectiveness testing of cash flow hedges

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

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

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

Actuarial calculations of pension liabilities and plan assets related to employees

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

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

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G32 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,434m (EUR 3,271m) at the end of the year.

Actuarial calculations of insurance contracts

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

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

G1. Accounting policies, cont.

The insurance liability was EUR 37,682m (EUR 35,190m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G27 "Liabilities to policyholders".

Valuation of investment properties

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

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

The carrying amounts of investment properties were EUR 3,119m (EUR 3,054m) at the end of the year. See Note G22 "Investment properties" for more information on amounts and parameters used in these models.

Classification of leases

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

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

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

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

Classification of additional Tier 1 instruments

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. These instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in Tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in Tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities.

Assessing control for consolidation purposes

One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns. Nordea's critical judgement is that Nordea is normally exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea also is the investment manager and thus have influence over the return produced by the structured entity.

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

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

Translation of assets and liabilities denominated in foreign currencies

Nordea's accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 9 "Translation of assets and liabilities denominated in foreign currencies".

When reporting consolidated financial statements, the parent company Nordea Bank AB (publ) has been assessed to have two functional currencies, SEK and EUR, based on the different activities. The functional currency of the normal banking operations is SEK and the functional currency of the entity holding equity, shares in group undertakings and the funding of those shares is EUR. It is Nordea's assessment that one legal entity can consist of different entities with different functional currencies.

Valuation of deferred tax assets

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

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

The carrying amount of deferred tax assets was EUR 60m (EUR 76m) at the end of the year.

Claims in civil lawsuits

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

5. Principles of consolidation

Consolidated entities

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

All group undertakings are consolidated using the acquisition method, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was

G1. Accounting policies, cont.

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

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

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

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

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

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

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

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

Note P20 "Investments in group undertakings" lists the major group undertakings in the Nordea Group.

Investments in associated undertakings and joint ventures

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

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

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

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

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

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

Structured entities

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

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

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

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

Currency translation of foreign entities

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

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

Information on the most important exchange rates is disclosed in the separate section 28 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered

G1. Accounting policies, cont.

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

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

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

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

Net fee and commission income

Nordea earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan, as well as other fees received as payments for certain acts, are recognised as revenue when the act has been completed, i.e. when the syndication has been finalised.

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

Income from issued financial guarantees and expenses from bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively.

Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

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

Also the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Available for sale are recognised in "Net result from items at fair value".

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

"Net result from items at fair value" includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale. However, the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". Impairment losses from instruments within other categories are recognised in the items "Net loan losses" or "Impairment of securities held as financial non-current assets" (see also the sub-sections "Net loan losses" and "Impairment of securities held as financial non-current assets" below).

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

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

Profit from companies accounted for under the equity method

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

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

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

G1. Accounting policies, cont.

Other operating income

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

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 13 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions" and "Loans to the public" on the balance sheet, are reported as "Net loan losses" together with losses from financial guarantees. Also the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". Losses are reported net of any collateral and other credit enhancements. Nordea's accounting policies for the calculation of impairment losses on loans can be found in section 14 "Loans to the public/credit institutions".

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

Impairment of securities held as financial non-current assets

Impairment on investments in interest-bearings securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings and joint ventures are classified as "Impairment of securities held as financial non-current assets" in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 13 "Financial instruments" and section 14 "Loans to the public/credit institutions".

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

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

7. Income recognition life insurance

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

The total income from life insurance mainly consists of the following components:
- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

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

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

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

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

The note line "Change in technical provisions, Life insurance" in Note G5 "Net result from items at fair value" includes:
- Investment returns on assets held to cover liabilities to policyholders (including liabilities from traditional life insurance, unit linked insurance and investment contracts), individually transferred to policyholders' accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to the policyholders.
- Risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit linked contracts.

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

G1. Accounting policies, cont.

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

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (reclassified to the items "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

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

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

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally reclassified to "Other liabilities" on the balance sheet on trade date.

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

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. The parent company Nordea Bank AB (publ) uses two functional currencies (in addition to the functional currencies of the branches), SEK and EUR for reporting in consolidated accounts, based on the different activities in the underlying business.

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

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

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

10. Hedge accounting

Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations.

There are three forms of hedge accounting:
- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result is close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

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

Hedged items

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

Hedging instruments

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

Cash flow hedge accounting

Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the

G1. Accounting policies, cont.

hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

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

Hedged items

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

Hedging instruments

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

Hedges of net investments

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

Hedge effectiveness

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent. When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

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

In cash flow hedges, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

11. Determination of fair value of financial instruments

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

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

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

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

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

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

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

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

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

G1. Accounting policies, cont.

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

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

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

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

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

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

12. Cash and balances with central banks

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

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

13. Financial instruments
Classification of financial instruments

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

Financial assets:

- Financial assets at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (fair value option)
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities:

- Financial liabilities at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (fair value option)
- Other financial liabilities

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note G39 "Classification of financial instruments" the classification of the financial instruments on Nordea's balance sheet into different categories is presented.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

The category consists of two sub-categories; Held for trading and Designated at fair value through profit or loss (fair value option).

The sub-category Held for trading mainly contains derivative instruments that are held for trading purposes, interest-bearing securities and shares within Markets and Treasury. It also contains trading liabilities such as short-selling positions and lending in reverse repurchase agreements.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are mortgage loans and related issued bonds in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and interest-bearing securities, shares and investment contracts in Nordea Life & Pensions.

Assets and liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. If the loans and bonds were measured at amortised cost such buy-backs of bonds would give rise to an accounting mismatch as any gains or losses would have to be recognised immediately in the income statement. If such bonds are subsequently sold in the market any premium or discount would be amortised over the expected maturity, which would also create an accounting mismatch. To avoid such an accounting mismatch Nordea measures both the loans and bonds at fair value through profit or loss.

Interest-bearing securities, shares and investment contracts (defined in section 19 "Liabilities to policyholders") in Nordea Life & Pensions are generally also classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. This applies also to assets held under insurance contracts (defined in section 19 "Liabilities to policyholders"), which are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also assets held under so called "pooled schemes", which is a product similar to unit-linked insurance, are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits that are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss.

Nordea also applies the fair value option on certain financial assets and financial liabilities related to Markets. The

G1. Accounting policies, cont.

classification stems from that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/ Financial liabilities at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 14 "Loans to the public/ credit institutions".

Held to maturity
Financial assets that Nordea has chosen to classify into the category Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that Nordea has the positive intent and ability to hold to maturity. Financial assets classified into the category Held to maturity are initially recognised on the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred the Held to maturity category is tainted, except for if the sale or transfer either occur close to maturity, after substantially all of the original principal is already collected, or due to an isolated non-recurring event beyond the control of Nordea.

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as "Impairment of securities held as financial non-current assets" in the income statement. See section 14 "Loans to the public/credit institutions" for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearings securities classified into the category Held to maturity.

Available for sale
Financial instruments classified into the category Available for sale are measured at fair value. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income" and foreign exchange effects and impairment losses in the item "Net result from items at fair value" in the income statement.

When an instrument classified into the category Available for sale is disposed of, the fair value changes that previously have been accumulated in the fair value reserve (related to Available for sale investments) in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value".

Financial assets classified into the category Available for sale are assessed in order to determine any need for impairment losses. If there is objective evidence of impairment, the accumulated loss that has been recognised in other comprehensive income is removed from equity and recognised as "Net result from items at fair value" in the income statement. The amount of the accumulated loss that is recycled from equity is the difference between the asset's acquisition cost and current fair value. For equity investments a prolonged or significant decline in the fair value, compared to the acquisition cost, is considered to be objective evidence of impairment. Objective evidence of impairment for a debt instrument is rather connected to a loss event, such as an issuer's financial difficulty.

Other financial liabilities
Financial liabilities, other than those classified into the category Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest on Other financial liabilities is recognised in the item "Interest expense" in the income statement.

Hybrid (combined) financial instruments
Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from items at fair value".

Index-linked bonds issued by Markets as part of the trading portfolio are classified into the category Held for trading, and the entire combined instrument, host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item "Net result from items at fair value". From a presentation perspective the host contract is on the balance sheet presented as "Debt securities in issue" and the embedded derivative as "Derivatives".

Securities borrowing and lending agreements
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item "Financial instruments pledged as collateral".

Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

G1. Accounting policies, cont.

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities".

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public".

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

Derivatives

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities

Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that Nordea has agreements with.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms. Derivative assets and liabilities against central counterparty clearing houses are, as mentioned above, generally set off on the balance sheet, but net cash collateral received or paid is generally accounted for separately as cash collateral paid (asset) or received (liability), which is also the case for cash collateral paid or received in bilateral OTC derivative transactions. Cash collateral paid or received in bilateral OTC derivative transactions are consequently not offset against the fair value of the derivatives.

Issued debt and equity instruments

A financial instrument issued by Nordea is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea having a present obligation to either deliver cash or another financial asset, or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

14. Loans to the public/credit institutions

Financial instruments classified as "Loans to the public/credit institutions" (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 8 "Recognition and derecognition of financial instruments on the balance sheet" as well as Note G39 "Classification of financial instruments").

Nordea monitors loans as described in the separate section on Risk, Liquidity and Capital management. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment.

Also interest-bearings securities classified into the categories Loans and receivables and Held to maturity are held at amortised cost and the description below is valid also for the identification and measurement of impairment on these assets. Possible impairment losses on interest-bearing securities classified into the categories Loans and receivables and Held to maturity are recognised as "Impairment of securities held as non-current financial assets" in the income statement.

Impairment test of individually assessed loans

Nordea tests all loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators of impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans

Loans not impaired on an individual basis are collectively tested for impairment.

These loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called "Emergence period". The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

For corporate customers and bank counterparts, Nordea uses the existing rating system as a basis when assessing the credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc.

Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

Impairment loss

If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows (discounted with the original effective interest rate), including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

For significant loans that have been individually identified

G1. Accounting policies, cont.

as impaired the measurement of the impairment loss is made on an individual basis.

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis the measurement of the impairment loss is measured using a portfolio based expectation of the future cash flows.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as "Net loan losses" in the income statement (see also section 6 "Recognition of operating income and impairment").

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as loan losses unless Nordea retains the possibility to regain the loan losses incurred. In the event of a recovery the payment is reported as a recovery of loan losses.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Available for sale or Designated at fair value through profit or loss (fair value option) (see section 13 "Financial instruments") and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

15. Leasing

Nordea as lessor

Finance leases

Nordea's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee in the balance sheet item "Loans to the public" at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as properties and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as "Net interest income". The depreciation of the leased assets is calculated on the basis of Nordea's depreciation policy for similar assets and reported as "Depreciation, amortisation and impairment charges of tangible and intangible assets" in the income statement.

Nordea as lessee

Finance leases

Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

Operating leases are not recognised on Nordea's balance sheet. For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit. The original lease terms normally range between 3 to 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3–25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased properties. In addition, the lease term is not for the major part

G1. Accounting policies, cont.

of the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is recognised on the basis of the time-pattern of Nordea's economic benefit which differs from the straight-line basis and better resembles an ordinary rental arrangement.

Embedded leases

Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

16. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea's control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea mainly consist of goodwill, IT-development/computer software and customer related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset, but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately, but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software includes also acquired software licenses not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 10 years.

Customer related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment

Goodwill and IT-development not yet taken into use is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT-development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. For goodwill and IT-development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G20 "Intangible assets" for more information on the impairment testing.

17. Properties and equipment

Properties and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties and equipment comprise its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Properties and equipment is depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follows the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any impairment loss is recognised.

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

G1. Accounting policies, cont.

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-Linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts

Contracts classified as investment contracts are contracts with policyholders, which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-contracts (Collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

G1. Accounting policies, cont.

20. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders.

Unit-Linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 above.

21. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank AB (publ) by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long term incentive programmes.

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

23. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 26 "Share-based payment".

More information can be found in Note G7 "Staff costs".

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit pension plans are predominantly sponsored in Sweden, Norway and Finland. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit liabilities"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit liabilities ".

Most pensions in Denmark, but also plans in other countries, are based on defined contribution arrangements that hold no pension liability for Nordea. All defined benefit pension plans are closed for new employees. Nordea also contributes to public pension systems.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G32 "Retirement benefit obligations").

G1. Accounting policies, cont.

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve is derived from the most liquid long dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G7 "Staff costs".

24. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank AB (publ).

For each business combination, Nordea measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Share premium reserve

The share premium reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue. Transaction costs in connection to the rights issue have been deducted.

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges, financial assets classified into the category Available for sale and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

Retained earnings

Apart from undistributed profits from previous years, retained earnings include the equity portion of untaxed reserves. Untaxed reserves according to national rules are accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

In addition, Nordea's share of the earnings in associated undertakings and joint ventures, after the acquisition date, that have not been distributed is included in retained earnings.

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

25. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 6 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, financial guarantees in the item "Contingent liabilities" and irrevocable credit commitments in the item "Commitments".

26. Share-based payment

Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in Performance Share II are reflected as a probability adjustment to the initial estimate of

G1. Accounting policies, cont.

fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period, in accordance with statement UFR 7 issued by the Swedish Financial Reporting Board: "IFRS 2 and social security contributions for listed enterprises". The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G7 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

For more information see Note G7 "Staff costs".

27. Related party transactions

Nordea defines related parties as:

- Shareholders with significant influence
- Group undertakings
- Associated undertakings
- Joint ventures
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis,apart from loans granted to employees, see Note G7 "Staff costs".

Shareholders with significant influence

Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

Group undertakings

For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note P20 "Investments in group undertakings".

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

Associated undertakings and joint ventures

For the definition of Associated undertakings and joint ventures see section 5 "Principles of consolidation".

Further information on the associated undertakings and the joint ventures included in the Nordea Group is found in Note G19 "Investments in associated undertakings and joint ventures".

Key management personnel

Key management personnel includes the following positions:

- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "Staff costs".

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

28. Exchange rates

	Jan–Dec 2016	Jan–Dec 2015
EUR 1 = SEK		
Income statement (average)	9.4675	9.3537
Balance sheet (at end of year)	9.5525	9.1895
EUR 1 = DKK		
Income statement (average)	7.4453	7.4587
Balance sheet (at end of year)	7.4344	7.4626
EUR 1 = NOK		
Income statement (average)	9.2943	8.9434
Balance sheet (at end of year)	9.0863	9.6030
EUR 1 = RUB		
Income statement (average)	74.1913	67.9657
Balance sheet (at end of year)	64.3000	80.6736

G2. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business area results" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Basis of segmentation

Compared with the 2015 Annual Report changes in the basis of segmentation have been made following the decision to divide Retail into two Business areas, Personal Banking and Commercial & Business Banking. The business area Personal Banking includes the personal customers formerly included in Retail Banking and the Business area Commercial & Business Banking includes the corporate customers formerly included in Retail Banking. As from the fourth quarter the new business areas are included in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note G2. The new business areas are further broken down on operating segments. Comparative figures have been restated accordingly.

Financial results are presented for the four main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management, with further breakdown on operating segments, and for the operating segment Group Corporate Centre. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items

Reportable Operating segments

Personal Banking serves Nordea's household customers in the Nordic markets, through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets. Personal Banking also includes Nordea's Baltic operations, serving both household and corporate customers.

Commercial Banking service large corporate customers and Business Banking service small and medium-sized corporate customers. Commercial & Business Banking works with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The Commercial & Business Banking area also consists of Transaction Banking, which services both personal and corporate customers across the Nordea Group. The unit includes Cards, Trade Finance, Nordea Finance, and Cash Management.

Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. The division Shipping, Offshore & Oil Services is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailor made solutions and syndicated loan transactions. Nordea Bank Russia offers a full range of bank services to corporate and private customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas.

Wealth management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The division Asset Management is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions which is not allocated to the main business areas.

Group Corporate Centre's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Corporate Centre originates from Group Treasury & ALM.

G2. Segment reporting, cont.

Income statement 2016

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Manage-ment	Group Corporate Centre	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,129	1,114	852	112	507	17	4,731	–4	4,727
Net fee and commission income	1,203	515	644	1,526	–16	1	3,873	–635	3,238
Net result from items at fair value	101	280	801	365	232	–5	1,774	–59	1,715
Profit from associated undertakings accounted for under the equity method	2	11	0	0	–2	102	113	–1	112
Other income	5	22	0	12	1	88	128	7	135
Total operating income	**3,440**	**1,942**	**2,297**	**2,015**	**722**	**203**	**10,619**	**–692**	**9,927**
- of which internal transactions[1]	–774	–419	–410	6	1,578	19	0	–	–
Staff costs	–859	–491	–634	–509	–292	80	–2,705	–221	–2,926
Other expenses	–1,003	–460	–274	–283	57	–76	–2,039	393	–1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	–50	–31	–20	–19	–64	–2	–186	–42	–228
Total operating expenses	**–1,912**	**–982**	**–928**	**–811**	**–299**	**2**	**–4,930**	**130**	**–4,800**
Profit before loan losses	**1,528**	**960**	**1,369**	**1,204**	**423**	**205**	**5,689**	**–562**	**5,127**
Net loan losses	–62	–161	–296	0	–	–	–519	17	–502
Operating profit	**1,466**	**799**	**1,073**	**1,204**	**423**	**205**	**5,170**	**–545**	**4,625**
Income tax expense	–337	–184	–247	–265	–133	–47	–1,213	354	–859
Net profit for the year	**1,129**	**615**	**826**	**939**	**290**	**158**	**3,957**	**–191**	**3,766**

Balance sheet 31 Dec 2016, EURbn									
Loans to the public[2]	149	80	56	11	–	–	296	22	318
Deposits and borrowings **from the public[2]**	72	39	44	14	–	–	169	5	174

Income statement 2015

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Manage-ment	Group Corporate Centre	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,158	1,208	1,006	121	380	7	4,880	83	4,963
Net fee and commission income	1,243	522	605	1,445	–16	1	3,800	–570	3,230
Net result from items at fair value	106	284	830	339	101	–5	1,655	–10	1,645
Profit from associated undertakings accounted for under the equity method	2	10	0	0	0	25	37	2	39
Other income	0	28	3	19	16	178	244	19	263
Total operating income	**3,509**	**2,052**	**2,444**	**1,924**	**481**	**206**	**10,616**	**–476**	**10,140**
- of which internal transactions[1]	–789	–460	–314	14	1,550	–1	0		
Staff costs	–898	–520	–648	–504	–239	33	–2,776	–487	–3,263
Other expenses	–970	–423	–284	–289	135	–23	–1,854	369	–1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	–54	–24	–19	–8	–45	–2	–152	–57	–209
Total operating expenses	**–1,922**	**–967**	**–951**	**–801**	**–149**	**8**	**–4,782**	**–175**	**–4,957**
Profit before loan losses	**1,587**	**1,085**	**1,493**	**1,123**	**332**	**214**	**5,834**	**–651**	**5,183**
Net loan losses	–146	–170	–157	–1	0	0	–474	–5	–479
Operating profit	**1,441**	**915**	**1,336**	**1,122**	**332**	**214**	**5,360**	**–656**	**4,704**
Income tax expense	–346	–219	–320	–246	–127	–51	–1,309	267	–1,042
Net profit for the year	**1,095**	**696**	**1,016**	**876**	**205**	**163**	**4,051**	**–389**	**3,662**

Balance sheet 31 Dec 2015, EURbn									
Loans to the public[2]	145	80	61	11	–	–	297	44	341
Deposits and borrowings **from the public[2]**	71	40	47	13	–	–	171	18	189

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

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

G2. Segment reporting, cont.

Break-down of Personal Banking

	Personal Banking Nordic		Personal Banking Baltic		Personal Banking Other[1]		Total Personal Banking	
Income statement, EURm	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	2,066	2,053	147	145	–84	–40	2,129	2,158
Net fee and commission income	1,593	1,636	37	33	–427	–426	1,203	1,243
Net result from items at fair value	101	127	23	14	–23	–35	101	106
Profit from associated undertakings accounted for under the equity method	2	2	0	0	0	0	2	2
Other income	3	0	2	0	0	0	5	0
Total operating income	**3,765**	**3,818**	**209**	**192**	**–534**	**–501**	**3,440**	**3,509**
- of which internal transactions	–646	–708	–27	–28	–101	–53	–774	–789
Staff costs	–647	–670	–28	–26	–184	–202	–859	–898
Other expenses	–1,385	–1,357	–63	–61	445	448	–1,003	–970
Depreciation, amortisation and impairment charges of tangible and intangible assets	–33	–35	0	–1	–17	–18	–50	–54
Total operating expenses	**–2,065**	**–2,062**	**–91**	**–88**	**244**	**228**	**–1,912**	**–1,922**
Profit before loan losses	**1,700**	**1,756**	**118**	**104**	**–290**	**–273**	**1,528**	**1,587**
Net loan losses	–28	–92	–21	–13	–13	–41	–62	–146
Operating profit	**1,672**	**1,664**	**97**	**91**	**–303**	**–314**	**1,466**	**1,441**
Income tax expense	–384	–399	–22	–22	69	75	–337	–346
Net profit for the year	**1,288**	**1,265**	**75**	**69**	**–234**	**–239**	**1,129**	**1,095**
Balance sheet 31 Dec, EURbn								
Loans to the public	148	144	9	8	–8	–7	149	145
Deposits and borrowings from the public	75	74	5	4	–8	–7	72	71

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

Break-down of Commercial & Business Banking

	Business Banking		Commercial Banking		Commercial & Business Banking Other[1]		Total Commercial & Business Banking	
Income statement, EURm	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	615	658	482	514	17	36	1,114	1,208
Net fee and commission income	398	408	304	284	–187	–170	515	522
Net result from items at fair value	84	89	234	230	–38	–35	280	284
Profit from associated undertakings accounted for under the equity method	0	0	6	5	5	5	11	10
Other income	0	4	2	7	20	17	22	28
Total operating income	**1,097**	**1,159**	**1,028**	**1,040**	**–183**	**–147**	**1,942**	**2,052**
- of which internal transactions	–306	–335	–123	–121	10	–4	–419	–460
Staff costs	–158	–157	–109	–110	–224	–253	–491	–520
Other expenses	–425	–431	–288	–297	253	305	–460	–423
Depreciation, amortisation and impairment charges of tangible and intangible assets	–5	–5	–3	–3	–23	–16	–31	–24
Total operating expenses	**–588**	**–593**	**–400**	**–410**	**6**	**36**	**–982**	**–967**
Profit before loan losses	**509**	**566**	**628**	**630**	**–177**	**–111**	**960**	**1,085**
Net loan losses	–87	–128	–69	–38	–5	–4	–161	–170
Operating profit	**422**	**438**	**559**	**592**	**–182**	**–115**	**799**	**915**
Income tax expense	–97	–105	–129	–142	42	28	–184	–219
Net profit for the year	**325**	**333**	**430**	**450**	**–140**	**–87**	**615**	**696**
Balance sheet 31 Dec, EURbn								
Loans to the public	37	37	44	44	–1	–1	80	80
Deposits and borrowings from the public	23	22	19	20	–3	–2	39	40

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

G2. Segment reporting, cont.

Break-down of Wholesale Banking

	Corporate & Institutional Banking		Shipping, Offshore & Oil Services		Banking Russia		Capital Markets unallocated		Wholesale Banking Other[1]		Total Wholesale Banking	
Income statement, EURm	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	526	601	264	294	178	204	–7	–4	–109	–89	852	1,006
Net fee and commission income	581	539	59	67	14	16	–48	–64	38	47	644	605
Net result from items at fair value	314	307	31	39	16	12	422	434	18	38	801	830
Other income	0	0	0	0	0	1	1	1	–1	1	0	3
Total operating income	**1,421**	**1,447**	**354**	**400**	**208**	**233**	**368**	**367**	**–54**	**–3**	**2,297**	**2,444**
- of which internal transactions	–211	–141	–137	–68	–77	–82	111	58	–96	–81	–410	–314
Staff costs	–33	–38	–18	–19	–35	–42	–287	–297	–261	–252	–634	–648
Other expenses	–415	–404	–46	–45	–18	–21	43	47	162	139	–274	–284
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–4	–9	0	0	–16	–10	–20	–19
Total operating expenses	**–448**	**–442**	**–64**	**–64**	**–57**	**–72**	**–244**	**–250**	**–115**	**–123**	**–928**	**–951**
Profit before loan losses	**973**	**1,005**	**290**	**336**	**151**	**161**	**124**	**117**	**–169**	**–126**	**1,369**	**1,493**
Net loan losses	–112	–142	–154	–6	–32	–22	0	0	2	13	–296	–157
Operating profit	**861**	**863**	**136**	**330**	**119**	**139**	**124**	**117**	**–167**	**–113**	**1,073**	**1,336**
Income tax expense	–198	–207	–31	–79	–28	–33	–28	–28	38	27	–247	–320
Net profit for the year	**663**	**656**	**105**	**251**	**91**	**106**	**96**	**89**	**–129**	**–86**	**826**	**1,016**
Balance sheet 31 Dec, EURbn												
Loans to the public	39	42	13	13	4	6	–	–	–	–	56	61
Deposits and borrowings from the public	37	41	6	5	1	1	–	–	–	–	44	47

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

Break-down of Wealth Management

	Private Banking		Asset Management		Life & Pensions unallocated		Wealth Management Other[1]		Total Wealth Management	
Income statement, EURm	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	112	120	0	1	0	0	0	0	112	121
Net fee and commission income	632	635	853	761	349	340	–308	–291	1,526	1,445
Net result from items at fair value	87	93	1	2	277	244	0	0	365	339
Other income	10	13	7	5	7	9	–12	–8	12	19
Total operating income	**841**	**861**	**861**	**769**	**633**	**593**	**–320**	**–299**	**2,015**	**1,924**
- of which internal transactions	4	14	1	0	0	0	1	0	6	14
Staff costs	–163	–175	–148	–135	–115	–116	–83	–78	–509	–504
Other expenses	–244	–229	–103	–105	–59	–64	123	109	–283	–289
Depreciation, amortisation and impairment charges of tangible and intangible assets	–9	–4	0	0	–7	–3	–3	–1	–19	–8
Total operating expenses	**–416**	**–408**	**–251**	**–240**	**–181**	**–183**	**37**	**30**	**–811**	**–801**
Profit before loan losses	**425**	**453**	**610**	**529**	**452**	**410**	**–283**	**–269**	**1,204**	**1,123**
Net loan losses	0	–1	0	0	0	0	0	0	0	–1
Operating profit	**425**	**452**	**610**	**529**	**452**	**410**	**–283**	**–269**	**1,204**	**1,122**
Income tax expense	–94	–99	–134	–116	–99	–90	62	59	–265	–246
Net profit for the year	**331**	**353**	**476**	**413**	**353**	**320**	**–221**	**–210**	**939**	**876**
Balance sheet 31 Dec, EURbn										
Loans to the public	11	11	–	–	–	–	–	–	11	11
Deposits and borrowings from the public	14	13	–	–	–	–	–	–	14	13

1) Wealth Management Other includes the areas Savings, COO and HR.

G2. Segment reporting, cont.

Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2016	2015	2016	2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Total Operating segments	10,619	10,616	5,170	5,360	296	297	169	171
Group functions[1]	12	10	–85	–30	–	–	–	–
Unallocated items[2]	–11	64	–1	–243	33	46	12	19
Eliminations	–11	–5	–	–	–	–	–	–
Differences in accounting policies[3]	–682	–545	–459	–383	–11	–2	–7	–1
Total	9,927	10,140	4,625	4,704	318	341	174	189

1) Consists of Group Risk Management and Control, Group Internal Audit, Chief of staff office, Group Finance & Business Control and Group Compliance.
2) Including non-recurring items 2015 of EUR –263m.
3) Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

Total operating income split on product groups

EURm	2016	2015
Banking products	5,996	6,183
Capital Markets products	1,731	1,793
Savings products & Asset management	1,369	1,341
Life & Pensions	631	593
Other	200	230
Total	9,927	10,140

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company invests in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advise is a service provided to support the customers' investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2016	2015	31 Dec 2016	31 Dec 2015
Sweden	2,487	2,590	168	180
Finland	1,855	2,091	92	75
Norway	1,582	1,692	87	80
Denmark	2,839	2,792	217	250
Baltic	336	247	3	10
Luxembourg	280	310	10	5
Russia	158	182	2	5
Other	390	236	37	42
Total	9,927	10,140	616	647

Nordea's main geographical markets comprise the Nordic countries, the Baltic countries, Luxembourg and Russia. Revenues and assets are distributed to geographical areas based on the location of the customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G3. Net interest income

Interest income

EURm	2016	2015
Loans to credit institutions	56	18
Loans to the public	6,630	7,350
Interest-bearing securities	433	551
Other interest income	628	630
Interest income[1]	7,747	8,549

1) Of which contingent leasing income amounts to EUR 83m (EUR 94m). Contingent leasing income in Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

Interest expense

EURm	2016	2015
Deposits by credit institutions	–87	–90
Deposits and borrowings from the public	–414	–652
Debt securities in issue	–3,014	–3,175
Subordinated liabilities	–372	–362
Other interest expenses[1]	867	693
Interest expense	–3,020	–3,586
Net interest income	4,727	4,963

1) The net interest income from derivatives, measured at fair value, related to Nordea's funding. This can have both a positive and negative impact on other interest expense, for further information see Note G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit or loss amounts to EUR 5,927m (EUR 6,551m). Interest expenses from financial instruments not measured at fair value through profit or loss amounts to EUR –3,056m (EUR –3,213m).

Interest on impaired loans amounted to an insignificant portion of interest income.

G4. Net fee and commission income

EURm	2016	2015
Asset management commissions	1,369	1.261
- of which income	1,681	1.496
- of which expense	–312	–235
Life & Pension	306	299
- of which income	371	373
- of which expense	–65	–74
Deposit Products	30	31
- of which income	30	31
Brokerage, securities issues and corporate finance	226	225
- of which income	298	301
- of which expense	–72	–76
Custody and issuer services	59	55
- of which income	100	93
- of which expense	–41	–38
Payments	297	307
- of which income	413	408
- of which expense	–116	–101
Cards	226	271
- of which income	360	523
- of which expense	–134	–252
Lending Products	531	548
- of which income	552	562
- of which expense	–21	–14
Guarantees	161	177
- of which income	168	181
- of which expense	–7	–4
Other	33	56
- of which income	126	122
- of which expense	–93	–66
Total	3,238	3,230

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 510m (EUR 506m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 2,349m (EUR 2,171m). The corresponding amounts for fee expenses is EUR –65m (EUR –74m).

G5. Net result from items at fair value

EURm	2016	2015
Equity related instruments	–141	271
Interest related instruments and foreign exchange gains/losses	1,833	1,077
Other financial instruments (including credit and commodities)	–251	56
Investment properties	–1	–4
Life insurance[1]	275	245
Total	1,715	1,645

1) Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.

G5. Net result from items at fair value, cont.

Break-down of life insurance

EURm	2016	2015
Equity related instruments	1,338	893
Interest related instruments and foreign exchange gains/losses	970	–148
Investment properties	221	150
Change in technical provisions	–2,491	–529
Change in collective bonus potential	177	–169
Insurance risk income	168	213
Insurance risk expense	–108	–165
Total	275	245

Net result from categories of financial instruments[1]

EURm	2016	2015
Available for sale assets, realised	69	66
Financial instruments designated at fair value through profit or loss	26	–89
Financial instruments held for trading[2]	249	656
Financial instruments under fair value hedge accounting	–11	–5
- of which net result on hedging instruments	–106	–605
- of which net result on hedged items	95	600
Financial assets measured at amortised cost[3]	18	58
Financial liabilities measured at amortised cost	–28	–30
Foreign exchange gains/losses excluding currency hedges	1,069	751
Other	48	–7
Financial risk income, net Life insurance[4]	215	197
Insurance risk income, net Life insurance	60	48
Total	1,715	1,645

1) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, i.e. before eliminations of intra-group transactions.
2) Of which amortised deferred day one profits amounts to EUR 30m (EUR 11m).
3) Of which EUR 18m (EUR 58m) related to instruments classified into the category "Loans and receivables" and EUR 0m (EUR 0m) related to instruments classified into the category "Held to maturity".
4) Premium income amounts to EUR 2,571m (EUR 2,500m).

G6. Other operating income

EURm	2016	2015
Divestment of shares[1]	–	182
Income from real estate	2	3
Sale of tangible assets	10	13
Other[2]	123	65
Total	135	263

1) Gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m in 2015.
2) Gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 76m in 2016.

G7. Staff costs

EURm	2016	2015
Salaries and remuneration (specification below)[1]	**–2,352**	**–2,490**
Pension costs (specification below)	–197	–295
Social security contributions	–427	–434
Other staff costs[2]	50	–44
Total[3]	–2,926	–3,263

Salaries and remuneration		
To executives[4]		
- Fixed compensation and benefits	–24	–18
- Performance-related compensation	–8	–10
- Allocation to profit-sharing	0	–1
Total	–32	–29
To other employees	–2,320	–2,461
Total	–2,352	–2,490

1) Of which allocation to profit-sharing 2016 EUR 33m (EUR 84m) consisting of a new allocation of EUR 35m (EUR 84m) and an adjustment related to prior years of EUR –2m (EUR 0m).
2) Including capitalisation of IT-projects with EUR 164m (EUR 65m).
3) Of which EUR 185m in salaries and EUR 20m in pension costs, including social security contributions, in 2015 regards termination benefits in connection to the restructuring activities launched in the second quarter 2015.
4) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating group undertakings, are included. Executives amount to 189 (185) individuals.

Pension costs[1]

EURm	2016	2015
Defined benefits plans (Note G32)[2]	31	–76
Defined contribution plans	–228	–219
Total	–197	–295

1) Pension cost for executives as defined in footnote 4 above, amounts to EUR 4m (EUR 1m) and pension obligations to EUR 18m (EUR 23m).
2) Excluding social security contributions. Including social security contributions EUR –31m (EUR 90m).

Additional disclosures on remuneration under Nordic FSAs' regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) no later than one week before the Annual General Meeting on 16 March 2017.

Remuneration to the Board of Directors, Chief Executive Officer and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2016 decided to increase the remuneration to the Board of Directors (the Board). The remuneration was decided to be EUR 287,400 for the chairman, EUR 136,500 for the vice chairman and EUR 88,850 for other members. The annual remuneration for committee work was EUR 36,050 for the chairman of the committee and EUR 25,750 for other members. Board members employed by Nordea do not receive separate remuneration for their Board membership. There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for a pension commitment to one Board member previously employed by Nordea.

Remuneration to the Board of Directors[1]

EUR	2016	2015
Chairman of the Board:		
Björn Wahlroos	311,056	296,377
Vice Chairman of the Board:		
Marie Ehrling	171,395	161,614
Other Board members[2]:		
Elisabeth Grieg[3]	–	23,808
Tom Knutzen	124,068	116,224
Robin Lawther	113,837	107,183
Lars G Nordström	113,837	107,183
Sarah Russell	113,837	107,183
Silvija Seres[4]	113,837	83,374
Kari Stadigh	124,068	116,224
Birger Steen[4]	107,689	64,639
Total	1,293,624	1,183,809

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in SEK quarterly in four equal instalments. For accounting purposes it is converted back into EUR, using the average exchange rate each year. In the accounting the exchange rate effects have had a decreasing impact on the remuneration to the Board.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2015.
4) New member of the Board as from the AGM 2015.

Salary and benefits

Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO 1 November 2015. The remuneration to the CEO consists of three components: Fixed salary, GEM Executive Incentive Programme (GEM EIP) and benefits.

The fixed annual salary as CEO was decided to be SEK 12,200,000 (EUR 1,288,620).

GEM EIP 2016 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2016 the outcome of the GEM EIP amounted to EUR 749,204.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2016 will be paid out in 2017, 30% will be deferred to 2020 and 30% to 2022.

The benefits for 2016 amounted to EUR 29,499 and include primarily car benefits and tax consultation.

The total earned remuneration for 2016, as CEO, based on the three components amounted to EUR 2,071,015.

The CEO took part of the previous LTIPs. For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The fixed salary, GEM EIP and contract terms for the CEO are proposed by the Board Remuneration Committee (BRC) and approved by the Board in accordance with Nordea's remuneration guidelines approved by AGM 2016.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO 1 November 2015. The remuneration to the Group COO and Deputy CEO consists of three components: Fixed salary, GEM EIP and benefits.

The fixed annual salary as Group COO and Deputy CEO was decided to be DKK 8,000,000 (EUR 1,074,502).

GEM EIP 2016 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2016 the outcome of the GEM EIP amounted to EUR 624,715.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2016 will be paid out in 2017, 30% will be deferred to 2020 and 30% to 2022.

The benefits for 2016 amounted to EUR 13,264 and include primarily housing benefits.

G7. Staff costs, cont.

The total earned remuneration for 2016, as Group COO and Deputy CEO, based on the three components amounted to EUR 1,796,368.

The Group COO and Deputy CEO took part of the previous LTIPs. For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for the Group COO and Deputy CEO, for resolution by the Board.

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

	Fixed salary[1]		GEM Executive Incentive Programme[2]		Benefits[1]		Total	
EUR	2016	2015	2016	2015	2016	2015	2016	2015
Chief Executive Officer (CEO):								
Christian Clausen[3]	–	1,041,869	–	1,003,526	–	72,114	–	2,117,509
Casper von Koskull[4]	1,292,312	217,383	749,204	179,123	29,499	8,164	2,071,015	404,670
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):								
Torsten Hagen Jørgensen[5]	1,158,389	178,761	624,715	165,175	13,264	2,015	1,796,368	345,951
Group Executive Management (GEM):								
8 (7) individuals excluding CEO and Group COO and Deputy CEO[6]	4,554,196	4,800,274	2,443,852	3,657,267	60,690	108,072	7,058,738	8,565,613
Total	7,004,897	6,238,287	3,817,771	5,005,091	103,453	190,365	10,926,121	11,433,743
Former Chief Executive Officer (Former CEO):								
Christian Clausen[3]	1,230,216	207,512	–	–	7,327	5,390	1,237,543	212,902
Total	8,235,113	6,445,799	3,817,771	5,005,091	110,780	195,755	12,163,664	11,646,645

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes also holiday pay and car allowance. Benefits are included at taxable values.

2) The CEO and members of GEM were until 2012 offered a Variable Salary Part (VSP) and a share based Long Term Incentive Programme (LTIP). Instead of these two programmes the Board in 2013 decided, in order to reduce complexity, to offer a GEM Executive Incentive Programme (GEM EIP). The outcome from GEM Executive Incentive Programme (GEM EIP) 2016 has been expensed in full in 2016 but will be paid out over a five year deferral period with forfeiture clauses in order to comply with the remuneration regulations from the Swedish FSA. The GEM EIP is indexed with Nordea's total shareholder return (TSR) during the deferral period. The GEM EIP is further described in the separate section on remuneration in the Board of Directors' report and below. GEM EIP 2016 includes also a sign-on bonus for one new GEM member.

3) Remuneration as CEO is included for the period of appointment as CEO, for the period 1 January 2015 to 31 October 2015. Remuneration as former CEO and as senior executive advisor is included for the period 1 January to 31 December 2016 and for the period 1 November 2015 to 31 December 2015. The former CEO has during 2016 been a strategic partner and advisor to the CEO and GEM.

4) The fixed annual salary as CEO is SEK 12,200,000 (EUR 1,288,620). Remuneration as CEO is included for the period of appointment as CEO, for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015. The remuneration as member of GEM is included together with other members of GEM for the period 1 January to 31 October 2015.

5) The fixed annual salary as Group COO and Deputy CEO is decided to be DKK 8,000,000 (EUR 1,074,502). Remuneration for the Group COO and Deputy CEO is included for the period of appointment as Group COO and Deputy CEO, for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015. The remuneration as member of GEM is included together with other members of GEM for the period 1 January to 31 October 2015.

6) Remuneration to GEM members is included for the period they have been appointed. During 2016 four GEM members have resigned and five new GEM members have been appointed. Compensation during the notice period and termination benefits 2016, for resigned GEM members, amounted to EUR 1.2m and are excluded from the table above.

Long Term Incentive Programmes (LTIP) 2010–2012

	Expense[1] (EUR)		Number of outstanding shares[2]			
	2016	2015	LTIP 2012	LTIP 2011	LTIP 2010	Total
Chief Executive Officer (CEO):						
Christian Clausen	–	51,172	–	–	–	–
Casper von Koskull	–	6,550	42,195	26,220	8,097	76,512
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):						
Torsten Hagen Jørgensen	–	6,076	39,140	23,464	6,363	68,967
Group Executive Management (GEM):						
8 (7) individuals excluding CEO and Group COO and Deputy CEO	–	145,327	46,485	25,330	6,523	78,338
Total	–	209,125	127,820	75,014	20,983	223,817
Former Chief Executive Officer (Former CEO):						
Christian Clausen	–	10,234	65,930	40,972	10,152	117,054
Total	–	219,359	193,750	115,986	31,135	340,871

1) The expense from the LTIP programmes is recognised as the vesting requirements are fulfilled over the three years vesting period starting the year of issuance. The expense 2015 includes expense from LTIP 2012 and LTIP 2012 was fully expensed in May 2015. The expense is calculated in accordance with IFRS 2 "Share-based Payment" and presented for the period appointed as CEO, Group COO and Deputy CEO, GEM and Former CEO.

2) 60% of the vested shares are deferred with forfeiture clauses due to remuneration regulations from the Swedish FSA and allotted over a five year period, for LTIP 2010 starting May 2013, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. See also the separate Remuneration section on page 66 and below for more details. The numbers of outstanding shares are presented as of 31 December 2016. All shares in LTIP programs are fully vested and consequently not conditional.

G7. Staff costs, cont.

Group Executive Management (GEM)

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for members of GEM, for resolution by the Board. GEM EIP 2016, which is based on agreed, specific targets, can be a maximum of 100% of the fixed salary.

Benefits include primarily car and/or housing. As for the CEO and Group COO and Deputy CEO, some GEM members took part of the previous LTIPs.

Pension

Chief Executive Officer (CEO)

The CEO has a defined contribution plan in accordance with the Swedish collective agreement BTP1, with a complementing defined contribution plan on top of the collective agreement. The pension contribution in total is 30% of the fixed salary.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed salary.

Group Executive Management (GEM)

The pension agreements vary due to local country practices.

Pension agreements are defined benefit plans, defined contribution plans or a combination of such plans.

One member has a defined benefit plan not based on a collective agreement. The defined benefit plan provides a retirement pension amounting to 50% of pensionable income for life from age 62, including statutory pension benefits. Three members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. Three members have pensions in accordance with the local country statutory pension system. Finally one member has a defined contribution plan not based on a collective agreement. Fixed salary is pensionable income for all GEM-members. Part of GEM EIP is included in the pensionable income for three members according to statutory pension rules and one individual agreement.

Pension expense and pension obligation

EUR	2016 Pension expense[1]	2016 Pension obligation[2]	2015 Pension expense[1]	2015 Pension obligation[2]
Board members[3]:				
Lars G Nordström	–	330,380	–	334,110
Chief Executive Officer (CEO):				
Christian Clausen[4]	–	–	−2,159,170	–
Casper von Koskull[5]	386,513	306,358	65,215	284,571
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen[6]	322,351	–	53,677	–
Group Executive Management (GEM):				
8 (7) individuals excluding CEO and Group COO and Deputy CEO[7]	1,188,910	3,922,800	1,837,118	8,741,323
Total	**1,897,774**	**4,559,538**	**−203,160**	**9,360,004**
Former Chairman of the Board and CEOs:				
Vesa Vainio[8]	–	5,375,054	–	5,376,111
Christian Clausen[4]	338,280	–	62,254	–
Total	**2,236,054**	**9,934,592**	**−140,906**	**14,736,115**

1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during the year in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 1,868,269 (1,366,811) relates to defined contribution agreements.

2) The pension obligation is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.

3) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.

4) The pension agreement changed from a defined benefit plan to a defined contribution plan as from 1 April 2015. The pension obligation/pension risk was transferred to the CEO 1 April 2015 and the pension obligation for the former CEO is hence accounted for as settled. The settlement led to a gain of EUR 2,611,144 which had a decreasing impact on the pension expense 2015. The pension agreement from 1 April 2015 is a defined contribution plan with a contribution amounting to 30% of fixed salary. The pension expense in 2015 is presented for the period appointed CEO, 1 January 2015 to 31 October 2015. The pension expense excluding the settlement was EUR 451,974 for the period as CEO. The pension expense as Former CEO and strategic partner and advisor is presented for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015.

5) The pension agreement is a defined contribution plan. The contribution is 30% of fixed salary, consisting of the collective agreement BTP1 and a complementary additional contribution. The pension expense as CEO is presented for the period appointed CEO, for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015. The pension obligation is in accordance with the collective pension agreement BTP2 and earned as a member of GEM. The pension expense as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.

6) The Group COO and Deputy CEO's pension agreement is a defined contribution plan and the contribution is 30% of fixed salary. The pension expense as Group COO and Deputy CEO is presented for the period appointed Group COO and Deputy CEO, 1 January to 31 December 2016 and for the period 1 November 2015 to 31 December 2015. The pension expense as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.

7) Members of GEM included for the period they are appointed. The pension obligation is the obligation towards the members of GEM as of 31 December. Compensation during the notice period 2016, for resigned GEM members, amounted to EUR 0.3m and is excluded from the table above.

8) The pension obligation for Vesa Vainio is mainly due to pension rights earned in, and funded by, banks forming Nordea.

G7. Staff costs, cont.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. The Group COO and Deputy CEO and six GEM members have a notice period of 6 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. One GEM member has a notice period of 6 months' and a severance pay equal to 18 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 18 months. One GEM member has a notice period of 6 months. The Former CEO is not entitled to any severance pay.

Loans to key management personnel

Loans to key management personnel, as defined in Note G1 section 27, amount to EUR 5m (EUR 4m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees, except for key management personnel in Denmark whose loans are granted on terms based on market conditions. In Norway the employee interest rate for loans is variable and was at 31 December 2016 1.8% for loans up to NOK 5m and 2.15% for loans above NOK 5m. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 40 basis points up to EUR 0.4m, and 60 basis points on the part that exceeds EUR 0.4m. In Sweden the employee **interest rate on fixed- and variable interest rate loans is 215** basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 57 Swedish price base amounts **both on fixed- and variable interest rate loans.** Interest on **loans above the defined caps is set on market terms.** Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Long Term Incentive Programmes

	2016			2015		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the year	280,628	841,884	280,628	1,254,300	3,141,893	1,254,300
Granted[1]	20,363	61,089	20,363	66,029	165,168	66,029
Forfeited	–	–	–	–136,196	–395,678	–136,196
Alloted	–79,430	–238,290	–79,430	–903,505	–2,069,499	–903,505
Outstanding at end of year	221,561	664,683	221,561	280,628	841,884	280,628
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	212,541	355,118	95,641	269,671	450,568	121,352
Granted[1]	15,422	25,768	6,940	14,513	24,248	6,531
Forfeited	–	–	–	–	–	–
Alloted	–76,825	–128,360	–34,570	–71,643	–119,698	–32,242
Outstanding at end of year[2]	151,138	252,526	68,011	212,541	355,118	95,641
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	86,955	91,858	39,119	132,584	140,078	59,664
Alloted	–45,644	–48,218	–20,534	–45,629	–48,220	–20,545
Outstanding at end of year[2]	41,311	43,640	18,585	86,955	91,858	39,119
- of which currently exercisable	–	–	–	–	–	–

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no execise price for the deferred rights.

Participation in the Long Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares.

	LTIP 2012		
	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00
Exercise price, EUR	–	–	–
Grant date	13 May 2012	13 May 2012	13 May 2012
Vesting period	36 months	36 months	36 months
Contractual life	36 months	36 months	36 months
Allotment	April/May 2015	April/May 2015	April/May 2015
Fair value at grant date[1]	EUR 5.44	EUR 5.43	EUR 1.97

1) The fair value has been recalculated due to dividend during the vesting period which the participants are compensated for through additional Matching and Performance Shares.

G7. Staff costs, cont.

	LTIP 2012
Service condition, Matching Share / Performance Share I and II	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.
Performance condition, Performance Share I	Average RAROCAR during the period 2012 up to and including 2014. Full allotment will be obtained if the RAROCAR amounts to 17%.
Performance condition, Performance Share II	RAROCAR during the period 2012 up to and including 2014 and P/B-ranking year-end 2014 compared to a peer group. Full allotment will be obtained if the RAROCAR amounts to 14% and if Nordea's P/B-ranking is 1–5.
Cap	The market value of the allotted shares is capped to the participants' annual salary for year-end 2011.
Dividend compensation	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.

Conditions and requirements

For each ordinary share the participants lock in to the LTIPs, they are granted a conditional Matching Share to receive ordinary shares based on continued employment, with certain exemptions, and the conditional Performance Share I and II to receive additional ordinary shares also based on fulfillment of certain performance conditions. The performance conditions for Performance Share I comprise a target growth in risk-adjusted return on capital at risk (RAROCAR). The performance conditions for Performance Share II are market related and comprise a target in RAROCAR and in P/B-ranking compared to a peer group. Furthermore the profit for each right is capped.

When the performance conditions are not fulfilled in full, the rights that are no longer exercisable are shown as forfeited in the previous tables, together with shares forfeited due to participants leaving the Nordea Group.

LTIP 2012/2011/2010 are not alloted in full due to deferral and retention requirements by Nordic FSAs.

Fair value calculations

The fair value is measured through the use of generally accepted valuation models with the following input factors:

	LTIP 2012
Weighted average share price	EUR 6.70
Right life	3.0 years
Deduction of expected dividends	No
Risk free rate	Not applicable
Expected volatility	Not applicable

Expenses for equity-settled share-based payment programmes[1]

EURm	LTIP 2012
Total expense during 2016	–
Total expense during 2015	–2

1) All amounts excluding social security contribution.

As the exercise price is zero for LTIP 2012, the value has a limited sensitivity to expected volatility and risk-free interest.

The value of the Performance Share II is based on market related conditions and fulfilment of the RAROCAR and P/B targets have been taken into consideration when calculating the rights' fair value at grant date. When calculating the impact from the market conditions it has been assumed that all possible outcomes have equal possibilities. Also the cap has been taken into consideration when calculating the rights' fair value at grant. The adjustment to fair value is approximately 2–3% of the weighted average share price.

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2016 is paid no earlier than autumn 2020. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2016 is decided during spring 2017, and a reservation of EUR 36m excl. social costs is made 2016. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals	
EURm	2016	2015
Opening balance	67	32
Reclassification[1]	0	12
Reclassification to liabilities held for sale	–1	–
Deferred/earned during the year	50	47
TSR indexation during the year	19	3
Payments during the year[2]	–25	–26
Translation differences	0	–1
Closing balance	110	67

1) Relates to a reclassification from deferred amounts that are indexed with a fixed rate.
2) There have been no adjustments due to forfeitures.

G7. Staff costs, cont.

Average number of employees

	Total		Men		Women	
	2016	2015	2016	2015	2016	2015
Full-time equivalents						
Denmark	8,717	8,288	4,789	4,486	3,928	3,802
Sweden	7,276	6,957	3,502	3,346	3,774	3,611
Finland	7,104	6,946	2,329	2,181	4,775	4,765
Norway	3,140	3,137	1,692	1,678	1,448	1,459
Poland	1,571	1,197	765	585	806	612
Russia	829	1,085	261	268	568	817
Estonia	559	480	121	114	438	366
Latvia	457	436	141	125	316	311
Luxembourg	441	393	277	243	164	150
Lithuania	378	360	147	123	231	237
United States	120	110	61	57	59	53
Singapore	85	86	38	39	47	47
United Kingdom	77	82	48	52	29	30
Germany	55	58	31	32	24	26
China	30	29	12	13	18	16
Switzerland	29	32	20	23	9	9
Brazil	5	5	5	4	0	1
Total average	30,873	29,681	14,239	13,369	16,634	16,312
Total number of employees (FTEs), end of period	31,596	29,815				

Gender distribution

In the parent company's Board of Directors 56% (56%) were men and 44% (44%) were women. In the Board of Directors of the Nordea Group companies, 77% (73%) were men and 23% (27%) were women. The corresponding numbers for Other executives were 76% (69%) men and 24% (31%) women. Internal Boards consist mainly of management in Nordea, employee representatives excluded.

G8. Other expenses

EURm	2016	2015
Information technology	–573	–485
Marketing and representation	–79	–84
Postage, transportation, telephone and office expenses	–125	–145
Rents, premises and real estate	–309	–373
Other	–560	–398
Total	–1,646	–1,485

Auditors' fees

EURm	2016	2015
PricewaterhouseCoopers		
Auditing assignments	–7	–5
Audit-related services	–1	0
Tax advisory services	–1	–1
Other assignments	–5	–1
Total	–14	–7
KPMG		
Auditing assignments	–	–1
Audit-related services	–	–1
Tax advisory services	–	0
Other assignments	–	–1
Total	–	–3
E&Y		
Auditing assignments	–	0
Audit-related services	–	0
Tax advisory services	–	0
Other assignments	–	–1
Total	–	–1
Total Auditors' fees	–14	–11

G9. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2016	2015
Depreciation/amortisation		
Properties and equipment	–106	–113
Intangible assets	–115	–76
Total	–221	–189
Impairment charges		
Intangible assets	–7	–20
Total	–7	–20
Total	–228	–209

G10. Net loan losses

EURm	2016	2015
Loan losses divided by class		
Provisions	–1	–
Reversals of previous provisions	1	1
Loans to credit institutions[1]	0	1
Realised loan losses	–600	–605
Allowances to cover realised loan losses	474	448
Recoveries on previous realised loan losses	57	63
Provisions	–1,056	–1,074
Reversals of previous provisions	639	693
Loans to the public[1]	–486	–475
Realised loan losses	–9	–11
Allowances to cover realised loan losses	9	11
Provisions	–96	–104
Reversals of previous provisions	80	99
Off-balance sheet items[2]	–16	–5
Net loan losses	–502	–479

1) See Note G13 "Loans and impairment".
2) Included in Note G31 "Provisons" as "Off-balance" and "Guarantees/commitments".

G11. Taxes

Income tax expense

EURm	2016	2015
Current tax	–1,015	–957
Deferred tax	156	–85
Total	–859	–1,042

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2016	2015
Profit before tax	4,625	4,704
Tax calculated at a tax rate of 22.0%	–1,017	–1,035
Effect of different tax rates in other countries	–7	–34
Income from associated undertakings	21	6
Tax-exempt income	132	72
Non-deductible expenses	–19	–16
Adjustments relating to prior years	32	–17
Utilization of non-capitalized tax losses carry-forwards from previous periods	1	–
Change of tax rate	3	27
Not creditable foreign taxes	–5	–45
Tax charge	–859	–1,042
Average effective tax rate	19%	22%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2016	2015	2016	2015
Deferred tax related to:				
Tax losses carry-forward	93	86	–	–
Loans to the public	28	22	397	430
Derivatives	17	8	285	394
Intangible assets	5	6	50	45
Investment properties	0	0	132	142
Retirement benefit assets/obligations	45	44	77	84
Liabilities/provisions	72	87	58	103
Other	3	17	34	24
Netting between deferred tax assets and liabilities	–203	–194	–203	–194
Total	60	76	830	1,028

EURm	2016	2015
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	43	44
Total	43	44

G12. Earnings per share

	2016	2015
Earnings:		
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	**3,766**	**3,662**
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–15	–21
Weighted average number of basic shares outstanding	**4,035**	**4,029**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	2	2
Weighted average number of diluted shares outstanding	**4,037**	**4,031**
Basic earnings per share, EUR	0.93	0.91
Diluted earnings per share, EUR	0.93	0.91

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 "Accounting policies" section 22.

G13. Loans and impairment

	Central banks and credit institutions		The public[1]		Total	
EURm	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Loans, not impaired	20,254	23,988	314,572	337,622	334,826	361,610
Impaired loans	9	–	5,541	5,960	5,550	5,960
- Servicing	9	–	3,235	3,682	3,244	3,682
- Non-Servicing	–	–	2,306	2,278	2,306	2,278
Loans before allowances	**20,263**	**23,988**	**320,113**	**343,582**	**340,376**	**367,570**
Allowances for individually assessed impaired loans	0	–	–1,913	–2,213	–1,913	–2,213
- Servicing	0	–	–1,054	–1,289	–1,054	–1,289
- Non-Servicing	–	–	–859	–924	–859	–924
Allowances for collectively assessed impaired loans	–2	–2	–511	–449	–513	–451
Allowances	**–2**	**–2**	**–2,424**	**–2,662**	**–2,426**	**–2,664**
Loans, carrying amount	**20,261**	**23,986**	**317,689**	**340,920**	**337,950**	**364,906**

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G21 "Leasing".

G13. Loans and impairment, cont.

Movements of allowance accounts for impaired loans

EURm	Central banks and credit institutions: Individually assessed	Central banks and credit institutions: Collectively assessed	Central banks and credit institutions: Total	The public: Individually assessed	The public: Collectively assessed	The public: Total	Total: Individually assessed	Total: Collectively assessed	Total: Total
Opening balance at 1 Jan 2016	0	–2	–2	–2,213	–449	–2,662	–2,213	–451	–2,664
Provisions	0	–1	–1	–729	–327	–1,056	–729	–328	–1,057
Reversals of previous provisions	0	1	1	408	231	639	408	232	640
Changes through the income statement	0	0	0	–321	–96	–417	–321	–96	–417
Allowances used to cover realised loan losses	–	–	–	474	–	474	474	–	474
Reclassification	–	–	–	151	42	193	151	42	193
Translation differences	0	0	0	–4	–8	–12	–4	–8	–12
Closing balance at 31 Dec 2016	0	–2	–2	–1,913	–511	–2,424	–1,913	–513	–2,426
Opening balance at 1 Jan 2015	0	–2	–2	–2,329	–418	–2,747	–2,329	–420	–2,749
Provisions	–	–	–	–818	–256	–1,074	–818	–256	–1,074
Reversals of previous provisions	–	1	1	476	217	693	476	218	694
Changes through the income statement	–	1	1	–342	–39	–381	–342	–38	–380
Allowances used to cover realised loan losses	–	–	–	448	–	448	448	–	448
Reclassification	–	–	–	4	–	4	4	–	4
Translation differences	–	–1	–1	6	8	14	6	7	13
Closing balance at 31 Dec 2015	0	–2	–2	–2,213	–449	–2,662	–2,213	–451	–2,664

Allowances and provisions[1]

EURm	Central banks and credit institutions: 31 Dec 2016	Central banks and credit institutions: 31 Dec 2015	The public: 31 Dec 2016	The public: 31 Dec 2015	Total: 31 Dec 2016	Total: 31 Dec 2015
Allowances for items on the balance sheet	–2	–2	–2,424	–2,662	–2,426	–2,664
Provisions for off balance sheet items	–	–	–71	–65	–71	–65
Total allowances and provisions	–2	–2	–2,495	–2,727	–2,497	–2,729

1) Included in Note G31 "Provisions" as "Guarantees/commitments".

Key ratios[1]

	31 Dec 2016	31 Dec 2015
Impairment rate, gross, basis points	163	162
Impairment rate, net, basis points	107	102
Total allowance rate, basis points	71	72
Allowances in relation to impaired loans, %	34	37
Total allowances in relation to impaired loans, %	44	45
Non-servicing loans, not impaired, EURm	248	485

1) For definitions, see "Business definitions" on page 83.

G14. Interest-bearing securities

EURm	31 Dec 2016	31 Dec 2015
State and sovereigns	24,597	23,093
Municipalities and other public bodies	2,006	2,667
Mortgage institutions	25,893	27,785
Other credit institutions	28,474	27,804
Corporates	4,132	4,535
Corporates sub-investment grade	535	650
Other	2,064	1
Total	87,701	86,535

G15. Financial instruments pledged as collateral

Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2016	31 Dec 2015
Interest-bearing securities	5,108	8,333
Shares	–	8
Total	5,108	8,341

For information on transferred assets and reverse repos, see Note G41 "Financial instruments set off on balance or subject to netting agreements".

G16. Shares

EURm	31 Dec 2016	31 Dec 2015
Shares	9,598	12,135
Fund units, equity related	9,090	7,237
Fund units, interest related	2,836	2,909
Total	21,524	22,281
- of which Financial instruments pledged as collateral (Note G15)	–	8
Total	21,524	22,273

G17. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2016	31 Dec 2015
Assets		
Interest bearing securities	1,674	1,641
Shares and fund units	21,019	18,472
Properties	139	111
Other assets	270	210
Total	23,102	20,434
Liabilities		
Pooled schemes	4,340	4,293
Unit linked investment contracts	19,240	16,795
Total	23,580	21,088

The Life Group and Nordea Bank Danmark A/S have assets and liabilities included on their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included on the Group's balance sheet.

G18. Derivatives and Hedge accounting

Derivatives held for trading

	Fair value		
31 Dec 2016, EURm	Positive	Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	37,392	32,707	5,055,477
FRAs	69	85	776,539
Futures and forwards	28	27	121,618
Options	10,223	9,323	370,301
Other	51	246	707
Total	47,763	42,388	6,324,642
Equity derivatives			
Equity swaps	83	105	5,574
Futures and forwards	5	2	875
Options	317	623	18,242
Total	405	730	24,691
Foreign exchange derivatives			
Currency and interest rate swaps	16,244	21,209	942,503
Currency forwards	954	659	70,464
Options	428	324	42,357
Other	10	9	4,162
Total	17,636	22,201	1,059,486
Other derivatives			
Credit Default Swaps (CDS)	1,599	1,647	75,316
Commodity derivatives	6	4	313
Other derivatives	29	25	3,482
Total	1,634	1,677	79,111
Total derivatives held for trading	67,438	66,995	7,487,930

G18. Derivatives and Hedge accounting, cont.

Derivatives used for hedge accounting

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	1,461	638	92,479
Foreign exchange derivatives	1,060	992	32,237
Other derivatives	–	11	1,830
Total derivatives used for hedge accounting	2,521	1,641	126,546
- of which cash flow hedges	804	886	18,290[1]
- of which fair value hedges	1,660	648	96,944[1]
- of which net investment hedges	57	107	15,766
Total derivatives	69,959	68,636	7,614,476

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2016, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	4,741	4,053	4,560	2,262	12,902
Net cash outflows	4,741	4,053	4,560	2,262	12,902

Derivatives held for trading

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	46,918	42,076	4,517,572
FRAs	7	12	51,470
Futures and forwards	264	327	1,538,842
Options	10,731	9,392	431,777
Other	6	88	6,671
Total	57,926	51,895	6,546,332
Equity derivatives			
Equity swaps	294	332	6,825
Futures and forwards	8	15	985
Options	521	750	24,238
Total	823	1,097	32,048
Foreign exchange derivatives			
Currency and interest rate swaps	14,529	21,136	856,486
Currency forwards	1,708	1,219	113,622
Options	266	208	28,027
Other	1	1	79
Total	16,504	22,564	998,214
Other derivatives			
Credit Default Swaps (CDS)	2,304	2,288	92,427
Commodity derivatives	17	13	483
Other derivatives	20	30	3,370
Total	2,341	2,331	96,280
Total derivatives held for trading	77,594	77,887	7,672,874

G18. Derivatives and Hedge accounting, cont.

Derivatives used for hedge accounting

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	1,677	712	81,603
Foreign exchange derivatives	1,470	906	25,613
Total derivatives used for hedge accounting	3,147	1,618	107,216
- of which cash flow hedges	968	849	12,664[1]
- of which fair value hedges	1,891	708	86,503[1]
- of which net investment hedges	288	61	12,962
Total derivatives	80,741	79,505	7,780,090

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2015, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	688	4,434	2,773	2,038	712
Net cash outflows	688	4,434	2,773	2,038	712

G19. Investments in associated undertakings and joint ventures

EURm	31 Dec 2016	31 Dec 2015
Acquisition value at beginning of year	517	488
Acquisitions during the year	5	0
Sales during the year	–145	–2
Share in earnings[1]	120	59
Dividend received	–32	–18
Reclassification	114	0
Translation differences	11	–10
Acquisition value at end of year	590	517
Accumulated impairment charges at beginning of year	–2	–1
Translation differences	0	–1
Accumulated impairment charges at end of year	–2	–2
Total	588	515

1) See table Share in earnings.

Share in earnings

EURm	31 Dec 2016	31 Dec 2015
Profit from companies accounted for under the equity method[1]	112	39
Portfolio hedge, Eksportfinans ASA	–4	3
Associated undertakings in Life insurance, reported as Net result from items at fair value	12	17
Share in earnings	120	59

1) The gain related to VISA Inc's acquisition of VISA Europe amounted to EUR 97m net of tax.

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2016	31 Dec 2015
Total assets	3,252	3,415
Net profit for the year	96	9

G19. Investments in associated undertakings and joint ventures, cont.

Nordea has issued contingent liabilities of EUR 175m (EUR 226m) on behalf of associated undertakings.

31 Dec 2016	Registration number	Domicile	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	191	180	23
Ejendomspartnerskabet af 1/7 2003	27134971	Ballerup	206	200	49
Suomen Luotto-osuuskunta	0201646-0	Helsinki	12	3	27
LR Realkredit A/S	26045304	Copenhagen	6	6	39
Realia Holding Oy	2106796-8	Helsinki	–	20	25
Samajet Nymøllevej 59–91	24247961	Ballerup	20	21	25
E-nettet Holding A/S	28308019	Copenhagen	2	2	20
Hovedbanegårdens Forretningscenter K/S	16301671	Ballerup	2	17	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	8	9	33
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	9	8	33
SWIPP Holding APS	36439696	Copenhagen	0	3	30
Bankernas Kontantservice A/S	33077599	Copenhagen	–	6	20
Samejet Lautruphøj I/S	50857859	Ballerup	6	6	50
NF Techfleet AB	556967-5423	Stockholm	2	2	20
NF Fleet Oy	2006935-5	Espoo	8	6	20
NF Fleet AB	556692-3271	Stockholm	5	4	20
NF Fleet A/S	29185263	Copenhagen	4	–	20
Upplysningscentralen UC AB	556137-5113	Stockholm	3	4	26
Bankomat AB	556817-9716	Stockholm	8	6	20
Visa Sweden	801020-5097	Stockholm	88	–	–
Other			3	12	–
Total			583	515	

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2016	31 Dec 2015
Total assets	537	352
Net profit for the year	24	25

Joint ventures

31 Dec 2016	Registration number	Domicile	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
Dansk ejendoms Fond I	12601840	Ballerup	0	0	56
Ejendomsselskabet af 1. marts 2006 P/S	29405069	Ballerup	0	0	50
DNP Ejendomme P/S	28865147	Ballerup	0	0	50
Indy AB	559072-8316	Stockholm	5	–	50
Relacom Management AB	556746-3103	Stockholm	–	–	61
Total			5	0	
Total associated undertakings and joint ventures			588	515	

G20. Intangible assets

EURm	31 Dec 2016	31 Dec 2015
Goodwill allocated to cash generating units[1]		
Personal Banking Norway	283	269
Personal Banking Denmark	449	447
Personal Banking Sweden	131	135
Commercial & Business Banking Norway	501	476
Commercial & Business Banking Denmark	142	141
Commercial & Business Banking Sweden	87	90
Life & Pensions, Denmark	128	128
Life & Pensions, Norway	128	127
Life & Pensions, Poland	40	41
Banking Russia	174	139
Shipping, Offshore & Oil services	184	177
Total goodwill	2,247	2,170
Computer software	1,447	938
Other intangible assets	98	100
Total intangible assets	3,792	3,208
Movements in goodwill		
Acquisition value at beginning of year	2,171	2,235
Translation differences	77	–64
Acquisition value at end of year	2,248	2,171
Accumulated impairment charges at beginning of year	–1	–1
Accumulated impairment charges at end of year	–1	–1
Total	2,247	2,170
Movements in computer software		
Acquisition value at beginning of year	1,200	1,415
Acquisitions during the year	617	429
Disposals during the year	–	–635
Translation differences	–15	–9
Acquisition value at end of year	1,802	1,200
Accumulated amortisation at beginning of year	–229	–448
Amortisation according to plan for the year	–85	–49
Accumulated amortisation on disposals during the year	–	266
Translation differences	–1	2
Accumulated amortisation at end of year	–315	–229
Accumulated impairment charges at beginning of year	–33	–387
Accumulated impairment charges on disposals during the year	–	369
Impairment charges during the year	–7	–20
Translation differences	0	5
Accumulated impairment charges at end of year	–40	–33
Total	1,447	938

1) Excluding goodwill in associated undertakings.

Impairment testing of goodwill

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. For Life & Pensions, the cash generating units for which goodwill is tested, are the operations in each country.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows in the near future (generally between 3–5 years) are based on financial forecasts, derived from forecasted margins, volumes and cost development. These input variables are based on historical data adjusted to reflect Nordea's assumptions about the future. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. For impairment testing, a growth rate of 1.3% (1.3%) has been used for all cash generating units, except Banking Norway and Life & Pensions, Norway where 1.8% (1.8%) has been used. Growth rates are based on historical data, updated to reflect the current situation.

Cash flows include normalised loan losses.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The post-tax discount rate used for the impairment test 2016 is 7.0% (7.6%), which equals a pre-tax rate of 9.2% (10.0%). For operations in Norway, the expected interest rate is higher and the discount rate used is 7.5% (8.1%). For Russia an additional risk premium of 400 (400) basis points has been applied and for Poland an additional risk premium of 140 (150) basis points has been applied.

The impairment tests conducted in 2016 did not indicate any need for goodwill impairment. See Note G1 "Accounting policies" section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such a change would result in the following impairment for the below cash generating units:

EURm	Growth rate –1%	Discount rate +1%
Life & Pensions, Norway	–59	–92
Banking Russia	–19	–28
Life & Pensions, Poland	–5	–4

For Life & Pensions, Norway the break-even point for impairment is a decrease in growth rate of 0.3% points or an increase in the discount rate of 0.3% points. For Banking Russia the break-even point for impairment is a decrease in growth rate of 0.6% points or an increase in the discount rate of 0.5% points. For Life & Pensions, Poland any decrease in the growth rate or increase in the discount rate would lead to impairment.

G21. Leasing

Nordea as a lessor

Finance leases

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

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

EURm	31 Dec 2016	31 Dec 2015
Gross investments	6,306	7,281
Less unearned finance income	–407	–282
Net investments in finance leases	**5,899**	**6,999**
Less unguaranteed residual values accruing to the benefit of the lessor	–16	–21
Present value of future minimum lease payments receivable	**5,883**	**6,978**
Accumulated allowance for uncollectible minimum lease payments receivable	7	8

As of 31 December 2016 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2016	
EURm	Gross Investment	Net Investment
2017	1,663	1,598
2018	1,237	1,187
2019	1,511	1,457
2020	842	687
2021	520	484
Later years	533	486
Total	**6,306**	**5,899**

Operating leases

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

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

EURm	31 Dec 2016
2017	3
2018	2
2019	1
2020	1
2021	1
Later years	0
Total	**8**

Nordea as a lessee

Finance leases

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

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment.

Leasing expenses during the year

EURm	31 Dec 2016	31 Dec 2015
Leasing expenses during the year	–207	–236
- of which minimum lease payments	–206	–231
- of which contingent rents	–1	–5
Leasing income during the year regarding sublease payments	4	5

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	31 Dec 2016
2017	194
2018	149
2019	116
2020	81
2021	64
Later years	346
Total	**950**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 14m.

G22. Investment properties

EURm	31 Dec 2016	31 Dec 2015
Carrying amount at beginning of year	3,054	3,135
Acquisitions during the year	376	226
Sales during the year	–248	–205
Fair value adjustments	55	9
Transfers/reclassifications during the year	–159	–156
Translation differences	41	45
Carrying amount at end of year	**3,119**	**3,054**

Amounts recognised in the income statement[1]

EURm	2016	2015
Fair value adjustments	87	28
Rental income	157	165
Direct operating expenses that generate rental income	–16	–37
Direct operating expenses that did not generate rental income	–8	–10
Total	**220**	**146**

1) Included in Net result from items at fair value.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

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

G23. Other assets

EURm	31 Dec 2016	31 Dec 2015
Claims on securities settlement proceeds	1,944	1,596
Cash/margin receivables	15,154	14,697
Other	1,875	2,294
Total	18,973	18,587

G24. Prepaid expenses and accrued income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest income	313	310
Other accrued income	483	558
Prepaid expenses	653	658
Total	1,449	1,526

G25. Deposits by credit institutions

EURm	31 Dec 2016	31 Dec 2015
Central banks	10,006	12,243
Banks	14,454	20,187
Other credit institutions	13,676	11,779
Total	38,136	44,209

G26. Deposits and borrowings from the public

EURm	31 Dec 2016	31 Dec 2015
Deposits[1]	170,030	179,630
Repurchase agreements	3,998	9,419
Total	174,028	189,049

1) Deposits related to individual pension savings (IPS) are also included.

G27. Liabilities to policyholders

EURm	31 Dec 2016	31 Dec 2015
Traditional life insurance provisions	19,124	19,081
- of which guaranteed provisions	19,023	18,989
- of which non-guaranteed provisions	101	92
Collective bonus potential	3,606	3,229
Unit-linked insurance provisions	14,240	12,236
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	14,240	12,236
Insurance claims provision	460	395
Provisions, Health & personal accident	252	249
Total Insurance contracts	37,682	35,190
Investment contracts	3,528	3,517
- of which guaranteed provisions	3,528	3,517
- of which non-guaranteed provisions	–	–
Total	41,210	38,707

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies.

31 Dec 2016, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	19,081	3,229	12,236	395	249	3,517	38,707
Gross premiums written	681	–	2,265	–	–	147	3,093
Transfers	–152	–	111	–	–	0	–41
Addition of interest/investment return	415	–	386	–	–	119	920
Claims and benefits	–1,368	–	–1,081	63	3	–282	–2,665
Expense loading including addition of expense bonus	–96	–	–90	–	–	–31	–217
Change in provisions/bonus potential	–152	404	–242	–	–2	0	8
Other	406	–	611	–	–	120	1,137
Translation differences	309	–27	44	2	2	–62	268
Provisions/bonus potentials, end of year	19,124	3,606	14,240	460	252	3,528	41,210
Provision relating to bonus schemes/ discretionary participation feature:	95%					75%	

G27. Liabilities to policyholders, cont.

31 Dec 2015, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	19,705	2,977	11,026	387	253	3,683	38,031
Gross premiums written	784	–	2,125	–	–	116	3,025
Transfers	–499	–	354	–	–	–	–145
Addition of interest/investment return	421	–	225	–	–	38	684
Claims and benefits	–1,618	–	–1,041	12	–6	–293	–2,946
Expense loading including addition of expense bonus	–102	–	–90	–	–	–25	–217
Change in provisions/bonus potential	95	246	–333	–	4	–	12
Other	605	–	1	–	–	–66	540
Translation differences	–310	6	–31	–4	–2	64	–277
Provisions/bonus potentials, end of year	19,081	3,229	12,236	395	249	3,517	38,707
Provision relating to bonus schemes/ discretionary participation feature:	95%					75%	

Insurance risks

Insurance risk is described in the "Risk, Liquidity and Capital management" section of the Board of Directors' Report. Additional quantitative information is found below

Life insurance risk and market risks in the Life insurance operations

	31 Dec 2016		31 Dec 2015	
EURm	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]
Sensitivites				
Mortality – increased living with 1 year	28.0	–21.5	27.8	–21.4
Mortality – decreased living with 1 year	–5.8	4.5	–6.5	5.0
Disability – 10% increase	12.3	–9.5	13.8	–10.6
Disability – 10% decrease	–8.5	6.5	–9.2	7.1
50 bp increase in interest rates	–713.3	–3.2	–620.7	0.3
50 bp decrease in interest rates	701.6	2.7	676.4	–0.5
12% decrease in all share prices	–1,274.5	–2.6	–983.6	–2.8
8% decrease in property value	–204.6	–1.1	–228.8	–1.5
8% loss on counterparts	–7.5	0.0	–24.9	–0.2

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decrease.

Liabilities to policyholders divided in guarantee levels (technical interest rate)

31 Dec 2016, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	14,341	2,373	8,966	3,518	4,041	3,653	36,892

31 Dec 2015, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	12,328	2,340	7,666	4,820	3,996	3,684	34,834

G27. Liabilities to policyholders, cont.

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	- Mortality	Yes
	- Disability	Yes
	- Return guaranties	Yes
Unit-Link	- Mortality	Yes
	- Disability	Yes
	- Return guaranties	No
Health and personal accident	- Mortality	No
	- Disability	Yes
	- Return guaranties	No
Financial contract	- Mortality	No
	- Disability	No
	- Return guaranties	Yes

G28. Debt securities in issue

EURm	31 Dec 2016	31 Dec 2015
Certificates of deposit	19,089	26,018
Commercial papers	17,805	23,243
Covered bonds	109,477	106,746
Other bonds	45,319	45,860
Other	60	70
Total	191,750	201,937

G29. Other liabilities

EURm	31 Dec 2016	31 Dec 2015
Liabilities on securities settlement proceeds	2,127	1,108
Sold, not held, securities	8,024	8,824
Accounts payable	195	168
Cash/margin payables	9,697	11,141
Other	4,370	4,504
Total	24,413	25,745

G30. Accrued expenses and prepaid income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest	7	20
Other accrued expenses	1,468	1,464
Prepaid income	283	321
Total	1,758	1,805

G31. Provisions

EURm	31 Dec 2016	31 Dec 2015
Restructuring	223	333
Guarantees/commitments	71	65
Other	12	17
Total	306	415

Provisions for restructuring costs have been utilised by EUR 78m during 2016. The majority of the remaining restructuring provision was recognised in the fourth quarter last year, and is related to the transformational change to a truly digital bank. Provisions are mainly expected to be used during 2017. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to EUR 71m. Other provision amounts to EUR 12m (EUR 5m expected to be settled 2017).

EURm	Restructuring	Guarantees /commitments	Other	Total
At beginning of year	333	65	17	415
New provisions made	1	96	7	104
Provisions utilised	–78	–9	–6	–93
Reversals	–30	–80	–4	–114
Reclassifications	–1	–	–2	–3
Translation differences	–2	–1	0	–3
At end of year	223	71	12	306

G32. Retirement benefit obligations

EURm	31 Dec 2016	31 Dec 2015
Retirement benefit assets	306	377
Retirement benefit obligations	302	329
Net liability (-)/asset (+)	4	48

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplus. Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to secure the level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

Due to recent changes in Norwegian social security and pension legislation, on 25 October 2016 Nordea decided to amend the pension agreement with all employees in Norway born in 1958 or later from a defined benefit plan to a defined contribution plan. As the assumption about future salary increases has been removed, the change decreases the obligation. This led to an upfront gain in 2016 of EUR 86m including social charges.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on different actuarial assumptions.

Assumptions[1]

	Swe	Nor	Fin	Den
2016				
Discount rate[2]	2.67%	2.75%	1.50%	1.92%
Salary increase	2.25%	2.75%	1.75%	2.25%
Inflation	1.25%	1.75%	1.25%	1.25%
Mortality	DUS14	GAP07/I73	Gompertz	FSA
2015				
Discount rate[2]	3.07%	2.89%	2.14%	2.67%
Salary increase	2.25%	2.75%	1.75%	2.25%
Inflation	1.25%	1.75%	1.25%	1.25%
Mortality	DUS06	GAP07/I73	Gompertz	FSA

1) The assumptions disclosed for 2016 have an impact on the liability calculation by year-end 2016, while the assumptions disclosed for 2015 are used for calculating the pension expense in 2016.

2) More information on the discount rate can be found in Note G1 "Accounting policies", section 23. The sensitivities to changes in the discount rate can be found below.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den
Discount rate – Increase 50bps	–7.7%	–6.8%	–6.9%	–5.1%
Discount rate – Decrease 50bps	8.9%	7.6%	7.7%	5.5%
Salary increase – Increase 50bps	3.0%	2.3%	0.4%	5.0%
Salary increase – Decrease 50bps	–2.1%	–2.2%	–0.3%	–4.6%
Inflation – Increase 50bps	7.6%	6.3%	4.7%	–
Inflation – Decrease 50bps	–6.7%	–5.7%	–4.3%	–
Mortality – Increase 1 year	3.4%	3.3%	4.1%	5.1%
Mortality – Decrease 1 year	–3.3%	–3.3%	–4.1%	–5.0%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it gives the possibility to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2015 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

As all pensions in Denmark are salary indexed, the inflation has no impact on the DBO in Denmark.

G32. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2016	Nor 2016	Fin 2016	Den 2016	Total 2016	Total 2015
Obligations	1,524	869	938	103	3,434	3,271
Plan assets	1,591	703	1,013	131	3,438	3,319
Net liability(–)/asset(+)	67	–166	75	28	4	48
- of which retirement benefit liabilities	126	166	6	4	302	329
- of which retirement benefit assets	193	–	81	32	306	377

Movements in the obligation

2016, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,421	843	907	100	3,271
Current service cost	23	16	3	–	42
Interest cost	43	24	19	3	89
Pensions paid	–71	–35	–43	–6	–155
Past service cost and settlements[1]	3	–84	–2	–	–83
Remeasurement from changes in demographic assumptions	54	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	87	7	228
Remeasurement from experience adjustments	1	15	–12	–1	3
Translation differences	–56	48	–21	0	–29
Change in provision for SWT/SSC[2]	13	1	–	–	14
Closing balance	1,524	869	938	103	3,434
- of which relates to the active population	27%	35%	14%	–	25%

1) Includes the gain in Norway from transition to DCP.
2) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

2015, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,663	968	985	111	3,727
Current service cost	29	20	3	0	52
Interest cost	40	24	21	2	87
Pensions paid	–73	–29	–42	–5	–149
Past service cost and settlements	–18	16	1	–	–1
Remeasurement from changes in demographic assumptions	–	–	–31	–	–31
Remeasurement from changes in financial assumptions	–204	–63	–26	–5	–298
Remeasurement from experience adjustments	7	–23	–12	–3	–31
Translation differences	35	–55	8	0	–12
Change in provision for SWT/SSC[1]	–58	–15	–	–	–73
Closing balance	1,421	843	907	100	3,271
- of which relates to the active population	32%	43%	11%	–	28%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 16 (15) years in Sweden, 15 (15) years in Norway, 13 (14) years in Finland and 11 (10) years in Denmark based on discounted cash flows. The fact that all DBPs are closed for new entrants and that there are no active members in Denmark, and to some extent also in Finland, leads to lower duration.

G32. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2016, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,554	644	992	129	3,319
Interest income (calculated using the discount rate)	46	19	21	3	89
Pensions paid	–	–17	–43	–6	–66
Settlements	–	–10	–	–	–10
Contributions by employer	6	24	3	–	33
Remeasurement (actual return less interest income)	44	7	63	5	119
Translation differences	–59	36	–23	0	–46
Closing balance	**1,591**	**703**	**1,013**	**131**	**3,438**

2015, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,497	636	972	124	3,229
Interest income (calculated using the discount rate)	37	17	20	2	76
Pensions paid	–	–17	–42	–7	–66
Settlements	–16	–	2	–	–14
Contributions by employer	0	26	–1	6	31
Remeasurement (actual return less interest income)	2	22	33	2	59
Translation differences	34	–40	8	2	4
Closing balance	**1,554**	**644**	**992**	**129**	**3,319**

Asset composition

The combined return on assets in 2016 was 6.3% (4.2%). The asset return was driven by a positive return on all asset classes. At the end of the year the equity exposure in Nordea´s pension funds/foundations represented 27% (27%) of total assets.

The Group expects to contribute EUR 32m to its defined benefit plans in 2017.

Asset composition in funded schemes

%	Swe 2016	Nor 2016	Fin 2016	Den 2016	Total 2016	Total 2015
Bonds	**70%**	**55%**	**59%**	**84%**	**64%**	**63%**
- sovereign	37%	37%	40%	40%	38%	38%
- covered bonds	16%	6%	–	44%	10%	15%
- corporate bonds	15%	10%	19%	–	15%	10%
- issued by Nordea entities	2%	2%	–	–	1%	–
- with quoted market price in an active market	70%	55%	59%	84%	64%	63%
Equity	**28%**	**28%**	**25%**	**12%**	**27%**	**27%**
- domestic	7%	6%	7%	12%	7%	7%
- European	7%	9%	7%	–	7%	8%
- US	8%	8%	7%	–	8%	7%
- emerging	5%	5%	4%	–	5%	5%
- Nordea shares	1%	–	0%	–	0%	–
- with quoted market price in an active market	28%	28%	25%	12%	27%	27%
Real estate[1]	**–**	**15%**	**12%**	**–**	**6%**	**6%**
- occupied by Nordea	–	–	4%	–	1%	1%
Cash and cash equivalents	**2%**	**2%**	**4%**	**4%**	**3%**	**4%**

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

G32. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR –31m (EUR 90m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7 "Staff costs").

Recognised in the income statement

2016, EURm	Swe	Nor	Fin	Den	Total
Current service cost	23	16	3	–	42
Net interest	–3	5	–2	0	0
Past service cost and settlements[1]	3	–74	–2	–	–73
SWT/SSC[2]	7	–7	–	–	0
Pension cost on defined benefit plans (expense+/ income–)	**30**	**–60**	**–1**	**0**	**–31**

1) The past service cost 2016 includes the gain in Norway from transition to DCP.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2015, EURm	Swe	Nor	Fin	Den	Total
Current service cost	29	20	3	0	52
Net interest	3	7	1	0	11
Past service cost and settlements[1]	–2	16	–1	–	13
SWT/SSC[2]	8	6	–	–	14
Pension cost on defined benefit plans (expense+/ income–)	**38**	**49**	**3**	**0**	**90**

1) The past service cost 2015 mainly regards termination benefits in connection to the cost efficiency programme launched in the fourth quarter.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2015, excluding past service cost and related SWT and SSC, the pension cost has decreased in 2016 as a consequence of the change of actuarial assumptions at the end of 2015.

Recognised in other comprehensive income

2016, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	54	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	87	7	228
Remeasurement from experience adjustments	1	15	–12	–1	3
Remeasurement of plan assets (actual return less interest income)	–44	–7	–63	–5	–119
SWT/SSC[1]	25	14	–	–	39
Pension cost on defined benefit plans (expense+/income–)	**129**	**63**	**12**	**1**	**205**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway. Includes the effect from changed assumption on SSC rate in Norway, increased from 14.1% to 19.1% in 2016.

2015, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	–	–	–31	–	–31
Remeasurement from changes in financial assumptions	–204	–63	–26	–5	–298
Remeasurement from experience adjustments	7	–23	–12	–3	–31
Remeasurement of plan assets (actual return less interest income)	–2	–22	–33	–2	–59
SWT/SSC[1]	–48	–16	–	–	–64
Pension cost on defined benefit plans (expense+/income–)	**–247**	**–124**	**–102**	**–10**	**–483**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

G32. Retirement benefit obligations, cont.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover on-going pension expenses as well as to provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2016 was 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The premium is calculated based on the average wages and base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2016 amount to EUR 4m. Payments to the plan during 2016 covered 2,737 employees. The premium rate for 2017 will be 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premium in 2017 amounts to EUR 4m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 10m (EUR 15m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2016 were EUR 2m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G7 "Staff costs".

G33. Subordinated liabilities

EURm	31 Dec 2016	31 Dec 2015
Dated subordinated debenture loans	6,997	5,940
Undated subordinated debenture loans	272	262
Hybrid capital loans	3,190	2,998
Total	**10,459**	**9,200**

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

G34. Assets pledged as security for own liabilities

EURm	31 Dec 2016	31 Dec 2015
Assets pledged for own liabilities		
Securities etc[1]	16,416	17,628
Loans to the public	138,613	134,520
Other assets pledged	34,412	32,647
Total	**189,441**	**184,795**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	5,822	8,178
Deposits and borrowings from the public	7,047	6,711
Derivatives	13,928	13,773
Debt securities in issue	108,717	106,178
Other liabilities and commitments	22,436	22,267
Total	**157,950**	**157,107**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G43 "Transferred assets and obtained collaterals".

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company's insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

G35. Other Assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions (EUR 8,310m (EUR 9,019m)). The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

G36. Contingent liabilities

EURm	31 Dec 2016	31 Dec 2015
Guarantees		
- Loan guarantees	5,018	5,865
- Other guarantees	16,016	14,791
Documentary credits	1,937	1,805
Other contingent liabilities	118	108
Total	23,089	22,569

In the normal business Nordea issues various forms of guarantees in favour of the Nordea's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the Nordea's customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received. The table above includes all issued guarantees, also those where the possibility of an outflow of resources are considered to be remote.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board members in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

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

G37. Commitments

EURm	31 Dec 2016	31 Dec 2015
Unutilised overdraft facilities	30,703	37,961
Loan commitments	47,302	36,718
Future payment obligations	1,107	956
Other commitments	322	2,367
Total	79,434	78,002

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2016 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2016. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments, see Note G1 "Accounting policies", section 25, about derivatives, see Note G18 "Derivatives and Hedge accounting" and about reverse repos, see Note G43 "Transferred assets and obtained collaterals".

G38. Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is a worldwide capital adequacy standard (Basel III) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR).

CRD IV/CRR require higher capitalisation levels and better quality of capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn in periods of stress and the introduction of liquidity standards. CRD IV was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries on the first of January 2014.

The Basel III framework is built on three Pillars:
- **Pillar I** – requirements for the calculation of REA and Capital
- **Pillar II** – rules for the Supervisory Review Evaluation Process (SREP) including the Internal Capital Adequacy Assessment Process (ICAAP)
- **Pillar III** – rules for the disclosure on risk and capital management, including capital adequacy

Nordea performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirements reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

Nordea's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2017, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

The disclosures in this note cover the Nordea Group as defined on page 145.

Own funds

Own funds is the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both common equity Tier 1 (CET1) and additional Tier 1 capital.

Tier 1 capital

Tier 1 capital is the sum of common equity tier 1 capital and additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbing characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Due to the implementation of CRR, deduction that according to previous rules were made 50% from Tier 1 and 50% from tier 2 are now fully deducted from common equity tier 1. Furthermore, CRR also changes the treatment of investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences, which are now risk weighted instead of deducted from Tier 1 and Tier 2.

Additional Tier 1 capital items consist of additional Tier 1 instruments and the related share premium.

Additional Tier 1 instruments

Additional Tier 1 instruments are subordinated capital instruments that rank senior only to share capital. CRR specifies the necessary characteristics required for inclusion in additional Tier 1 capital. The instruments are loss-absorbing from a going concern perspective as coupons can be cancelled at any time at the full discretion of the issuer and the principal will be written down if the Common Equity Tier 1 capital ratio would fall below a pre-defined trigger level. The instruments may only be repaid with the permission from the Swedish FSA and not earlier than five years after original issuance of the instrument. Additional Tier 1 instruments that fulfil the CRR requirements are fully included whereas remaining instruments are phased out according to transitional rules. At year-end, Nordea held EUR 3.0bn in undated subordinated instruments.

Tier 2 capital

Tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-a`-vis depositors and other bank creditors.

Tier 2 instruments

Tier 2 instruments are subordinated instruments. The basic principle for subordinated instruments in own funds is the order of priority in case of a default or bankruptcy situation.

Under such conditions, the holder of the subordinated instrument would be repaid after other creditors, but before shareholders. Tier 2 instruments can be dated or undated instruments. According to the regulation, Tier 2 instruments that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The inclusion of outstanding Tier 2 instruments in the Tier 2 capital is reduced if the remaining maturity is less than five years. During 2016, Nordea issued one Tier 2 instrument of EUR 1.0bn. As of year-end, Nordea held EUR 6.3bn in dated subordinated instruments and EUR 0.2 in undated subordinated instruments.

The tables below shows the main features of outstanding Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments.

G38. Capital adequacy, cont.

Common Equity Tier 1 capital: instruments and reserves

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	–
	of which: Share capital	4,050	–
2	Retained earnings	22,519	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–97	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,381	–
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	28,934	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–316	–
8	Intangible assets (net of related tax liability) (negative amount)	–3,435	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	–	–
11	Fair value reserves related to gains or losses on cash flow hedges	–37	–
12	Negative amounts resulting from the calculation of expected loss amounts	–212	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–133	–
15	Defined-benefit pension fund assets (negative amount)	–240	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–22	–
25	of which: deferred tax assets arising from temporary differences	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	–
	Of which: ... filter for unrealised loss 1	–	35
	Of which: ... filter for unrealised gain 1	–	256
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	–4,396	–
29	Common Equity Tier 1 (CET1) capital	24,538	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,304	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	743	–
36	Additional Tier 1 (AT1) capital before regulatory adjustments	3,048	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	–
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	–30	–
44	Additional Tier 1 (AT1) capital	3,017	–
45	Tier 1 capital (T1 = CET1 + AT1)	27,555	–
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	6,467	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	81	–
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	–

G38. Capital adequacy, cont.

Common Equity Tier 1 capital: instruments and reserves, cont.

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
49	of which: instruments issued by subsidiaries subject to phase out	–	–
50	Credit risk adjustments	78	–
51	Tier 2 (T2) capital before regulatory adjustments	6,626	–
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–72	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,205	–
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
57	Total regulatory adjustments to Tier 2 (T2) capital	–1,277	–
58	Tier 2 (T2) capital	5,349	–
59	Total capital (TC = T1 + T2)	32,904	–
60	Total risk weighted assets	133,157	–
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.4%	–
62	Tier 1 (as a percentage of risk exposure amount)	20.7%	–
63	Total capital (as a percentage of risk exposure amount)	24.7%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G–SII or O–SII buffer), expressed as a percentage of risk exposure amount)	8.0%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.5%	–
67	of which: systemic risk buffer requirement	3.0%	–
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	2.0%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13.9%	–
	Amounts below the threshold for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	362	–
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,027	–
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	–	–
	Applicable caps to the inclusion of provisions in Tier 2		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	93,958	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	564	–
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)		
82	Current cap on AT1 instruments subject to phase out arrangements	1,182	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase out arrangements	573	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

G38. Capital adequacy, cont.

Minimum capital requirement and REA

	31 Dec 2016		31 Dec 2015	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	8,601	107,512	9,358	116,978
- of which counterparty credit risk	759	9,489	761	9,510
IRB	7,517	93,958	8,297	103,717
- corporate	4,977	62,212	5,630	70,371
- advanced	3,887	48,585	4,497	56,211
- foundation	1,090	13,627	1,133	14,160
- institutions	572	7,144	682	8,526
- retail	1,755	21,933	1,802	22,520
- secured by immovable property collateral	1,001	12,505	1,016	12,702
- other retail	754	9,428	786	9,818
- items representing securitisation positions	66	828	–	–
- other	147	1,841	183	2,300
Standardised	1,084	13,554	1,061	13,261
- central governments or central banks	26	320	40	504
- regional governments or local authorities	21	266	19	237
- public sector entities	3	39	3	32
- multilateral development banks	2	32	0	0
- international organisations	–	–	–	–
- institutions	40	498	23	282
- corporate	173	2,159	169	2,109
- retail	258	3,223	251	3,137
- secured by mortgages on immovable properties	229	2,863	231	2,887
- in default	9	114	9	119
- associated with particularly high risk	56	701	59	741
- covered bonds	–	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	221	2,760	209	2,617
- other items	46	579	48	596
Credit Value Adjustment Risk	144	1,798	140	1,751
Market risk	358	4,474	522	6,534
- trading book, Internal Approach	236	2,942	239	2,990
- trading book, Standardised Approach	74	928	96	1,209
- banking book, Standardised Approach	48	604	187	2,335
Operational risk	1,350	16,873	1,363	17,031
Standardised	1,350	16,873	1,363	17,031
Additional risk exposure amount, Article 3 CRR	200	2,500	80	1,000
Sub total	10,653	133,157	11,463	143,294
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	6,612	82,655	6,283	78,533
Total	17,265	215,812	17,746	221,827

G38. Capital adequacy, cont.

Leverage ratio

	31 Dec 2016	31 Dec 2015
Tier 1 capital, transitional definition, EURm[1]	27,555	26,516
Leverage ratio exposure, EURm	555,688	576,317
Leverage ratio, percentage	5.0	4.6

1) Including profit for the period.

Capital requirements for market risk

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	884	71	780	62	–	–	1,664	133
Equity risk	239	19	120	10	–	–	359	29
Foreign exchange risk	266	22	–	–	604	48	870	70
Commodity risk	–	–	28	2	–	–	28	2
Settlement risk	–	–	0	0	–	–	0	0
Diversification effect	–557	–45	–	–	–	–	–557	–45
Stressed Value-at-Risk	950	76	–	–	–	–	950	76
Incremental Risk Measure	346	28	–	–	–	–	346	28
Comprehensive Risk Measure	814	65	–	–	–	–	814	65
Total	2,942	236	928	74	604	48	4,474	358

1) Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of Nordea's entities. Such approval has to be applied and authorised by the local FSA for internal subordinated loans as prescribed by Article 77 in the CRR.

Table A3–A5 include disclosure of capital instruments' main features in accordance with §6.4 in FFFS 2014:18 and using the template in Annex II in article 3 in Commission implementing regulation (EU) No 1423/2013. Template items are excluded if not applicable.

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons / dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

G38. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument								
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
	Regulatory treatment								
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/ (sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 162m	EUR 81m	EUR 943m	EUR 471m	EUR 234m	EUR 137m	EUR 519m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 162m	JPY 10,000m / EUR 81m	USD 1,000m / EUR 949m	USD 500m / EUR 474m	SEK 2,250m / EUR 236m	NOK 1,250m / EUR 138m	USD 550m / EUR 522m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	17 sep 04	04 mars 05	12 Oct 05	23 sep 14	23 sep 14	12 mars 15	12 mars 15	12 mars 15
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17 Sep 2009 In addition tax/ regulatory call 100 per cent of nominal amount	4 Mar 2035 In addition tax/ regulatory call 100 per cent of nominal amount	12 Oct 2035 In addition tax/ regulatory call 100 per cent of nominal amount	23 Sep 2019 In addition tax/ regulatory call 100 per cent of nominal amount	23 Sep 2024 In addition tax/ regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/ regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/ regulatory call 100 per cent of nominal amount	13 Sep 2021 In addition tax/ regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17 Mar and 17 Sep each year after first call date	4 Mar and 4 Sep each year after first call date	12 Apr and 12 Oct each year after first call date	23 Mar and 23 Sep each year after first call date	23 Mar and 23 Sep each year after first call date	2 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	2 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	13 Sep each year after first call date
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed

G38. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1, cont

Additional Tier 1 instrument									
18	Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per **annum, until first** call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed USD 3.84 per cent per **annum, until first** call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 5.50 per cent per annum, **until first call** date, thereafter **fixed 5-year mid** swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, **until first call** date, thereafter **fixed 5-year mid** swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, **until first call** date, thereafter **fixed 5-year mid** swap +3.244 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive **net profit of both** Issuer and Group	Fully discretionary, if a positive **net profit of both** Issuer and Group	Fully discretionary, if a positive **net profit of both** Issuer and Group	Fully discretionary, if a positive **net profit of both** Issuer and Group	Fully discretionary, if a positive **net profit of both** Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No
37	If yes, specify non-compliant features	**No specified** trigger level, dividend stopper	**No specified** trigger level, step-up, dividend stopper	**No specified** trigger level, step-up, dividend stopper	N/A	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

Tier 2 instruments							
1	Issuer	Nordea Bank Norge ASA	Nordea Bank Finland PLC	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB0001961928	N/A	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	XS0743689993
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Norwegian law	Governed by English law, except for the subordination provisions which are governed by Finnish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo, sub-consolidated & consolidated	Solo, sub-consolidated & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 190m	EUR 81m	EUR 645m (64.5 per cent of Nominal amount, <5 yrs to maturity)	EUR 635m (84.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 1030m (82.4 per cent of Nominal amount, <5 yrs to maturity)	EUR 750m
9	Nominal amount of instrument	USD 200m / EUR 190m	JPY 10,000m / EUR 81m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,186m	EUR 750m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.803 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	04 nov 86	22 aug 01	26 mars 10	29 sep 10	13 May 11	15 feb 12
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26 mars 20	29 mars 21	13 May 21	15 feb 22
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	18 Nov 1991 In addition tax call 100 per cent of nominal amount	26 Feb 2029 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	15 Feb 2017 In addition tax call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	18 May and 18 Nov each year after first call date	26 Feb and 26 Aug each year after first call date	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments							
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	**Unique identifier (eg** CUSIP, ISIN or Bloom-**berg identifier for** private placement)	US65557FAD87/ US65557HAD44	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type **(types to be specified** by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 942m	EUR 178m	EUR 240m	EUR 122m	EUR 744m	EUR 991m
9	Nominal amount of instrument	USD 1,000m / EUR 949m	SEK 1,700m / EUR 178m	SEK 2,300m / EUR 241m	JPY 15,000m / EUR 122m	EUR 750m	EUR 1,000m
9a	Issue price	99.364 per cent	100 per cent	100 per cent	100 per cent	99.434 per cent	99.391 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classi-**fication**	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability - amortised cost
11	Original date of issuance	21 sep 12	17 sep 15	17 sep 15	06 Oct 15	10 nov 15	07 Sep 16
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	21 sep 22	17 sep 25	17 sep 25	06 Oct 25	10 nov 25	07 Sep 26
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax/regulatory call 100 per cent of nominal amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10 Nov 2020 In addition tax/regulatory call 100 per cent of nominal amount	07 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	17 Mar, 17 Jun, 17 Sep and 17 Dec each year **after first call date**	17 Sep each year after **first call date**	N/A	10 Nov each year after **first call date**	7 Sep each year **after first call date**

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments							
Coupons/dividends							
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 6-month USD +0.1875 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +2.00 per cent per annum	4.50%	4.00%	4.88%	Fixed 4.625 per cent per annum (equivalent to Euro Swap Rate +3.15 per cent per annum) to call date, thereafter reset **fixed rate to Euro** Swap Rate +3.15 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend pusher	Partially discretionary Dividend pusher	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	Yes	No	No	No	No
37	If yes, specify non-compliant features	N/A	Step-up	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments							
Coupons/dividends							
17	Fixed or floating dividend / coupon	Fixed	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4.25%	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent **per annum, until first** call date, thereafter **fixed 5-year mid swap** +1.5 per cent per annum	1.16%	Fixed 1.875 per cent **per annum, until first** call date, thereafter **fixed 5-year mid swap** +1.7 per cent per annum	Fixed 1.00 per cent **per annum, until first** call date, thereafter **fixed 5-year mid swap** +1.25 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Specification of group undertakings 31 December 2016

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
Nordea Bank AB (publ)	Nordea Bank Finland Plc	100	Finland	Purchase method
Nordea Bank Finland Plc	Nordea Finance Finland Ltd	100	Finland	Purchase method
	Automatia Pankkiautomaatit Oy	33	Finland	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Finland	Purchase method
	Nordea Finance Estonia Ltd	100	Estonia	Purchase method
	Nordea Finance Latvia Ltd	100	Latvia	Purchase method
	Nordea Finance Lithuania Ltd	100	Lithuania	Purchase method
	Kiinteistö Oy Tampereen Kirkkokatu 7	100	Finland	Purchase method
Nordea Finance Estonia Ltd	ALD Automotive Eesti AS	25	Estonia	Equity method
Nordea Finance Latvia Ltd	ALD Automotive SIA	25	Latvia	Equity method
Nordea Finance Lithuania Ltd	UAB ALD Automotive	25	Lithuania	Equity method
Nordea Bank AB (publ)	Nordea Bank Norge ASA	100	Norway	Purchase method
Nordea Bank Norge ASA	Nordea Eiendomskreditt AS	100	Norway	Purchase method
	Nordea Finans Norge AS	100	Norway	Purchase method
	Eksportfinans ASA	23	Norway	Equity method
	Nordea Utvikling AS	100	Norway	Purchase method
Nordea Utvikling AS	Tomteutvikling Norge AS	100	Norway	Purchase method
Nordea Bank AB (publ)	Nordea Bank Danmark A/S	100	Denmark	Purchase method
Nordea Bank Danmark A/S	Nordea Finans Danmark A/S	100	Denmark	Purchase method
	Nordea Kredit Realkreditaktieselskab	100	Denmark	Purchase method
	LR-Realkredit A/S	39	Denmark	Equity method
	Fionia Asset Company A/S	100	Denmark	Purchase method
Nordea Finans Danmark A/S	BH Finance K/S	100	Denmark	Purchase method
	LB12 K/S	100	Denmark	Purchase method
	NAMIT 10 K/S	100	Denmark	Purchase method
	UL Transfer Aps	100	Denmark	Purchase method
	UL International ApS	100	Denmark	Purchase method
	DT Finance K/S	100	Denmark	Purchase method
	Tide Leasing 2012 K/S	100	Denmark	Purchase method
	BAAS 2012 K/S	100	Denmark	Purchase method
Fionia Asset Company A/S	Ejendomsselskabet Vestre Stationsvej 7, Odense A/S	100	Denmark	Purchase method
Nordea Bank AB (publ)	LLC Promyshlennaya Kompaniya Vestkon	100	Russia	Purchase method
LLC Promyshlennaya Kompaniya Vestkon / Nordea Bank AB (publ)	Join Stock Company Nordea Bank	100	Russia	Purchase method
Join Stock Company Nordea Bank	Nordea Leasing LLC	100	Russia	Purchase method
Nordea Bank AB (publ)	Nordea Hypotek AB (publ)	100	Sweden	Purchase method
	Nordea Finans Sverige AB (publ)	100	Sweden	Purchase method
	Nordea Investment Management AB	100	Sweden	Purchase method
	Bankomat AB	20	Sweden	Equity method
	Getswish AB	20	Sweden	Equity method
	Nordea Funds Ltd	100	Finland	Purchase method
	Nordea Mortgage Bank Plc	100	Finland	Purchase method

G38. Capital adequacy, cont.

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
	Nordea Ejendomsinvestering A/S	100	Denmark	Purchase method
	SIA Promano Lat	100	Latvia	Purchase method
	Promano LIT, UAB	100	Lithuania	Purchase method
	Promano Est Oü	100	Estonia	Purchase method
	SIA Realm	100	Latvia	Purchase method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	USA	Purchase method
	Nordea Investment Management AG	100	Germany	Purchase method
Nordea Ejendomsinvestering A/S	Nordea Ejendomsforvaltning A/S	100	Denmark	Purchase method
Nordea Finans Sweden, Finland, Norway and Denmark	NF Techfleet AB	20	Sweden	Equity method
Nordea Bank AB (publ) / Nordea Investment Management AB	**Nordea Bank S.A.**	100	Luxembourg	Purchase method
Nordea Bank S.A.	Nordea Investment Funds S.A.	100	Luxembourg	Purchase method
Nordea Investment Funds S.A.	Nordea Funds Service Germany Gmbh	100	Germany	Purchase method

G39. Classification of financial instruments

Assets

31 Dec 2016, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings / joint ventures	Assets held for sale	Total
Cash and balances with central banks	32,099	–	–	–	–	–	–	–	32,099
Loans to central banks	11,135	–	100	–	–	–	–	–	11,235
Loans to credit institutions	6,371	–	2,655	–	–	–	–	–	9,026
Loans to the public	241,341	–	23,712	52,636	–	–	–	–	317,689
Interest-bearing securities	–	3,095	34,842	17,469	–	32,295	–	–	87,701
Financial instruments pledged as collateral	–	–	5,108	–	–	–	–	–	5,108
Shares	–	–	1,904	19,620	–	–	–	–	21,524
Assets in pooled schemes and unit-linked investment contracts	–	–	–	22,963	–	–	139	–	23,102
Derivatives	–	–	67,438	–	2,521	–	–	–	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk	178	–	–	–	–	–	–	–	178
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	588	–	588
Intangible assets	–	–	–	–	–	–	3,792	–	3,792
Properties and equipment	–	–	–	–	–	–	566	–	566
Investment properties	–	–	–	–	–	–	3,119	–	3,119
Deferred tax assets	–	–	–	–	–	–	60	–	60
Current tax assets	–	–	–	–	–	–	288	–	288
Retirement benefit assets	–	–	–	–	–	–	306	–	306
Other assets	2,833	–	15,153	–	–	–	987	–	18,973
Prepaid expenses and accrued income	966	–	–	–	–	–	483	–	1,449
Assets held for sale	–	–	–	–	–	–	–	8,897	8,897
Total	**294,923**	**3,095**	**150,912**	**112,688**	**2,521**	**32,295**	**10,328**	**8,897**	**615,659**

Liabilities

31 Dec 2016, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
Deposits by credit institutions	8,145	53	–	29,938	–	–	38,136
Deposits and borrowings from the public	5,985	2,022	–	166,021	–	–	174,028
Deposits in pooled schemes and unit-linked investment contracts	–	23,580	–	–	–	–	23,580
Liabilities to policyholders	–	3,527	–	–	37,683	–	41,210
Debt securities in issue	6,340	48,849	–	136,561	–	–	191,750
Derivatives	66,995	–	1,641	–	–	–	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	2,466	–	–	2,466
Current tax liabilities	–	–	–	–	487	–	487
Other liabilities	17,721	–	–	4,678	2,014	–	24,413
Accrued expenses and prepaid income	–	–	–	290	1,468	–	1,758
Deferred tax liabilities	–	–	–	–	830	–	830
Provisions	–	–	–	–	306	–	306
Retirement benefit liabilities	–	–	–	–	302	–	302
Subordinated liabilities	–	–	–	10,459	–	–	10,459
Liabilities held for sale	–	–	–	–	–	4,888	4,888
Total	**105,186**	**78,031**	**1,641**	**350,413**	**43,090**	**4,888**	**583,249**

G39. Classification of financial instruments, cont.

Assets

31 Dec 2015, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings/ joint ventures	Total
Cash and balances with central banks	35,500	–	–	–	–	–	–	35,500
Loans to central banks	8,095	–	5,129	–	–	–	–	13,224
Loans to credit institutions	7,251	–	3,489	22	–	–	–	10,762
Loans to the public	251,876	–	36,999	52,045	–	–	–	340,920
Interest-bearing securities	61	2,708	34,870	14,780	–	34,116	–	86,535
Financial instruments pledged as collateral	–	–	8,341	–	–	–	–	8,341
Shares	–	–	4,917	17,356	–	–	–	22,273
Assets in pooled schemes and unit-linked investment contracts	210			20,113			111	20,434
Derivatives	–	–	77,594	–	3,147	–	–	80,741
Fair value changes of the hedged items in portfolio hedge of interest rate risk	151	–	–	–	–	–	–	151
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	515	515
Intangible assets	–	–	–	–	–	–	3,208	3,208
Properties and equipment	–	–	–	–	–	–	557	557
Investment properties	–	–	–	–	–	–	3,054	3,054
Deferred tax assets	–	–	–	–	–	–	76	76
Current tax assets	–	–	–	–	–	–	87	87
Retirement benefit assets	–	–	–	–	–	–	377	377
Other assets	2,686	–	–	14,696	–	–	1,205	18,587
Prepaid expenses and accrued income	968	–	–	–	–	–	558	1,526
Total	306,798	2,708	171,339	119,012	3,147	34,116	9,748	646,868

Liabilities

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits by credit institutions	17,534	1,086	–	25,589	–	44,209
Deposits and borrowings from the public	10,465	4,227	–	174,357	–	189,049
Deposits in pooled schemes and unit-linked investment contracts	–	21,077	–	11	–	21,088
Liabilities to policyholders	–	2,761	–	–	35,946	38,707
Debt securities in issue	6,885	46,229	–	148,823	–	201,937
Derivatives	77,887	–	1,618	–	–	79,505
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	2,594	–	2,594
Current tax liabilities	–	–	–	–	225	225
Other liabilities	8,824	11,141	–	3,641	2,139	25,745
Accrued expenses and prepaid income	–	–	–	341	1,464	1,805
Deferred tax liabilities	–	–	–	–	1,028	1,028
Provisions	–	–	–	–	415	415
Retirement benefit liabilities	–	–	–	–	329	329
Subordinated liabilities	–	–	–	9,200	–	9,200
Total	121,595	86,521	1,618	364,556	41,546	615,836

G39. Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2016	31 Dec 2015
Carrying amount	52,636	52,067
Maximum exposure to credit risk	52,636	52,067
Carrying amount of credit derivatives used to mitigate the credit risk	–	–

Financial assets and liabilities designated at fair value through profit or loss Changes in fair values of financial liabilities attributable to changes in credit risk

The financial liabilities designated at fair value through profit or loss exposed to changes in credit risk are issued bonds in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 48,849m (EUR 46,229m), the funding of the Markets operation, EUR 2,075m (EUR 16,454m) deposits linked to the investment return of separate assets, EUR 4,340m (EUR 4,293m) and investment contracts in Life, EUR 22,767m (EUR 19,545m). The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant. The value of the investment contracts in Life and assets linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

The fair value of bonds issued by Nordea Kredit Realkreditaktieselskab increased by EUR 119m (decreased EUR 100m) in 2016 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 574m (decrease EUR 691m). The method used to estimate the amount of changes in fair value attributable to changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds.

For the issued mortgage bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loans. The reason is that a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loan.

Changes in fair values of financial assets attributable to changes in credit risk

Lending designated at fair value through profit or loss exposed to changes in credit risk consist of lending in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 52,501m (EUR 51,713m) and lending in the Markets operation, EUR 135m (EUR 353m). The fair value of lending in Nordea Kredit Realkreditaktieselskab increased by EUR 24m (decreased EUR 19m) in 2016 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 148m (decrease EUR 171m). The method used to estimate the amount of change in the fair value attributable to changes in credit risk is similar to the incurred loss impairment model for amortised cost assets under IAS 39. The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant. Also instruments classified as "Other assets" and "Prepaid expenses and accrued income" are of such a short-term nature that the impact from changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

EURm	Carrying amount	Amount to be paid at maturity
2016		
Financial liabilities designated at fair value through profit or loss	78,031	76,699
2015		
Financial liabilities designated at fair value through profit or loss	86,521	85,776

Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. The amount disclosed to be paid at maturity has been set to the carrying amount.

G40. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2016		31 Dec 2015	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	32,099	32,099	35,500	35,500
Loans	338,128	337,442	365,057	366,401
Interest-bearing securities	87,701	87,892	86,535	86,750
Financial instruments pledged as collateral	5,108	5,108	8,341	8,341
Shares	21,524	21,524	22,273	22,273
Assets in pooled schemes and unit-linked investment contracts	22,963	22,963	20,323	20,323
Derivatives	69,959	69,959	80,741	80,741
Other assets	17,986	17,986	17,382	17,382
Prepaid expenses and accrued income	966	966	968	968
Total	**596,434**	**595,939**	**637,120**	**638,679**
Financial liabilities				
Deposits and debt instruments	416,839	417,528	446,989	446,874
Deposits in pooled schemes and unit-linked investment contracts	3,527	3,527	21,088	21,088
Liabilities to policyholders	23,580	23,580	2,761	2,761
Derivatives	68,636	68,636	79,505	79,505
Other liabilities	22,399	22,399	23,606	23,606
Accrued expenses and prepaid income	290	290	341	341
Total	**535,271**	**535,960**	**574,290**	**574,175**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" below.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2016, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	100	–	–	–	100
Loans to credit institutions	–	–	2,655	–	–	–	2,655
Loans to the public	–	–	76,348	–	–	–	76,348
Interest-bearing securities[2]	51,384	12,376	38,120	6,231	210	38	89,714
Shares	17,278	15,904	461	431	3,785	3,185	21,524
Assets in pooled schemes and unit-linked investment contracts	21,314	17,409	1,633	1,633	155	155	23,102
Derivatives	69	–	68,207	807	1,683	–	69,959
Investment properties	–	–	–	–	3,119	3,104	3,119
Other assets	–	–	15,153	83	–	–	15,153
Total	**90,045**	**45,689**	**202,677**	**9,185**	**8,952**	**6,482**	**301,674**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,198	996	–	–	8,198
Deposits and borrowings from the public	–	–	8,007	–	–	–	8,007
Deposits in pooled schemes and unit-linked investment contracts	–	–	23,580	19,240	–	–	23,580
Liabilities to policyholders	–	–	3,527	3,527	–	–	3,527
Debt securities in issue[3]	48,849	–	6,340	–	–	–	55,189
Derivatives[3]	95	8	67,258	805	1,283	–	68,636
Other liabilities	6,473	–	11,248	83	–	–	17,721
Total	**55,417**	**8**	**128,158**	**24,651**	**1,283**	**–**	**184,858**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

2) Of which EUR 5,108m relates to the balance sheet item Financial instruments pledged as collateral.

3) For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as Debt securities in issue and the embedded derivative as Derivatives. The total fair value of the structured bonds is EUR 6,371m, of which EUR 6,404m is categorised into Level 2 and a net negative fair value of EUR 33m into Level 3 in the fair value hierarchy.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2015, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	5,129	–	–	–	5,129
Loans to credit institutions	–	–	3,511	–	–	–	3,511
Loans to the public	–	–	89,044	–	–	–	89,044
Interest-bearing securities[2]	48,338	12,662	43,511	6,044	250	46	92,099
Shares[3]	16,268	12,189	1,159	856	4,854	4,187	22,281
Assets in pooled schemes and unit-linked investment contracts	18,531	14,892	1,558	1,558	135	135	20,224
Derivatives	211	–	78,875	32	1,655	–	80,741
Investment properties	–	–	–	–	3,054	2,974	3,054
Other assets	–	–	14,696	–	–	–	14,696
Total	83,348	39,743	237,483	8,490	9,948	7,342	330,779
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	18,620	1,361	–	–	18,620
Deposits and borrowings from the public	–	–	14,692	–	–	–	14,692
Deposits in pooled schemes and unit-linked investment contracts	–	–	21,077	16,784	–	–	21,077
Liabilities to policyholders	–	–	2,761	2,761	–	–	2,761
Debt securities in issue[4]	46,229	–	6,885	–	–	–	53,114
Derivatives[4]	242	–	77,739	153	1,524	–	79,505
Other liabilities	6,909	–	13,056	–	–	–	19,965
Total	53,380	–	154,830	21,059	1,524	–	209,734

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

2) Of which EUR 8,333m relates to the balance sheet item Financial instruments pledged as collateral.

3) Of which EUR 8m relates to the balance sheet item Financial instruments pledged as collateral.

4) For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as Debt securities in issue and the embedded derivative as Derivatives. The total fair value of the structured bonds is EUR 6,825m, of which EUR 6,881m is categorised into Level 2 and a net positive fair value of EUR 56m into Level 3 in the fair value hierarchy.

Determination of fair value for items measured at fair value on the balance sheet

Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input have a significant impact on the fair values, certain complex or structured financial instruments and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For most non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. Volatilities and

G40. Assets and liabilities at fair value, cont.

correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels is based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). Level 3 bonds are characterised by illiquidity.

For OTC derivatives valuation models are used for establishing fair value. For vanilla derivatives standard models such as Black-Scholes are used for valuation. For more exotic OTC derivatives, more complex valuation models are used. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model parameters are observable in active markets.

Valuations of Private Equity Funds (PEF) and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by Invest Europe (formerly known as EVCA). The Invest Europe guidelines are considered as best practice in the PEF industry. For US based funds, similar methods are applied.

Nordea furthermore holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices and thus categorised as Level 1 in the fair value hierarchy. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower. The credit risk adjustment is calculated based on an incurred loss model.

Fair value of financial assets and liabilities is generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value of the counterparty's credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, probabilities of defaults (PDs) and recovery rates are sourced from the CDS markets. For counterparties where this information is not directly available, PDs and recovery rates are estimated using a cross sectional approach where the illiquid counterparties are mapped to comparable liquid CDS names.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). When calculating FFVA, Nordea uses an estimated funding curve which reflects the market cost of funding.

Another important part of the portfolio adjustments serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

The fair value measurement of the investment properties takes into account a market participant's ability to generate economic benefits by using the investment properties in its highest and best use, i.e. taking into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The current use of the investment properties in Nordea is in accordance with the highest and best use. The valuation of the investment properties is carried out taking into account the purpose and the nature of the property by using the most appropriate valuation methods. The primary valuation approach is a discounted cash flow model using current cash flows, market interest rates and the current yield requirements.

Transfers between Level 1 and 2

During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 674m (EUR 1,129m) from Level 1 to Level 2 and EUR 191m (EUR 295m) from Level 2 to Level 1 of the fair value hierarchy. Nordea also transferred derivative assets of EUR 36m (EUR 96m) and derivative liabilities of EUR 44m (EUR 120m) from Level 2 to Level 1. Nordea has during previous year transferred shares of EUR 22m from Level 1 to Level 2.

The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have been actively traded during the year and reliable qouted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

G40. Assets and liabilities at fair value, cont.

Movements in Level 3

2016, EURm	1 Jan 2016	Reclassification	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Purchases/Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2016
Interest-bearing securities	250	–	1	–18	4	–5	–1	1	– 21	–1	210
- of which Life	45	–	–	–2	–	–3	–	–		–2	38
Shares	4,854	–	67	–52	2,799	–1,793	–80	541	–2,565	14	3,785
- of which Life	4,188	–	9	–54	2,703	–1,573	–78	541	–2,565	14	3,185
Assets in pooled schemes and unit-linked investment contracts	135	–	–	21	6	–7	–	–	–	–	155
- of which Life	135	–	–	21	6	–7	–	–	–	–	155
Derivatives (net)	131	–	32	133	–	–	–32	8	127	1	400
Investment properties	3,054	–64	–	60	378	–350	–	–	1	40	3,119
- of which Life	2,974	–	–	60	365	–336	–	–	1	40	3,104

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer avaliable. Transfers between levels are considered to have occurred at the end of the year.

Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G5). Assets and liabilities related to derivatives are presented net.

2015, EURm	1 Jan 2015	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Purchases/Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2015
Interest-bearing securities	279	1	8	75	–111	–1	–	–2	1	250
- of which Life	53	–	–3	–	–6	–	–	–	1	45
Shares	5,418	307	65	4,468	–5,021	–58	29	–333	–21	4,854
- of which Life	4,446	281	52	4,377	–4,897	–55	3	–	–19	4,188
Assets in pooled schemes and unit-linked investment contracts	133	–	2	–	–	–	–	–	–	135
- of which Life	133	–	2							135
Derivatives (net)	–160	37	–18	–1	–	–37	443	–133	0	131
Investment properties	3,134	–1	9	222	–263	–	–	–	–47	3,054
- of which Life	3,034	–	9	215	–237	–	–	–	–47	2,974

The valuation processes for fair value measurements

Financial instruments

Nordea has an independent valuation control unit, Group Valuation Control (GVC), which forms part of the CRO organisation. GVC has the responsibility of overseeing and independently assessing valuations of financial instruments held at fair value on Nordea´s balance sheet. Nordea also has a Group Valuation Committee (GVaC), which is chaired by the Group CFO with the Head of GVC and senior representatives from the business areas and other group functions as committee members. GVaC is responsible for setting the group valuation policy, governing valuation matters and serves as escalation point for valuation issues.

The valuation control process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by independent control units. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by using independently sourced data that best reflects the market. Finally the results of valuation testing and valuations are analysed and any findings are escalated with the Group Valuation Committee as decision making body.

The verification of the correctness of prices and other parameters is for most products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality

G40. Assets and liabilities at fair value, cont.

assessment is used in the measurement of the valuation uncertainty.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which are in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC report quarterly to the Nordea Group Valuation Committee.

Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity **depends on the financial buffers and the profit sharing agreements** in the actual unit that owns the property.

G40. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2016, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	171	–	Discounted cash flows	Credit spread	–2/2
Corporates	39	38	Discounted cash flows	Credit spread	–2/2
Total	210	38			–4/4
Shares					
Private equity funds	1,955	1,729	Net asset value[3]		–230/230
Hedge funds	390	311	Net asset value[3]		–32/32
Credit Funds	1,224	1,047	Net asset value/market consensus[3]		–77/77
Other funds	99	64	Net asset value/fund prices[3]		–13/13
Other[4]	133	50	–		–11/11
Total	3,801	3,201			–363/363
Derivatives					
Interest rate derivatives	332	–	Option model	Correlations	–20/17
				Volatilities	
Equity derivatives	74	–	Option model	Correlations	–18/11
				Volatilities	
				Dividend	
Foreign exchange derivatives	–6	–	Option model	Correlations	+/–0
				Volatilities	
Credit derivatives	–32	–	Credit derivative model	Correlations	–13/10
				Recovery rates	
				Volatilities	
Other	32	–	Option model	Correlations	+/–0
				Volatilities	
Total	400				–51/38

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Less than 15% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 36% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 16m related to assets in pooled schemes and unit-linked investment.

The table above shows, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

The column "range of fair value" in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments only the net impact is disclosed in the table. The ranges disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a total range of 2–10 percentage units depending of the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

G40. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2015, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	205	–	Discounted cash flows	Credit spread	–5/5
Corporates	45	45	Discounted cash flows	Credit spread	–3/3
Total	250	45			–8/8
Shares					
Private equity funds	1,965	1,781	Net asset value[3]		–218/232
Hedge funds	450	274	Net asset value[3]		–29/35
Credit Funds	423	237	Net asset value/market consensus[3]		–23/28
Other funds	1,880	1,868	Net asset value/fund prices[3]		–223/224
Other[4]	160	52	–		–11/11
Total	4,878	4,212			–504/530
Derivatives					
Interest rate derivatives	180	–	Option model	Correlations	–26/19
				Volatilities	
Equity derivatives	–24	–	Option model	Correlations	–26/19
				Volatilities	
				Dividend	
Foreign exchange derivatives	–35	–	Option model	Correlations	+/–0
				Volatilities	
Credit derivatives	–18	–	Credit derivative model	Correlations	–8/6
				Recovery rates	
Other	28	–	Option model	Correlations	+/–0
				Volatilities	
Total	131	–			–60/44

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to 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 issued by Invest Europe (formerly known as EVCA). Less than 15% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 0% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 24m related to assets in pooled schemes and unit-linked investment.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2016, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,761	1,751	Discounted cash flows	Market rent		
				Commercial	75–320 EUR/m²	179 EUR/m²
				Office	32–332 EUR/m²	111 EUR/m²
				Apartment	88–250 EUR/m²	174 EUR/m²
				Yield requirement		
				Commercial	4.9% – 9.5%	7.5%
				Office	3.9% – 9.3%	6.0%
				Apartment	3.5% – 6.0%	4.2%
Norway	568	567	Discounted cash flows	Market rent		
				Commercial	47–294 EUR/m²	163 EUR/m²
				Office	156–792 EUR/m²	293 EUR/m²
				Apartment	187 EUR/m²	187 EUR/m²
				Other	29–190 EUR/m²	122 EUR/m²
				Yield requirement		
				Commercial	5.6% – 6.0%	5.8%
				Office	4.0% – 7.5%	5.3%
				Apartment	4.6% – 4.6%	4.6%
				Other	5.3% – 8.5%	7.3%
Finland[3]	725	725	Discounted cash flows[2]	Market rent		
				Commercial	136–324 EUR/m²	210 EUR/m²
				Office	126–300 EUR/m²	187 EUR/m²
				Apartment	182–300 EUR/m²	240 EUR/m²
				Other	94–117 EUR/m²	97 EUR/m²
				Yield requirement		
				Commercial	4.8% – 6.9%	5.8%
				Office	4.8% – 8.0%	6.4%
				Apartment	3.5% – 5.0%	4.3%
				Other	6.2% – 8.0%	7.1%
Sweden	200	200	Discounted cash flows[2]	Market rent		
				Commercial	112–190 EUR/m²	157 EUR/m²
				Office	237 EUR/m²	237 EUR/m²
				Apartment	144–169 EUR/m²	151 EUR/m²
				Other	69 EUR/m²	69 EUR/m²
				Yield requirement		
				Commercial	5.7% – 6.8%	6.0%
				Office	4.9% – 5.0%	4.9%
				Apartment	3.2% – 4.0%	3.5%
				Other	7.0% – 7.3%	7.1%
Other	4	–	Discounted cash flows	–	–	–
Total	3,258	3,243				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 139m related to investment properties in pooled schemes and unit-linked investments in Life.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2015, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,688	1,679	Discounted cash flows	Market rent		
				Commercial	25–312 EUR/m²	159 EUR/m²
				Office	34–324 EUR/m²	110 EUR/m²
				Apartment	65–245 EUR/m²	151 EUR/m²
				Yield requirement		
				Commercial	6.4% – 9.5%	7.5%
				Office	4.3% – 9.5%	6.1%
				Apartment	3.5% – 6.0%	3.9%
Norway	695	689	Discounted cash flows	Market rent		
				Commercial	82–234 EUR/m²	170 EUR/m²
				Office	114–746 EUR/m²	205 EUR/m²
				Apartment	151–151 EUR/m²	151 EUR/m²
				Other	66–86 EUR/m²	67 EUR/m²
				Yield requirement		
				Commercial	5.0% – 6.5%	5.5%
				Office	4.3% – 7.8%	5.5%
				Apartment	5.6% – 5.6%	5.6%
				Other	5.5% – 8.5%	7.9%
Finland[3]	564	563	Discounted cash flows[2]	Market rent		
				Commercial	104–327 EUR/m²	177 EUR/m²
				Office	125–306 EUR/m²	187 EUR/m²
				Apartment	186–237 EUR/m²	210 EUR/m²
				Other	89–127 EUR/m²	97 EUR/m²
				Yield requirement		
				Commercial	4.8% – 6.8%	5.8%
				Office	4.8% – 8.0%	6.4%
				Apartment	4.0% – 6.0%	5.0%
				Other	6.5% – 9.0%	7.8%
Sweden	154	154	Discounted cash flows[2]	Market rent		
				Commercial	117–195 EUR/m²	146 EUR/m²
				Apartment	149–176 EUR/m²	156 EUR/m²
				Other	65–66 EUR/m²	65 EUR/m²
				Yield requirement		
				Commercial	5.8% – 6.8%	6.3%
				Apartment	3.5% – 4.4%	3.7%
				Other	7.0% – 7.8%	7.4%
Other	64	–	Discounted cash flows	–	–	–
Total	3,165	3,085				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 111m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

G40. Assets and liabilities at fair value, cont.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see, Note G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

Deferred day 1 profit – derivatives, net

EURm	2016	2015
Amount at beginning of year	34	36
Deferred profit/loss on new transactions	19	9
Recognised in the income statement during the year[1]	–30	–11
Amount at end of year	23	34

1) Of which EUR –14m (EUR 0m) due to transfers of derivatives from Level 3 to Level 2.

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2016		31 Dec 2015		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	32,099	32,099	35,500	35,500	3
Loans[1]	259,025	258,339	267,571	268,915	3
Interest-bearing securities	3,095	3,286	2,769	2,984	1,2,3
Other assets[2]	2,833	2,833	2,698	2,698	3
Prepaid expenses and accrued income	966	966	968	968	3
Total	298,018	297,523	309,506	311,065	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	345,445	346,134	360,563	360,448	3
Other liabilities[3]	4,678	4,678	3,652	3,652	3
Accrued expenses and prepaid income	290	290	341	341	3
Total	350,413	351,102	364,556	364,441	

1) Of which EUR 198m related to loans in pooled schemes and unit-linked investments 31 December 2015.
2) Of which EUR 12m related to other assets in pooled schemes and unit-linked investments 31 December 2015.
3) Of which EUR 11m related to other liabilities in pooled schemes and unit-linked investments 31 December 2015.

Cash and balances with central banks

The fair value of "Cash and balances with central banks" is, due to its short term nature, assumed to equal the carrying amount and is thus categorised into Level 3 in the fair value hierarchy.

Loans

The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Commercial & Business Banking and Wholesale Banking respectively.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest-bearing securities

The fair value is EUR 3,286m (EUR 2,984m), of which EUR 0m (EUR 2m) is categorised in Level 1 and EUR 3,286m (EUR 2,922m) in Level 2 and EUR 0m (EUR 60m) in Level 3. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income

The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments

The fair value of "Deposits by credit institutions", "Deposits and borrowings from the public", "Debt securities in issue"

G40. Assets and liabilities at fair value, cont.

and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income

The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

G41. Financial instruments set off on balance or subject to netting agreements

31 Dec 2016, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	242,279	–172,626	69,653	–49,528	–	–7,547	12,578
Reverse repurchase agreements	31,772	–9,991	21,781	–	–21,781	–	0
Securities borrowing agreements	4,547	–	4,547	–	–4,547	–	0
Total	278,598	–182,617	95,981	–49,528	–26,328	–7,547	12,578

31 Dec 2016, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	239,120	–172,626	66,494	–49,528	–	–8,031	8,935
Repurchase agreements	21,838	–9,991	11,847	–	–11,847	–	0
Securities lending agreements	2,245	–	2,245	–	–2,245	–	0
Total	263,203	–182,617	80,586	–49,528	–14,092	–8,031	8,935

1) All amounts are measured at fair value.

2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

31 Dec 2015, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	207,514	–127,812	79,702	–60,192	–	–9,828	9,682
Reverse repurchase agreements	60,734	–9,888	50,846	–16,491	–34,162	–	193
Securities borrowing agreements	4,765	–	4,765	–	–4,765	–	0
Total	273,013	–137,700	135,313	–76,683	–38,927	–9,828	9,875

31 Dec 2015, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	205,970	–127,812	78,158	–60,192	–	–10,991	6,975
Repurchase agreements	46,372	–9,888	36,484	–16,491	–19,956	–	37
Securities lending agreements	1,402	–	1,402	–	–1,402	–	0
Total	253,744	–137,700	116,044	–76,683	–21,358	–10,991	7,012

1) All amounts are measured at fair value.

2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

G41. Financial instruments set off on balance or subject to netting agreements, cont.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea would be allowed to benefit from netting in the case of default by its counter parties, in any calculations involving counterparty credit risk.

For a description of counterparty risk see section Risk, Liquidity and Capital management, in the Board of Directors' report.

G42. Disposal groups held for sale

Balance sheet - Condensed[1]

EURm	2016
Assets	
Loans to credit institutions	34
Loans to the public	8,556
Other assets	307
Total assets held for sale	**8,897**
Liabilities	
Deposits by credit institutions	22
Deposits and borrowings from the public	4,776
Other liabilities	90
Total liabilities held for sale	**4,888**

1) Includes the external assets and liabilities held for sale. The external funding of the Baltic operations that will remain subsequent to the transaction is not included.

Assets and liabilities held for sale relate to Nordea's earlier announced decision to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities will be derecognised in Nordea's balance sheet, and an investment in an associated company will be recognised, at closing. The transaction is expected to be completed around Q2 2017 and is subject to regulatory approvals. The disposal group is included in the segment "Personal Banking" in Note 2 "Segment reporting". Assets held for sale also includes Nordea's lending to retail customers in Russia, carrying amount EUR 228m. The lending portfolio has been sold and derecognised in 2017.

G43. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreemement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions result in that securities are returned to Nordea, all risks and rewards of the instruments transferred are retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterparts in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

EURm	31 Dec 2016	31 Dec 2015
Repurchase agreements		
Interest-bearing securities	5,108	8,333
Securities lending agreements		
Shares	–	8
Total	**5,108**	**8,341**

Liabilities associated with the assets

EURm	31 Dec 2016	31 Dec 2015
Repurchase agreements		
Deposits by credit institutions	2,475	6,288
Deposits and borrowings from the public	2,491	1,921
Securities lending agreements		
Deposits by credit institutions	–	8
Total	**4,966**	**8,217**
Net	**142**	**124**

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2016	31 Dec 2015
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	30,002	38,819
- of which repledged or sold	16,129	19,447
Securities borrowing agreements		
Received collaterals which can be repledged or sold	4,552	4,869
- of which repledged or sold	47	152
Total	**34,554**	**43,688**

G44. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2016 Expected to be recovered or settled:			31 Dec 2015 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		32,099	–	32,099	35,500	–	35,500
Loans to central banks	G13	11,235	–	11,235	13,224	–	13,224
Loans to credit institutions	G13	4,236	4,790	9,026	9,559	1,203	10,762
Loans to the public	G13	71,245	246,444	317,689	111,672	229,248	340,920
Interest-bearing securities	G14	19,131	68,570	87,701	22,243	64,292	86,535
Financial instruments pledged as collateral	G15	1,194	3,914	5,108	1,539	6,802	8,341
Shares	G16	1,410	20,114	21,524	2,624	19,649	22,273
Assets in pooled schemes and unit-linked investment contracts	G17	7,775	15,327	23,102	2,285	18,149	20,434
Derivatives	G18	12,764	57,195	69,959	12,527	68,214	80,741
Fair value changes of the hedged items in portfolio hedge of interest rate risk		31	147	178	10	141	151
Investments in associated undertakings and joint ventures	G19	0	588	588	2	513	515
Intangible assets	G20	102	3,690	3,792	93	3,115	3,208
Properties and equipment		6	560	566	20	537	557
Investment properties	G22	3	3,116	3,119	3	3,051	3,054
Deferred tax assets	G11	30	30	60	41	35	76
Current tax assets		288	–	288	87	–	87
Retirement benefit assets	G32	2	304	306	74	303	377
Other assets	G23	18,914	59	18,973	18,569	18	18,587
Prepaid expenses and accrued income	G24	1,098	351	1,449	1,164	362	1,526
Assets held for sale	G42	8,897	–	8,897	–	–	–
Total assets		190,460	425,199	615,659	231,236	415,632	646,868
Deposits by credit institutions	G25	35,750	2,386	38,136	41,800	2,409	44,209
Deposits and borrowings from the public	G26	169,982	4,046	174,028	182,423	6,626	189,049
Deposits in pooled schemes and unit-linked investment contracts	G17	9,327	14,253	23,580	6,475	14,613	21,088
Liabilities to policyholders	G27	2,274	38,936	41,210	1,915	36,792	38,707
Debt securities in issue	G28	64,406	127,344	191,750	72,977	128,960	201,937
Derivatives	G18	14,243	54,393	68,636	13,724	65,781	79,505
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,168	1,298	2,466	521	2,073	2,594
Current tax liabilities		487	–	487	225	0	225
Other liabilities	G29	24,271	142	24,413	25,646	99	25,745
Accrued expenses and prepaid income	G30	1,718	40	1,758	1,769	36	1,805
Deferred tax liabilities	G11	75	755	830	83	945	1,028
Provisions	G31	209	97	306	305	110	415
Retirement benefit liabilities	G32	5	297	302	3	326	329
Subordinated liabilities	G33	1,590	8,869	10,459	642	8,558	9,200
Liabilities held for sale	G42	4,888	–	4,888	–	–	–
Total liabilities		330,393	252,856	583,249	348,508	267,328	615,836

G44. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2016, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	53,094	76,815	43,924	159,816	240,561	574,210
Non interest-bearing financial assets	–	–	–	–	74,321	74,321
Non-financial assets	–	–	–	–	10,328	10,328
Total assets	53,094	76,815	43,924	159,816	325,210	658,859
Interest-bearing financial liabilities	150,378	94,422	48,371	106,640	48,356	448,167
Non interest-bearing financial liabilities	–	–	–	–	127,851	127,851
Non-financial liabilities and equity	–	–	–	–	75,500	75,500
Total liabilities and equity	150,378	94,422	48,371	106,640	251,707	651,518
Derivatives, cash inflow	–	576,857	155,966	229,126	29,417	991,366
Derivatives, cash outflow	–	574,442	158,633	229,672	28,899	991,646
Net exposure	–	2,415	–2,667	–546	518	–280
Exposure	–97,284	–15,192	–7,114	52,630	74,021	7,061
Cumulative exposure	–97,284	–112,476	–119,590	–66,960	7,061	–

31 Dec 2015, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	52,162	96,460	50,330	153,919	244,812	597,683
Non interest-bearing financial assets	–	–	–	–	67,601	67,601
Non-financial assets	–	–	–	–	9,748	9,748
Total assets	52,162	96,460	50,330	153,919	322,161	675,032
Interest-bearing financial liabilities	148,270	120,280	56,979	105,474	49,556	480,559
Non interest-bearing financial liabilities	–	–	–	–	46,097	46,097
Non-financial liabilities and equity	–	–	–	–	72,578	72,578
Total liabilities and equity	148,270	120,280	56,979	105,474	168,231	599,234
Derivatives, cash inflow	–	526,203	115,018	57,379	14,915	713,515
Derivatives, cash outflow	–	526,114	115,240	61,418	14,387	717,159
Net exposure	–	89	–222	–4,039	528	–3,644
Exposure	–96,108	–23,731	–6,871	44,406	154,458	72,154
Cumulative exposure	–96,108	–119,839	–126,710	–82,304	72,154	–

The table is based on contractual maturities for the balance sheet items. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the instruments on the balance sheet items, Nordea has credit commitments amounting to EUR 78,005m (EUR 74,679m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 21,034m (EUR 20,656m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

G45. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

EURm	Associated undertakings and joint ventures 31 Dec 2016	Associated undertakings and joint ventures 31 Dec 2015	Other related parties[1] 31 Dec 2016	Other related parties[1] 31 Dec 2015
Assets				
Loans	438	546	–	–
Interest-bearing securities	24	73	–	–
Derivatives	46	76	–	–
Investments in associated undertakings	588	515	–	–
Total assets	**1,096**	**1,210**	**–**	**–**
Liabilities				
Deposits	65	69	36	74
Derivatives	26	118	–	–
Total liabilities	**91**	**187**	**36**	**74**
Off balance[2]	**3,428**	**5,307**	**–**	**–**

EURm	Associated undertakings and joint ventures 2016	Associated undertakings and joint ventures 2015	Other related parties[1] 2016	Other related parties[1] 2015
Net interest income	1	5	–	–
Net fee and commission income	3	4	–	–
Net result from items at fair value	51	246	–	–
Profit before loan losses	**55**	**255**	**–**	**–**

1) Shareholders with significant influence and close family members to key management personell in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risk-taking, the transactions are not included in the table. Nordea has thus not disclosed any transactions with shareholders with significant influence.

2) Including nominal values on derivatives.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the negative fair value of the contract as of the balance sheet date amounts to approx. EUR 22m. The agreement's expiring date corresponds with the maturity dates of the bonds included in the guarantee. The latest maturity is on 31 December 2023.

G46. Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2016, which is available on www.nordea.com. Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report. The Pillar III report contains the disclosures required by the Capital Requirements Regulation (CRR). The Pillar III disclosure is aligned to how Nordea manages credit risk and is believed to be the best way to explain the credit risk exposures in Nordea. Assets held for sale are thus included in the figures in this note.

Credit risk exposures occur in different forms and are divided into the following types:

Exposure types

EURm	31 Dec 2016[1]	31 Dec 2015[2]
On-balance sheet items	411,692	414,675
Off-balance sheet items	53,849	50,746
Securities financing	4,388	5,699
Derivatives	29,240	26,757
Exposure At Default (EAD)	**499,169**	**497,877**

1) Securitisation positions to an exposure amount of EUR 9,676m for 31 Dec 2016 are included in the table.

2) The restatement of the off-balance sheet commitments in the accounting as of 31 December 2015 has not been reflected in the EAD.

Tables presented in this note, containing exposure, are presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

Link between credit risk exposure and the balance sheet

This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRR. The main differences are outlined in this section to illustrate the link between the different reporting methods. Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs), for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure, unless otherwise stated. In accordance with the CRR, credit risk exposure presented in this note is divided between exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

G46. Credit risk disclosures, cont.

The table below shows the link between the CRR credit risk exposure and items presented in the Annual Report.

On-balance sheet items

The following items have been excluded from the balance sheet, when calculating on-balance exposure in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances and intangible assets.

Off-balance sheet items

The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Assets pledged as security for own liabilities" and "Other assets pledged" (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives

Derivatives and securities financing

The fair values of derivatives are recognised on the balance sheet, while nominal amounts on derivatives are reported off-balance in accordance with accounting standards. However, in the CRR, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRR calculations these exposure types are determined net of the collateral.

On-balance sheet items[1]

EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items excluded from CRR scope of consolidation[4]	Other	Balance sheet
31 Dec 2016						
Cash and balances with central banks	32,192	–	–	–93	–	32,099
Loans to credit institutions and central banks	17,178	0	2,755	343	–16	20,260
Loans to the public	303,662	0	26,590	–13,031	468	317,689
Interest-bearing securities and pledged instruments	54,156	17,345	–	21,308	–	92,809
Derivatives[2]	–	–	71,147	–1,188	–	69,959
Intangible assets	0	–	–	357	3,435	3,792
Other assets and prepaid expenses	5,440	23,375	–	49,428	808	79,051
Total assets	412,628	40,720	100,492	57,124	4,695	615,659
Exposure at default[3]	411,692					
31 Dec 2015						
Cash and balances with central banks	35,500	–	–	–	–	35,500
Loans to credit institutions and central banks	14,409	–	8,618	961	–2	23,986
Loans to the public	304,896	–	39,527	–4,386	883	340,920
Interest-bearing securities and pledged instruments	56,629	18,483	–	19,764	–	94,876
Derivatives[2]	–	–	82,781	–2,040	–	80,741
Intangible assets	–	–	–	342	2,866	3,208
Other assets and prepaid expenses	4,283	26,549	–	36,384	421	67,637
Total assets	415,717	45,032	130,926	51,025	4,168	646,868
Exposure at default[3]	414,675					

1) Securitisation positions to an original exposure amount of 6,907 EURm and an exposure of amount of EUR 6,907m are included in the table.
2) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.
3) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.
4) Assets held for sale are disclosed separately as "Other assets and prepaid expenses" on the balance sheet, but included line by line in the original exposure column and explains the negative amounts in the column "Items excluded from CRR scope of consolidation"

G46. Credit risk disclosures, cont.

Off-balance sheet items[1]

31 Dec 2016, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	23,051	38	–	23,089
Commitments	78,270	1,164	–	79,434
Total	101,321	1,202	–	102,523

31 Dec 2016, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	48,900	1,277	50,177	53%	26,365
Checking accounts	16,204	3,913	20,117	54%	10,883
Loan commitments	13,089	2,507	15,596	47%	7,291
Guarantees	21,566	–	21,566	41%	8,778
Other	1,563	14	1,577	34%	532
Total	101,322	7,711	109,033		53,849

1) Securitisation positions to an original exposure amount of EUR 2,769m and an exposure amount of EUR 1,493m are included in the table.

31 Dec 2015, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off-balance sheet
Contingent liabilities	22,541	28	–	22,569
Commitments	73,673	990	–	74,663
Total	96,214	1,018	–	97,232

31 Dec 2015, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	50,637	1,422	52,059	48%	24,760
Checking accounts	16,800	4,205	21,005	51%	10,786
Loan commitments	6,194	7,827	14,021	41%	5,692
Guarantees	21,012	–	21,012	44%	8,939
Other	1,571	27	1,598	36%	569
Total	96,214	13,481	109,695		50,746

Exposure classes split by exposure type

At year-end, 79% of the total credit risk original exposure was calculated using the IRB approach. The total IRB exposures consists mainly of corporate and retail exposures. Main drivers of change during 2016 were a decrease in the IRB corpo rate exposure class seen among all exposure types except for derivatives as well as a decrease in the IRB institutions portfolio. The decrease was partially offset by the IRB retail portfolio which increased EUR 3.9bn and EUR 2.9bn in on and off balance exposures respectively over the year.

G46. Credit risk disclosures, cont.

31 Dec 2016, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,537	898	810	4,967	85,212
Institutions	30,766	962	2,014	10,272	44,014
Corporate	115,663	34,914	1,275	13,492	165,344
Retail[1]	171,122	15,368	2	198	186,690
Securitisation	6,907	1,493	–	–	8,400
Other	8,697	214	287	311	9,509
Total exposure	411,692	53,849	4,388	29,240	499,169

31 Dec 2015, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	76,620	1,074	713	4,418	82,825
Institutions	35,462	1,086	3,335	8,548	48,431
Corporate	126,266	34,021	1,111	13,416	174,814
Retail[1]	167,086	14,367	1	89	181,543
Other	9,241	198	539	286	10,264
Total exposure	414,675	50,746	5,699	26,757	497,877

1) Includes exposures secured by real estates.

Exposure split by geography and exposure classes

31 Dec 2016, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	41,183	15,196	10,588	4,165	11,234	276	157	35,292	8,304	85,212
Institutions	26,855	11,693	133	5,008	10,021	8	245	685	16,221	44,014
Corporate	130,745	40,484	27,621	29,104	33,536	5,407	2,340	2,301	24,551	165,344
Retail[1]	180,536	52,401	40,129	31,530	56,476	3,476	240	4	2,434	186,690
Other	5,352	1,049	1,355	1,015	1,933	176	90	145	3,746	9,509
Total exposure[2]	384,671	120,823	79,826	70,822	113,200	9,343	3,072	38,427	55,256	490,769

31 Dec 2015, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	39,469	11,708	12,014	2,978	12,769	327	234	33,961	8,834	82,825
Institutions	29,311	15,229	546	4,634	8,902	6	156	2,022	16,936	48,431
Corporate	139,110	43,823	27,073	29,222	38,992	5,368	4,271	2,381	23,684	174,814
Retail[1]	175,519	51,961	39,886	28,313	55,359	3,315	263	5	2,441	181,543
Other	5,925	1,142	1,405	942	2,436	185	113	200	3,841	10,264
Total exposure	389,334	123,863	80,924	66,089	118,458	9,201	5,037	38,569	55,736	497,877

1) Includes exposures secured by real estates.
2) Securitisation positions to an exposure amount of EUR 8,400m for 31 Dec 2016 are not included in the table.

Exposure split by industry group

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (statistical classification codes of economic activities in the European community). The corporate portfolio is well diversified between industry groups. The real estate management and investment is the industry group which has the largest share of total corporate exposures. Together with the second largest corporate exposure industry group - other financial institutions – they account for 38% of total IRB corporate exposure. The retail portfolio consists mainly of residential mortgages classified under other, public and organisations industry group, which accounts for 98% of total retail IRB exposure. Between 2015 and 2016, the corporate portfolio decreased the most within the other, public and organisations industry group (mainly corporate loan & facility agreement products) where the largest offsetting increase occurred in other financial institutions. In the IRB retail portfolio, the counterparties classified as other, public and organisations continue to comprise the main part of the retail exposure class and drives the total increase in IRB retail exposures. In the standardised approach, exposures increased in total mainly within the sovereign exposures. The increase mostly occurred in Other financial institutions and other, public and organisations industry group. The largest offsetting decrease compared to 2015 total figures occurred in the industry group other materials (chemical, building materials, etc.).

G46. Credit risk disclosures, cont.

Exposure split by industry sector

EURm	31 Dec 2016[1]	31 Dec 2015
Construction and engineering	6,399	5,673
Consumer durables (cars, appliances etc)	3,184	4,543
Consumer staples (food, agriculture etc)	12,271	13,685
Energy (oil, gas etc)	4,202	4,337
Health care and pharmaceuticals	1,623	2,010
Industrial capital goods	4,589	4,931
Industrial commercial services	14,342	16,154
IT software, hardware and services	1,811	1,856
Media and leisure	2,644	2,730
Metals and mining materials	1,160	1,081
Other financial institutions	65,060	67,167
Other materials (chemical, building materials etc)	6,303	8,213
Other, public and organisations	278,222	275,013
Paper and forest material	2,542	2,467
Real estate management and investment	45,534	46,619
Retail trade	12,788	13,045
Shipping and offshore	12,595	13,065
Telecommunication equipment	255	283
Telecommunication operators	1,727	1,642
Transportation	4,583	4,626
Utilities distribution and production	8,935	8,737
Total exposure	490,769	497,877

1) Securitisation positions to an exposure amount of EUR 8,400m for 31 Dec 2016 are not included in the table.

Exposure secured by collaterals, guarantees and credit derivatives

At the end of 2016, the share of total exposure secured by eligible collateral increased by 1% to 44% (43%). The corresponding figure for the IRB portfolio was 56% (53%). The increase is mainly driven by an increase in exposure secured by eligible collateral in the corporate and retail exposure classes. Approximately 3% (3%) of total exposure was secured by guarantees and credit derivatives.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2016, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	85,311	85,212	631	0
Institutions	45,816	44,014	121	403
Corporate	205,698	165,344	10,969	69,018
Retail[1]	198,957	186,690	1,859	148,278
Other	10,087	9,509	21	60
Total exposure[2]	545,869	490,769	13,601	217,759

31 Dec 2015, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	82,345	82,825	551	–
Institutions	50,375	48,431	144	608
Corporate	222,486	174,814	11,551	67,611
Retail[1]	191,986	181,543	2,054	143,507
Other	10,967	10,264	53	52
Total exposure[2]	558,159	497,877	14,353	211,778

1) Includes exposures secured by real estate.

2) Securitisation positions to an original exposure amount of EUR 9,676m and exposure amount of EUR 8,400m for 31 Dec 2016 are not included in the table.

G46. Credit risk disclosures, cont.

Collateral distribution

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate collateral had the major share with a stable 72% of total eligible collateral. Real estate collateral in general is not concentrated in any particular region within the Nordic and Baltic countries. The proportion of each collateral category on total eligible collateral remained relatively stable in 2016, with a slight decrease in other physical collateral.

	31 Dec 2016	31 Dec 2015
Financial Collateral	1.4%	1.3%
Receivables	1.0%	0.8%
Residential Real Estate	71.9%	71.8%
Commercial Real Estate	17.8%	17.4%
Other Physical Collateral	7.9%	8.7%
Total	100.0%	100.0%

Loan-to-value distribution

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV bucket based on the LTV ratio. In 2016, the collateral's coverage to retail mortgage exposures remained broadly stable. The percentage of exposure with a LTV ratio below 50% improved from 78.4% in 2015 to 79.5% in 2016. This is partially offset by a slight increase in exposures that have a LTV of greater than 80%. .

Retail mortgage exposure

	31 Dec 2016		31 Dec 2015	
	EURbn	%	EURbn	%
<50%	110.3	79	105.3	78
50–70%	20.8	15	21.4	16
70–80%	4.9	4	5.1	4
80–90%	1.9	1	1.7	1
>90%	0.9	1	0.8	1
Total	138.8	100	134.4	100

Collateralised Debt Obligations (CDO) – Exposure[1], including Nordea Life & Pensions

Nordea acts as an intermediary in the credit derivatives market, especially in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and synthetic CDOs. When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

Credit derivative transactions create counterparty credit risk in a similar manner to other derivative transactions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements.

	31 Dec 2016		31 Dec 2015	
Nominal, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	842	2,522	788	2,418
Hedged exposures	806	806	754	754
CDOs, net[2]	36[3]	1,716[4]	34[3]	1,664[4]
- of which Equity	3	293	3	509
- of which Mezzanine	15	767	10	626
- of which Senior	18	656	21	529

1) First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 7m (EUR 15m) and net sold protection to EUR 13m (EUR 64m). Both bought and sold protection are, to the predominant part, investment grade.
2) Net exposure disregards exposure where tranches are completely identical in terms of reference pool attachment, detachment, maturity and currency.
3) Of which investment grade EUR 0m (EUR 0m) and sub investment grade EUR 36m (EUR 34m).
4) Of which investment grade EUR 545m (EUR 604m) and sub investment grade EUR 938m (EUR 962m) and not rated EUR 233m (EUR 98m).

Forbearance

EURm	31 Dec 2016	31 Dec 2015
Forborne loans	6,063	5,568
- of which defaulted	2,696	2,466
Allowances for individually assessed impaired and forborne loans	887	1,050
- of which defaulted	887	1,050

Key ratios

%	31 Dec 2016	31 Dec 2015
Forberance ratio[1]	1.8%	1.5%
Forbearance coverage ratio[2]	15%	19%
- of which defaulted	33%	43%

1) Forborne loans / Loans before allowances.
2) Individual allowances / Forborne loans.

Assets taken over for protection of claims[1]

EURm	31 Dec 2016	31 Dec 2015
Current assets, carrying amount:		
Land and buildings	9	66
Shares and other participations	1	39
Other assets	3	2
Total	13	107

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

G46. Credit risk disclosures, cont.

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, not considered impaired, were at end of 2016 EUR 704m, down from EUR 962m one year ago, and past due loans for household customers increased to EUR 1,410m (EUR 1,620m).

	31 Dec 2016		31 Dec 2015	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	376	939	653	1,058
31–60 days	134	239	153	250
61–90 days	73	94	37	89
>90 days	121	138	118	223
Total	**704**	**1,410**	**961**	**1,620**
Past due not impaired loans divided by loans to the public after allowances, %	0.46	0.88	0.54	1.02

Loans to corporate customers, by size of loan

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 69% (66%) of the corporate volume represents loans up to EUR 50m per customer.

	31 Dec 2016		31 Dec 2015	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	68.3	45	74.8	42
10–50	37.3	24	42.0	24
50–100	19.9	13	20.1	11
100–250	17.7	12	23.4	13
250–500	4.7	3	8.3	5
500–	5.1	3	8.8	5
Total	**153.0**	**100**	**177.4**	**100**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note G14 "Interest-bearing securities" where the carrying amount of interest-bearing securities is split on different types of counterparties.

G47. Interests in structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It normally has restricted activities with a narrow and well defined objective. If Nordea controls such an entity, it is consolidated.

Consolidated structured entities

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities of maximum EUR 1,330m (EUR 1,330m) and at year-end EUR 861m (EUR 1,018m) where utilised. Total assets in the conduit were EUR 919m (EUR 1,072m) as per year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from that the payments are dependent on the pace in which Viking realises its assets.

Kalmar Structured Finance A/S was established to allow customers to invest instructured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby acquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 1m (EUR 1m) at year-end. Nordea holds CLNs issued by the SPE as part of offering a secondary market for the notes. The investment amounted to EUR 1m (EUR 1m) at year-end.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities of maximum EUR 125m (EUR 125m) and at year-end 2016 EUR 108m (EUR 117m) were utilised. The entity holds assets of EUR 110m (EUR 95m) as per year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest, but do not control, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interests in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products where Nordea invests in investment funds:

a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) to hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in value on investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor stands the investment risk are reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in value on investment funds held on behalf of other policyholders are to a large extent passed on to the policyholders, but as

G47. Interests in structured entities, cont.

Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value.

Investment funds acquired to hedge exposures in structured products reduce the exposures and, to the extent hedges are effective, Nordea is not exposed to changes in value. The maximum loss on these funds is estimated to EUR 5m (EUR 6m), net of hedges.

Investments in illiquid private equity and credit funds are an integrated part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated to EUR 429m (EUR 347m), equal to the investment in the funds.

Nordea's interests in unconsolidated structured entities and any related liability are disclosed in the table below.

EURm	31 Dec 2016	31 Dec 2015
Assets, carrying amount:		
Shares	16,952	15,669
Assets in pooled schemes and unit linked investment contracts	18,151	16,520
Total assets	**35,103**	**32,189**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit linked investment contracts	1,054	1,077
Liabilities to policyholders	33,682	30,333
Derivatives	198	109
Total liabilities	**34,934**	**31,519**
Off balance, nominal amount:		
Loan commitments	22	28

Nordea holds approximately 2,500 different funds which are classified as unconsolidated structured entities, of which approximately 400 are managed by Nordea. These have different investment mandates and risk appetites, ranging from low risk government bond funds to high risk leveraged equity funds. Total assets in funds managed by Nordea amount to EUR 157bn (EUR 132bn). All funds are financed by deposits from the holders of fund units. The total assets in investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and is thus not disclosed.

Nordea has not sponsored any unconsolidated structured entity in which Nordea do not currently have an interest.

G48. Country by country reporting

In accordance with the requirements under FFFS 2008:25, the table below presents for each country where Nordea is established, i.e. where Nordea has a physical presence, information about the businesses, the geografical area, average number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have physical presence in a country if Nordea has a subsidiary, associated undertaking or branch in that country. Nordea has not received any significant government subsidiaries.

			2016				2015			
Country	Business[1]	Geographical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, WB, AM, LP	Denmark	8,717	2,988	1,258	–265	8,288	2,602	914	–202
Finland	RB, WB, AM, LP	Finland	7,104	1,918	978	–178	6,946	2,605	1,535	–358
Sweden	RB, WB, AM, LP	Sweden	7,276	3,021	961	–182	6,957	2,893	773	–130
Norway	RB, WB, AM, LP	Norway	3,140	1,595	895	–96	3,137	1,584	835	–180
Russia	WB	Russia	829	158	85	–19	1,085	182	94	–22
Poland	Other	Poland	1,571	65	9	0	1,197	62	0	–2
Estonia	RB, WB, LP	Estonia	559	105	51	–9	480	90	60	–12
Latvia	RB, WB	Latvia	457	84	46	–7	436	76	28	–6
Luxembourg	AM, LP	Luxembourg	441	346	224	–65	393	313	211	–64
Lithuania	RB, WB, LP	Lithuania	378	55	26	–4	360	38	14	–2
United States	RB, WB, AM, LP	New York	120	145	83	–26	110	147	95	–31
United Kingdom	RB, WB, AM, LP	London	77	129	–3	–3	82	128	88	–17
Singapore	WB	Singapore	85	47	0	0	86	51	28	–5
Germany	WB, AM	Frankfurt	55	33	10	–6	58	33	24	–9
Switzerland	AM	Zürich	29	11	2	0	32	14	4	–1
China	WB	Shanghai	30	6	0	1	29	7	1	–1
Brazil	WB	Sao Paolo	5	2	0	0	5	2	0	0
Eliminations[3]			–	–781	–	–	–	–687	–	–
Total			**30,873**	**–9,927**	**4,625**	**–859**	**29,681**	**10,140**	**4,704**	**–1,042**

1) RB=Retail banking, WB=Wholesale banking, AM=Asset management, LP= Life and pension.

2) Total operating income presented in this table is split on countries based on where Nordea has a physical presence, i.e. where Nordea has a subsidiary, associated undertaking or branch, while total operating profit presented in Note G2 "Segment reporting" is split on countries based on the location of the customers' operations.

3) Eliminations of transactions consist mainly of intra-group IT-services.

In accordance with the requirements under FFFS 2008:25 Nordea also discloses the names of the subsidiaries, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in the table below, in the table "Specification of group undertakings 31 December 2016" in Note G38 "Capital adequacy" and in the last table in Note G19" Investments in associated undertakings and joint ventures".

Denmark
Nordea Liv & Pension, Livforsikringsselskab A/S
Nordea Investment Management AB, Denmark , filial af Nordea Investment Management AB, Sverige
Nordea Danmark, filial af Nordea Bank AB (publ), Sverige

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finnish Branch
Nordea Fund Management, filial af Nordea funds Oy, Finland
Nordea Bank AB (publ) Finnish Branch

Sweden
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Swedish Branch

Norway
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norwegian Branch
Nordea Funds, Norwegian Branch
Nordea Bank AB (publ), Norwegian Branch

Estonia
Nordea Bank AB Estonia Branch

Latvia
Nordea Bank AB Latvia Branch

Lithuania
Nordea Bank AB Lithuania Branch

Germany
Nordea Bank AB Frankfurt Branch

China
Nordea Bank AB Shanghai Branch

Poland
Nordea Bank AB Spólka Akcyjna Oddział w Połsce
Nordea Bank Danmark A/S Spólka Akcyjna Oddział w Połsce

Singapore
Nordea Bank Finland Plc, Singapore Branch
Nordea Bank S.A. , Singapore Branch

Switzerland
Nordea Bank S.A., Luxemburg Zwiegniederlassung Zürich

United Kingdom
Nordea Bank AB London Branch

United States
Nordea Bank Finland Plc, New York Branch

Financial statements, Parent company

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Income statement

EURm	Note	2016	2015
Operating income			
Interest income		1,403	1,607
Interest expense		–939	–1,096
Net interest income	P3	464	511
Fee and commission income		978	1,094
Fee and commission expense		–138	–208
Net fee and commission income	P4	840	886
Net result from items at fair value	P5	216	136
Dividends	P6	3,210	2,176
Other operating income	P7	712	833
Total operating income		5,442	4,542
Operating expenses			
General administrative expenses:			
Staff costs	P8	–1,113	–1,196
Other expenses	P9	–1,008	–851
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P22, P23	–172	–140
Total operating expenses		–2,293	–2,187
Profit before loan losses		3,149	2,355
Net loan losses	P11	–193	–143
Impairment of securities held as financial non-current assets	P19	–6	–9
Operating profit		2,950	2,203
Appropriations	P12	1	2
Income tax expense	P13	–51	–285
Net profit for the year		2,900	1,920

Statement of comprehensive income

EURm	2016	2015
Net profit for the year	**2,900**	**1,920**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–7	–4
Available for sale investments[1]:		
Valuation gains/losses during the year	45	–55
Tax on valuation gains/losses during the year	–10	12
Transferred to the income statement during the year	–4	–4
Tax on transfers to the income statement during the year	1	1
Cash flow hedges:		
Valuation gains/losses during the year	103	181
Tax on valuation gains/losses during the year	–23	–40
Transferred to the income statement during the year	–122	–154
Tax on transfers to the income statement during the year	27	34
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of benefit plans during the year	3	12
Tax on remeasurement of benefit plans during the year	–1	–3
Other comprehensive income, net of tax	12	–20
Total comprehensive income	2,912	1,900

1) Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	Note	31 Dec 2016	31 Dec 2015
Assets			
Cash and balances with central banks		101	75
Treasury bills	P14	6,583	6,905
Loans to credit institutions	P15	88,375	90,009
Loans to the public	P15	43,726	45,820
Interest-bearing securities	P16	10,359	12,163
Shares	P17	130	2,362
Derivatives	P18	4,668	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0	1
Investments in group undertakings	P19	5,733	4,601
Investments in group undertakings being merged	P20	14,368	14,793
Investments in associated undertakings and joint ventures	P21	12	7
Participating interest in other companies		1	1
Intangible assets	P22	1,539	1,091
Properties and equipment	P23	132	138
Deferred tax assets	P13	22	26
Current tax assets		204	3
Other assets	P24	4,560	4,387
Prepaid expenses and accrued income	P25	749	780
Total assets		**181,262**	**188,173**
Liabilities			
Deposits by credit institutions	P26	20,374	19,069
Deposits and borrowings from the public	P27	58,183	61,043
Debt securities in issue	P28	63,162	68,908
Derivatives	P18	3,612	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,008	1,158
Current tax liabilities		0	34
Other liabilities	P29	3,279	3,531
Accrued expenses and prepaid income	P30	670	759
Provisions	P31	307	301
Retirement benefit liabilities	P32	169	159
Subordinated liabilities	P33	10,086	8,951
Total liabilities		**160,850**	**168,093**
Untaxed reserves	P34	**2**	**2**
Equity			
Share capital		4,050	4,050
Development cost reserve		569	-
Share premium reserve		1,080	1,080
Other reserves		–2	–21
Retained earnings		14,713	14,969
Total equity		**20,410**	**20,078**
Total liabilities and equity		**181,262**	**188,173**

Statement of changes in equity

2016

EURm	Restricted equity: Share capital	Restricted equity: Develop-ment cost reserve	Unrestricted equity[1]: Share premium reserve	Other reserves: Cash flow hedges	Other reserves: Available for sale invest-ments	Other reserves: Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2016	4,050	-	1,080	–16	–5	0	14,969	20,078
Net profit for the year	–	–	–	–	–	–	2,900	2,900
Items that may be reclassified subsequently to the income statement								
Currency translation differences during the year	–	–	–	–	–	–	–7	–7
Available for sale investments:								
Valuation gains/losses during the year	–	–	–	–	45	–	–	45
Tax on valuation gains/losses during the year	–	–	–	–	–10	–	–	–10
Transferred to the income statement during the year	–	–	–	–	–4	–	–	–4
Tax on transfers to the income statement during the year	–	–	–	–	1	–	–	1
Cash flow hedges:								
Valuation gains/losses during the year	–	–	–	103	–	–	–	103
Tax on valuation gains/losses during the year	–	–	–	–23	–	–	–	–23
Transferred to the income statement during the year	–	–	–	–122	–	–	–	–122
Tax on transfers to the income statement during the year	–	–	–	27	–	–	–	27
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:								
Remeasurement of defined benefit plans during the year	–	–	–	–	–	3	–	3
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–1	–	–1
Other comprehensive income, net of tax	–	–	–	–15	32	2	–7	12
Total comprehensive income	–	–	–	–15	32	2	2,893	2,912
Dividend for 2015	–	–	–	–	–	–	–2,584	–2,584
Disposal of own shares[2]	–	–	–	–	–	–	0	0
Development cost reserve	–	569	–	–	–	–	–569	–
Merger effect	–	–	–	–	–	–	4	4
Balance at 31 Dec 2016	4,050	569	1,080	–31	27	2	14,713	20,410

1) A free fund amounting to EUR 2,762m is recognised in Retained earnings.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme and trading portfolio. The number of own shares were 10.9 million.

Statement of changes in equity, cont.

2015

	Restricted equity	Unrestricted equity[1]					
			Other reserves				
EURm	Share capital	Share premium reserve	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2015	4,050	1,080	–37	41	–9	15,536	20,661
Net profit for the year	–	–	–	–	–	1,920	1,920
Items that may be reclassified subsequently to the income statement							
Currency translation differences during the year	–	–	–	–	–	–4	–4
Available for sale investments:							
Valuation gains/losses during the year	–	–	–	–55	–	–	–55
Tax on valuation gains/losses during the year	–	–	–	12	–	–	12
Transferred to profit or loss on sale during the year	–	–	–	–4	–	–	–4
Tax on transfers to profit or loss on sale during the year	–	–	–	1	–	–	1
Cash flow hedges:							
Valuation gains/losses during the year	–	–	181	–	–	–	181
Tax on valuation gains/losses during the year	–	–	–40	–	–	–	–40
Transferred to the income statement during the year	–	–	–154	–	–	–	–154
Tax on transfers to the income statement during the year	–	–	34	–	–	–	34
Items that may not be reclassified subsequently to the income statement							
Defined benefit plans:							
Remeasurement of defined benefit plans during the year	–	–	–	–	12	–	12
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–3	–	–3
Other comprehensive income, net of tax	–	–	21	–46	9	–4	–20
Total comprehensive income	–	–	21	–46	9	1,916	1,900
Share-based payments	–	–	–	–	–	2	2
Dividend for 2014	–	–	–	–	–	–2,501	–2,501
Disposal of own shares[2]	–	–	–	–	–	16	16
Balance at 31 Dec 2015	4,050	1,080	–16	–5	0	14,969	20,078

1) A free fund amounting to EUR 2,762m are recognised in Retained earnings.

2) Refers to the change in the holding of own shares related to Long Term Incentive Programme and trading portfolio. The number of own shares were 11.7 million.

Description of items in equity is included in Note G1 "Accounting policies".

Share capital

	Quota value per share, EUR	Total number of shares	Share capital, EUR
Balance at 31 Dec 2015	1.0	4,049,951,919	4,049,951,919
Balance at 31 Dec 2016	1.0	4,049,951,919	4,049,951,919

Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM on 16 March 2017, a dividend in respect of 2016 of EUR 0.65 per share (2015 actual dividend EUR 0.64 per share) amounting to a total of EUR 2,625,368,991 (2015 actual: EUR 2,584,494,736) is to be proposed. The financial statements for the year ended 31 December 2016 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2017.

Cash flow statement

EURm	2016	2015
Operating activities		
Operating profit	2,950	2,203
Adjustment for items not included in cash flow	–2,085	–1,026
Income taxes paid	–278	–226
Cash flow from operating activities before changes in operating assets and liabilities	**587**	**951**
Changes in operating assets		
Change in treasury bills	305	–1,918
Change in loans to credit institutions	2,846	–7,543
Change in loans to the public	1,893	–6,153
Change in interest-bearing securities	1,829	–927
Change in financial assets pledged as collateral	–	43
Change in shares	2,232	3,699
Change in derivatives, net	–693	558
Change in other assets	2,485	1,643
Changes in operating liabilities		
Change in deposits by credit institutions	1,305	–5,952
Change in deposits and borrowings from the public	–2,874	11,460
Change in debt securities in issue	–5,763	5,600
Change in other liabilities	–253	–1,570
Cash flow from operating activities	**3,899**	**–109**
Investing activities		
Shareholder's contributions to group undertakings	–523	–2,754
Sale of business operations	–	200
Investments in associated undertakings and joint ventures	–5	–
Acquisition of properties and equipment	–25	–55
Sale of property and equipment	1	1
Acquisition of intangible assets	–594	–446
Sale of intangible assets	–	–1
Net divestments in debt securities, held to maturity	–	110
Sale of other financial fixed assets	69	–
Cash flow from investing activities	**–1,077**	**–2,945**
Financing activities		
Issued subordinated liabilities	1,000	2,166
Amortised subordinated liabilities	–	–1,317
Repurchase/divestment of own shares incl change in trading portfolio	–	16
Dividend paid	–2,584	–2,501
Cash flow from financing activities	**–1,584**	**–1,636**
Cash flow for the year	**1,238**	**–4,690**
Cash and cash equivalents at the beginning of year	3,343	8,033
Cash and cash equivalents at the end of year	4,581	3,343
Change	**1,238**	**–4,690**

Cash flow statement, cont.

Comments on the cash flow statement

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

Operating activities

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

EURm	2016	2015
Depreciation	164	130
Impairment charges	14	19
Loan losses	200	152
Unrealised gains/losses	499	–14
Capital gains/losses (net)	–68	–171
Change in accruals and provisions	–50	287
Anticipated dividends	–1,964	–1,293
Group contributions	–695	–614
Translation differences	–47	681
Change in fair value of the hedged items, assets/liabilities (net)	–149	–210
Other	11	7
Total	–2,085	–1,026

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

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

EURm	2016	2015
Interest payments received	1,393	1,574
Interest expenses paid	–966	–1,024

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2016	31 Dec 2015
Cash and balances with central banks	101	75
Loans to credit institutions, payable on demand	4,480	3,268
Total	4,581	3,343

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

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

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

5 year overview

Income statement[1]

EURm	2016	2015	2014[2]	2013	2012
Net interest income	464	511	649	641	724
Net fee and commission income	840	886	820	1,009	623
Net result from items at fair value	216	136	186	131	189
Dividends	3,210	2,176	2,333	1,827	3,554
Other operating income	712	833	975	674	501
Total operating income	5,442	4,542	4,963	4,282	5,591
General administrative expenses:					
Staff costs	–1,113	–1,196	–1,070	–982	–938
Other expenses	–1,008	–851	–904	–1,018	–842
Depreciation, amortisation and impairment charges of tangible and intangible assets	–172	–140	–261	–109	–105
Total operating expenses	–2,293	–2,187	–2,235	–2,109	–1,885
Profit before loan losses	3,149	2,355	2,728	2,173	3,706
Net loan losses	–193	–143	–98	–124	–19
Impairment of securities held as financial non-current assets	–6	–9	–15	–4	–15
Operating profit	2,950	2,203	2,615	2,045	3,672
Appropriations	1	2	–1	102	–103
Income tax expense	–51	–285	–189	–192	–95
Net profit for the year	2,900	1,920	2,425	1,955	3,474

Balance sheet

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Treasury bills and interest-bearing securities	16,942	19,068	16,356	16,080	16,686
Loans to credit institutions	88,375	90,009	86,704	80,918	68,006
Loans to the public	43,726	45,820	39,809	34,155	36,214
Investments in group undertakings	20,101	19,394	16,986	17,723	17,659
Other assets	12,118	13,882	18,576	15,047	13,565
Total assets	181,262	188,173	178,431	163,923	152,130
Deposits by credit institutions	20,374	19,069	27,452	17,500	19,342
Deposits and borrowings from the public	58,183	61,043	49,367	47,531	50,263
Debt securities in issue	63,162	68,908	63,280	62,961	48,285
Subordinated liabilities	10,086	8,951	7,728	5,971	7,131
Other liabilities/untaxed reserves	9,047	10,124	9,943	10,039	7,734
Equity	20,410	20,078	20,661	19,921	19,375
Total liabilities and equity	181,262	188,173	178,431	163,923	152,130

1) The comparative figures for 2015 have been restated.
2) End of the year.

Ratios and key figures[4]

	2016	2015	2014[1]	2013	2012
Return on equity, %	15.6	10.1	12.6	10.5	20.5
Return on assets, %	1.6	1.0	1.4	1.2	2.3
Cost/income ratio, %	42.1	48.2	45.0	49.3	33.9
Loan loss ratio, basis points	44	31	25	36	5
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,2,3], %	18.6	18.8	21.8	20.8	17.6
Tier 1 capital ratio, excl. Basel I floor[1,3], %	22.0	22.2	25.3	23.1	19.6
Total capital ratio, excl. Basel I floor[1,3], %	27.9	27.1	30.6	28.0	24.4
Tier 1 capital[1,2,3], EURm	19,167	19,314	19,932	19,300	19,244
Risk-exposure amount incl. Basel I floor[1,3], EURbn	87	87	79	83	98

1) End of the year.

2) Including result of the year.

3) 2013 ratios are reported under the Basel II regulation framework and 2014, 2015 and 2016 ratios are reported using the Basel III (CRR/CRDIV) framework.

4) **For more detailed information regarding ratios and key figures defined as Alternative performance measures, see http://www.**nordea.com/en/investor-relations/.

P1. Accounting policies

1. Basis for presentation

The financial statements for the parent company, Nordea Bank AB (publ), are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the accounting recommendation RFR 2 Accounting for legal entities issued by the Swedish Financial Reporting Board. This means that the parent company applies International Financial Reporting Standards (IFRS) as endorsed by the EU Commission to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation.

The Group's accounting policies described in Note G1 "Accounting policies" are applicable also for the parent company, considering also the information provided below.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2015 Annual Report.

New accounting requirements implemented during 2016 and their effects on the parent company's financial statements are described below.

The IASB has issued "Amendments to IAS 27, Equity method in Separate Financial Statements" which allows the equity method when accounting for investments in group undertakings, joint ventures and associated undertakings. Equity method accounting for investments in group undertakings is however not allowed under the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). The amendments were implemented 1 January 2016 but have not had any impact on the financial statements, capital adequacy or large exposures in the period of initial application.

Amendments have in addition been made to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments have been implemented on 1 January 2016.

In accordance with the new requirements, investments where the intention is to create a long term relationship with the other company, without meeting the requirements for a group undertaking or an associated undertaking, have been presented separately on the balance sheet as "Participating interest in other companies". An amount equal to the cost for own development work (recognised as an intangible asset on the parent company's balance sheet) has furthermore been presented separately within equity as "Development cost reserve". The amendments have not had any other significant impact on the financial statements.

The Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2015:20. Those amendments were implemented 1 January 2016 but have not had any significant impact on the financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities by issuing "RFR 2 Accounting for Legal Entities – January 2016". These amendments were implemented 1 January 2016 but have not had any significant impact on the financial statements.

Changed presentation of stability fees

The parent company has, in order to align with local market practice, reclassified state guarantee fees from "Net fee and commission income" to "Net interest income". The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

Changed presentation of "Net fee and commission income"

The presentation within Note P4 "Net fee and commission income" has, in addition to the change described above, been changed. The main change is that income and expenses have been set off to better reflect the net return from different business activities. Commission expenses have been split more granularly to better match the related commission income. The gross impact on income and expenses is also provided in Note P4.

Commission income in connection with initial public offerings (IPOs) have in addition been reclassified from "Custody and issuer services" to "Brokerage, securities issues and corporate finance" (impact full year 2015 EUR 16m). This reclassification has been made to better reflect the purpose of services performed/received.

Other changes

Other changes implemented by the parent company 1 January 2016 can be found in section "Changed accounting policies" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

3. Changes in IFRSs not yet applied

Forthcoming changes in IFRS not yet implemented by the parent company can be found in the section 3 "Changes in IFRSs not yet applied" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

4. Accounting policies applicable for the parent company only

Investments in group undertakings, associated undertakings and joint ventures

The parent company's investments in group undertakings, associated undertakings and joint ventures are recognised under the cost model. At each balance sheet date, all shares in group undertakings, associated undertakings and joint ventures are reviewed for indications of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of each holding of shares is fully recoverable. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment charge is calculated as the difference between the carrying amount and the recoverable amount and is classified as "Impairment

	2016			2015		
EURm	Old policy	Restatement	New policy	Old policy	Restatement	New policy
Net interest income	504	–40	464	576	–65	511
Net fee and commission income	800	40	840	821	65	886

P1. Accounting policies, cont.

of securities held as financial non-current assets" in the income statement.

The parent company applies fair value hedge accounting for the foreign exchange risk in investments in subsidiaries. The shares in subsidiaries are remeasured with regards to the hedged risk with a corresponding entry in "Net result from items at fair value". The change in fair value of the hedging instruments is also recognised in the income statement in "Net result from items at fair value".

Dividends

Dividends paid to the shareholders of Nordea Bank AB (publ) are recorded as a liability following the approval of the Annual General Meeting.

Dividends paid by group undertakings to the parent company are anticipated if the parent alone can decide on the size of the dividend and if the formal decision has been made before the financial report is published. Dividends from group- and associated undertakings are recognised on the separate income line "Dividends".

Amortisation and goodwill

Goodwill and other intangible assets with indefinite useful lives are not amortised in the consolidated financial statements. In the parent company financial statements goodwill is amortised, normally over a period of five years unless, under exceptional circumstances, a longer amortisation period is justified.

Functional currency

The accounting currency of the parent company is EUR. All transactions in other currencies are converted to EUR in accordance with the policies disclosed in section 9 "Translation of assets and liabilities denominated in foreign currencies" in Note G1 "Accounting policies". Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

Pensions

The accounting principle for defined benefit obligations follows the Swedish rules ("Tryggandelagen") and the regulations of the Swedish Financial Supervisory Authority as this is the condition for tax deductibility. The significant differences compared with IAS 19 consist of how the discount rate is determined, that the calculation of the defined benefit obligation is based on current salary level without assumptions about future salary increases.

In Sweden, defined benefit pension commitments are guaranteed by a pension foundation or recognised as a liability. No net defined benefit assets are recognised. The pension cost in the parent company, classified as "Staff cost" in the income statement, consists of changes in recognised pension provisions (including special wage tax) for active employees, pension benefits paid, contributions made to or received from the pension foundation and related special wage tax.

The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

Group contributions

Group contributions paid to group undertakings are recognised as an increase in the value of investments in group undertakings, net of tax. Group contributions received from group undertakings are recognised as dividends. The possible tax effects on group contributions received are classified as "Income tax expense" in the income statement.

Untaxed reserves

The parent company reports untaxed reserves, related to accelerated depreciation and tax allocation reserve under tax regulations. In the consolidated financial statements, untaxed reserves are split on the items "Retained earnings" and "Deferred tax liabilities" on the balance sheet.

Presentation of disposal group held for sale

Assets and liabilities related to disposal group held for sale are presented in Note P43 "Disposal groups held for sale". In contrast to the presentation for the Group, assets and liabilities related to the disposal group are not presented on separate balance sheet lines. These assets and liabilities are instead presented on each relevant balance sheet line in accordance with the nature of the asset and liability.

P2. Segment reporting

Geographical information

	Sweden		Finland		Norway		Denmark		Others		Total	
EURm	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	464	511	–	–	–	–	–	–	–	–	464	511
Net fee and commission income	840	886	–	–	–	–	–	–	–	–	840	886
Net result from items at fair value	216	136	–	–	–	–	–	–	–	–	216	136
Dividends[1]	1,510	734	900	876	–	–	427	401	373	165	3,210	2,176
Other operating income	–53	156	241	205	95	91	429	381	–	–	712	833
Total operating income	2,977	2,423	1,141	1,081	95	91	856	782	373	165	5,442	4,542

1) Regards dividends from group undertakings.

P3. Net interest income

EURm	2016	2015
Interest income		
Loans to credit institutions	380	455
Loans to the public	837	880
Interest-bearing securities	126	201
Other interest income	60	71
Interest income	1,403	1,607
Interest expense		
Deposits by credit institutions	–20	–46
Deposits and borrowings from the public	–32	–83
Debt securities in issue	–923	–917
Subordinated liabilities	–368	–359
Other interest expenses[1]	404	309
Interest expense	–939	–1,096
Net interest income	464	511

1) The net interest income from derivatives, measured at fair value and related to Nordea's funding. This can have both a positive and negative impact on other interest expenses, for further information see Note G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 1,274m (EUR 1,407m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –1,401m (EUR –1,488m). Interest on impaired loans amounted to an insignificant portion of interest income.

P4. Net fee and commission income

EURm	2016	2015
Asset management commissions	148	154
- of which income	148	154
- of which expense	–	–
Life & Pension	1	1
- of which income	1	1
- of which expense	–	–
Deposit Products	18	19
- of which income	18	19
- of which expense	–	–
Brokerage, securities issues and corporate finance	**187**	142
- of which income	211	166
- of which expense	–24	–24
Custody and issuer services	7	7
- of which income	19	18
- of which expense	–12	–11
Payments	72	84
- of which income	102	108
- of which expense	–30	–24
Cards	77	100
- of which income	127	230
- of which expense	–50	–130
Lending Products	154	161
- of which income	155	162
- of which expense	–1	–1
Guarantees and documentary payments	153	197
- of which income	153	197
- of which expense	0	0
Other	23	21
- of which income	44	39
- of which expense	–21	–18
Total	840	886

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 173m (EUR 181m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 360m (EUR 321m). The corresponding amount for fee expenses is EUR –36m (EUR –35m).

P5. Net result from items at fair value

EURm	2016	2015
Equity related instruments	–332	7
Interest related instruments and foreign exchange gains/losses	547	131
Other financial instruments (including credit and commodities)	1	–2
Total[1]	216	136

1) Of which EUR 0m (EUR 26m) are dividends from shares.

Net result from categories of financial instruments

EURm	2016	2015
Available for sale assets, realised	4	4
Financial instruments designated at fair value through profit or loss	18	19
Financial instruments held for trading	–386	29
Financial instruments under fair value hedge accounting	–10	1
- of which net losses on hedging instruments	–166	–157
- of which net gains on hedged items	156	158
Financial assets measured at amortised cost	1	14
Foreign exchange gains/losses excluding currency hedges	529	69
Other	60	0
Total	216	136

P6. Dividends

EURm	2016	2015
Dividends from group undertakings		
Nordea Bank Finland Plc	900	780
Nordea Bank Danmark A/S	417	395
LLC Promyshlennaya Kompaniya Vestkon	82	89
JSC Nordea Bank	6	6
Nordea Life Holding AB	700	–
Nordea Funds Ltd	130	96
Nordea Bank S.A.	155	70
Nordea Investment Management AB	115	120
Nordea Ejendomsinvestering A/S	9	5
Dividends from associated undertakings and joint ventures		
Upplysningscentralen (UC) AB	1	–
Group Contributions		
Nordea Hypotek AB	562	492
Nordea Investment Management AB	6	11
Nordea Finans AB	127	112
Total	3,210	2,176

P7. Other operating income

EURm	2016	2015
Divestment of shares	0	170
Remuneration from group undertakings	710	661
Other	2	2
Total	712	833

P8. Staff costs

EURm	2016	2015
Salaries and remuneration (specification below)[1]	–825	–836
Pension costs (specification below)	–165	–146
Social security contributions	–240	–233
Other staff costs	117	19
Total	–1,113	–1,196
Salaries and remuneration		
To executives[2]		
- Fixed compensation and benefits	–9	–7
- Performance-related compensation	–4	–4
- Allocation to profit-sharing	0	0
Total	–13	–11
To other employees	–812	–825
Total	–825	–836

1) Allocation to profit-sharing foundation 2016 EUR 11m (EUR 29m) consists of a new allocation of EUR 11m (EUR 28m) and an allocation related to prior year of EUR 0m (EUR 1m).

2) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, are included. Executives amounts to 19 (18) positions.

Pension costs[1]

EURm	2016	2015
Defined benefit plans	–85	–77
Defined contribution plans	–80	–69
Total	–165	–146

1) Pension costs for executives, see Note G7 "Staff costs".

Additional disclosures on remuneration under Swedish FSA regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) not later than one week before the Annual General Meeting on 16 March 2017.

Compensation to key management personnel

Salaries and remuneration to the Board of Directors, CEO and Group Executive Management, see Note G7 "Staff costs".

Loans to key management personnel

Loans to key management personnel amounts to EUR 0m (EUR 0m). Interest income on these loans amounts to EUR 0m (EUR 0m). For information about loan conditions, see Note G7 "Staff costs".

P8. Staff costs, cont.

Long Term Incentive Programmes

Participation in the Long Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares. For more information about conditions and requirements, see Note G7 "Staff costs".

For information on number of outstanding conditional rights in the LTIPs, see Note G7 "Staff costs". All rights in the LTIPs, both to employees in the parent company as well as to employees in group undertakings, are issued by Nordea Bank AB (publ).

The expenses in below table regards only employees in Nordea Bank AB (publ).

Expenses for equity-settled share-based payment programmes[1]

EURm	LTIP 2012
Total expense during 2016	–
Total expense during 2015	–1

1) All amounts excluding social security contribution.

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2016 is paid no earlier than autumn 2020. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2016 is decided during spring 2017, and a reservation of EUR 14m excl. social costs is made 2016. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

Share linked deferrals

EURm	2016	2015
Opening balance	22	7
Reclassification[1]	–	2
Deferred/earned during the year	17	16
TSR indexation during the year	6	1
Payments during the year[2]	–6	–5
Translation differences	0	1
Closing balance	39	22

1) Relates to a reclassification from deferred amounts that are indexed with a fixed rate.
2) There have been no adjustments due to forfeitures.

Average number of employees

	Total		Men		Women	
	2016	2015	2016	2015	2016	2015
Full-time equivalents						
Sweden	6,778	6,450	3,257	3,034	3,521	3,416
Other countries	5,118	4,151	2,843	2,200	2,275	1,951
Total average	11,896	10,601	6,100	5,234	5,796	5,367

Gender distribution, executives

Per cent	2016	2015
Nordea Bank AB (publ)		
Board of Directors – Men	56	56
Board of Directors – Women	44	44
Other executives – Men	90	78
Other executives – Women	10	22

P9. Other expenses

EURm	2016	2015
Information technology	–548	–467
Marketing and representation	–27	–31
Postage, transportation, telephone and office expenses	–39	–48
Rents, premises and real estate	–121	–136
Other[1]	–273	–169
Total	–1,008	–851

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2016	2015
PricewaterhouseCoopers		
Auditing assignments	–3	–2
Audit-related services	–1	0
Tax advisory services	0	0
Other assignments	–4	–1
Total	–8	–3
KPMG		
Auditing assignments	–	–1
Audit-related services	–	–1
Tax advisory services	–	–
Other assignments	–	0
Total	–	–2

P10. Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

EURm	2016	2015
Properties and equipment (Note P23)		
Equipment	–25	–26
Intangible assets (Note P22)		
Goodwill	–55	–56
Computer software	–63	–31
Other intangible assets	–21	–17
Total	–164	–130

Impairment charges

EURm	2016	2015
Intangible assets (Note P22)		
Computer software	–8	–7
Other intangible assets	0	–3
Total	–8	–10
Total depreciation/amortisation and impairment charges	–172	–140

P11. Net loan losses

EURm	2016	2015
Loan losses divided by class		
Realised loan losses	0	–
Recoveries on previous realised loan losses	–	0
Provisions	–1	0
Reversals of previous provisions	1	1
Loans to credit institutions[1]	0	1
Realised loan losses	–119	–72
Allowances to cover realised loan losses	80	34
Recoveries on previous realised loan losses	7	8
Provisions	–228	–175
Reversals of previous provisions	90	84
Loans to the public[1]	–170	–121
Realised loan losses	–3	–9
Recoveries on previous realised loan losses	4	6
Provisions	–39	–42
Reversals of previous provisions	15	22
Off-balance sheet items[2]	–23	–23
Net loan losses	–193	–143

1) See Note P15 "Loans and impairment".
2) Included in Note P31 "Provisions" as "Guarantees".

P12. Appropriations

EURm	2016	2015
Change in depreciation in excess of plan, equipment	1	2
Total	1	2

P13. Taxes

Income tax expense

EURm	2016	2015
Current tax	–43	–303
Deferred tax	–8	18
Total	–51	–285

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2016	2015
Profit before tax	2,951	2,205
Tax calculated at a tax rate of 22.0%	–649	–485
Tax-exempt income	616	381
Non-deductible expenses	–15	–81
Adjustments relating to prior years	–3	–100
Tax charge	–51	–285
Average effective tax rate	2%	13%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2016	2015	2016	2015
Deferred tax related to:				
Derivatives	9	4	–	–
Properties and equipment	–	–	15	11
Retirement benefit obligations	7	7	1	–
Liabilities/provisions	22	26	–	0
Other	0	–	0	–
Netting between deferred tax assets and liabilities	–16	–11	–16	–11
Total	22	26	–	–

P14. Treasury bills

EURm	31 Dec 2016	31 Dec 2015
State and sovereigns	6,009	6,086
Municipalities and other public bodies[1]	574	819
Total	6,583	6,905

1) Of which EUR 30m (EUR 32m) held at amortised cost with a nominal amount of EUR 30m (EUR 32m).

P15. Loans and impairment

EURm	Credit institutions 31 Dec 2016	Credit institutions 31 Dec 2015	The public 31 Dec 2016	The public 31 Dec 2015	Total 31 Dec 2016	Total 31 Dec 2015
Loans, not impaired	88,377	90,011	43,347	45,591	131,724	135,602
Impaired loans	–	–	820	629	820	629
- Servicing	–	–	562	309	562	309
- Non-servicing	–	–	258	320	258	320
Loans before allowances	88,377	90,011	44,167	46,220	132,544	136,231
Allowances for individually assessed impaired loans	–	–	–344	–314	–344	–314
- Servicing	–	–	–217	–120	–217	–120
- Non-servicing	–	–	–127	–194	–127	–194
Allowances for collectively assessed impaired loans	–2	–2	–97	–86	–99	–88
Allowances	–2	–2	–441	–400	–443	–402
Loans, carrying amount	88,375	90,009	43,726	45,820	132,101	135,829

Movements of allowance accounts for impaired loans

EURm	Credit institutions Individually assessed	Credit institutions Collectively assessed	Credit institutions Total	The public Individually assessed	The public Collectively assessed	The public Total	Total Individually assessed	Total Collectively assessed	Total Total
Opening balance at 1 Jan 2016	–	–2	–2	–314	–86	–400	–314	–88	–402
Provisions	–	–1	–1	–175	–53	–228	–175	–54	–229
Reversals of previous provisions	–	1	1	53	37	90	53	38	91
Changes through the income statement	**–**	**0**	**0**	**–122**	**–16**	**–138**	**–122**	**–16**	**–138**
Allowances used to cover realised loan losses	–	–	–	80	–	80	80	–	80
Translation differences	–	0	0	12	5	17	12	5	17
Closing balance at 31 Dec 2016	–	–2	–2	–344	–97	–441	–344	–99	–443
Opening balance at 1 Jan 2015	–	–2	–2	–254	–74	–328	–254	–76	–330
Provisions	–	0	0	–143	–32	–175	–143	–32	–175
Reversals of previous provisions	–	1	1	60	24	84	60	25	85
Changes through the income statement	**–**	**1**	**1**	**–83**	**–8**	**–91**	**–83**	**–7**	**–90**
Allowances in sold and acquired loan portfolios	–	–	–	–6	–4	–10	–6	–4	–10
Allowances used to cover realised loan losses	–	–	–	34	–	34	34	–	34
Translation differences	–	–1	–1	–5	0	–5	–5	–1	–6
Closing balance at 31 Dec 2015	–	–2	–2	–314	–86	–400	–314	–88	–402

Allowances and provisions[1]

EURm	Credit institutions 31 Dec 2016	Credit institutions 31 Dec 2015	The public 31 Dec 2016	The public 31 Dec 2015	Total 31 Dec 2016	Total 31 Dec 2015
Allowances for items on the balance sheet	–2	–2	–441	–400	–443	–402
Provisions for off balance sheet items	–204	–181	–2	–2	–206	–183
Total allowances and provisions	–206	–183	–443	–402	–649	–585

1) Included in Note P31 "Provisions" as "Guarantees".

P15. Loans and impairment, cont.

Key ratios[1]

EURm	31 Dec 2016	31 Dec 2015
Impairment rate, gross, basis points	62	46
Impairment rate, net, basis points	36	23
Total allowance rate, basis points	33	29
Allowances in relation to impaired loans, %	42	50
Total allowances in relation to impaired loans, %	54	64
Non-servicing loans, not impaired, EURm	23	41

1) For definitions, see "Business definitions" on page 83.

P16. Interest-bearing securities

EURm	31 Dec 2016	31 Dec 2015
Issued by public bodies	35	45
Issued by other borrowers[1]	10,324	12,118
Total	10,359	12,163
Listed securities	10,204	12,163
Unlisted securities	155	–
Total	10,359	12,163

1) Of which EUR 26m (EUR 30m) held at amortised cost with a nominal amount of EUR 26m (EUR 30m).

P17. Shares

EURm	31 Dec 2016	31 Dec 2015
Shares	130	2,362
Shares taken over for protection of claims	0	0
Total	130	2,362
Listed shares	130	2,330
Unlisted shares	–	32
Total	130	2,362

P18. Derivatives and hedge accounting

Derivatives held for trading

	Fair value		
31 Dec 2016, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	1,785	1,813	239,297
FRAs	8	3	25,617
Futures and forwards	–	0	4,000
Options	1	1	98
Other	12	12	10,241
Total	1,806	1,829	279,253
Equity derivatives			
Equity swaps	35	58	96
Options	17	6	996
Total	52	64	1,092
Foreign exchange derivatives			
Currency and interest rate swaps	718	643	40,600
Currency forwards	6	2	12,355
Options	9	8	1,217
Total	733	653	54,172
Credit derivatives	7	5	840
Other derivatives	4	0	1,763
Total derivatives held for trading	2,602	2,551	337,120

Derivatives used for hedge accounting

	Fair value		
31 Dec 2016, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives	1,236	200	50,345
Foreign exchange derivatives	830	861	12,367
Total derivatives used for hedge accounting	2,066	1,061	62,712
- of which fair value hedges[1]	1,236	200	50,345
- of which cash flow hedges[1]	830	861	12,367
Total derivatives	4,668	3,612	399,832

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

P18. Derivatives and hedge accounting, cont.

Derivatives held for trading

	Fair value		
31 Dec 2015, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	1,913	1,983	200,183
FRAs	9	10	57,952
Futures and forwards	0	0	2,696
Options	84	84	62,092
Other	3	2	11,307
Total	2,009	2,079	334,230
Equity derivatives			
Equity swaps	116	137	253
Futures and forwards	–	1	19
Options	57	9	334
Total	173	147	606
Foreign exchange derivatives			
Currency and interest rate swaps	630	531	16,869
Currency forwards	47	345	27,949
Total	677	876	44,818
Credit derivatives	5	1	299
Other derivatives	–	6	1,668
Total derivatives held for trading	2,864	3,109	381,621

Derivatives used for hedge accounting

	Fair value		
31 Dec 2015, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives	1,427	232	45,711
Foreign exchange derivatives	720	839	10,243
Total derivatives used for hedge accounting	2,147	1,071	55,954
- of which fair value hedges[1]	1,612	238	50,768
- of which cash flow hedges[1]	535	833	10,243
Total derivatives	5,011	4,180	437,575

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

P19. Investments in group undertakings[1]

EURm	31 Dec 2016	31 Dec 2015
Acquisition value at beginning of year	5,235	4,572
Acquisitions/capital contributions during the year	1,254	40
Revaluations under hedge accounting	–116	663
Sales during the year	–	–40
Acquisition value at end of year	6,373	5,235
Accumulated impairment charges at beginning of year	–634	–625
Impairment charges during the year	–6	–9
Accumulated impairment charges at end of year	–640	–634
Total	5,733	4,601
- of which listed shares	–	–

1) See also specification in note P20 "Investments in group undertakings being merged".

P19. Investments in group undertakings, cont.

Specification

This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies.

31 Dec 2016	Registration number	Domicile	Number of shares	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
LLC Promyshlennaya Kompaniya Vestkon	1027700034185	Moscow	4,601,942,680[1]	676	659	100.0
JSC Nordea Bank	1027739436955	Moscow				100.0
Nordea Life Holding AB	556742-3305	Stockholm	1,000	719	719	100.0
Nordea Liv & Pension, Livsforsikringsselskab A/S	24260577	Ballerup				100.0
Livsforsikringsselskapet Nordea Liv Norge AS	959922659	Bergen				100.0
Nordea Livförsäkring Sverige AB (publ)	516401-8508	Stockholm				100.0
Nordea Life Assurance Finland Ltd	0927072-8	Helsinki				100.0
Nordea Mortgage Bank Plc	2743219-6	Helsinki	257,700,000	731	–	100.0
Nordea Funds Ltd	1737785-9	Helsinki	3,350	385	385	100.0
Nordea Bank S.A.	B-14157	Luxembourg	999,999	455	455	100.0
Nordea Hypotek AB (publ)[2]	556091-5448	Stockholm	100,000	2,335	1,900	100.0
Nordea Finans Sverige AB (publ)[2]	556021-1475	Stockholm	1,000,000	86	118	100.0
Nordea Investment Management AB	556060-2301	Stockholm	12,600	227	231	100.0
Nordea Ejendomsinvestering A/S	26640172	Glostrup	1,000	29	29	100.0
Nordea IT Polska S.p. z.o.o.[3]	0000429783	Warsaw	–	–	30	–
Nordea Markets Holding LLC	36-468-1723	Delaware, USA	–	22	–	100,0
PK Properties Int'l Corp[4]	601624718	Atlanta, USA	–	–	0	–
Nordea Hästen Fastighetsförvaltning AB	556653-6800	Stockholm	1,000	0	0	100.0
Nordea Putten Fastighetsförvaltning AB	556653-5257	Stockholm	1,000	0	0	100.0
Nordea do Brasil Representações Ltda	51.696.268/0001-40	Sao Paulo, Brazil	1,162,149	0	0	100.0
Nordic Baltic Holding (NBH) AB	556592-7950	Stockholm	1,000	22	26	100.0
Promano Est OÜ	11681888	Tallinn, Estonia	1	10	10	100.0
Uus-Sadama 11 OÜ	11954914	Tallinn, Estonia	1	0	0	100.0
SIA Promano Lat	40103235197	Riga, Latvia	21,084	10	12	100.0
SIA Realm	50103278681	Riga, Latvia	7,030	7	6	100.0
SIA Lidosta RE	40103424424	Riga, Latvia	2	0	1	100.0
SIA Trioleta	40103565264	Riga, Latvia	2,786	4	4	99.9
Promano Lit UAB	302423219	Vilnius, Lithuania	34,528	10	11	100.0
UAB Recurso	302784511	Vilnius, Lithuania	15,000	5	5	100.0
Total				5,733	4,601	

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon. Combined ownership, Nordea Bank AB directly 7.2% and indirecly 92.8% through LLC Promyshlennaya Kompaniya Vestkon.

2) **Credit institutions as defined in the Swedish Annual Account Act for Credit Institutions and Securities Companies (1995:1559).**

3) The formerly 100% owned company was merged into Nordea Bank AB (publ) in August 2016.

4) The formerly 100% owned company was liquidated in April 2016.

P20. Investments in group undertakings being merged

At January 2, 2017 Nordea Bank AB (NBAB) merged with Nordea Bank Finland Plc (NBF), Nordea Bank Norge ASA (NBN) and Nordea Bank Danmark A/S (NBD). At that date NBAB has recognised the assets and liabilities and income statement as of 1 January 2017 of its former subsidiaries, as they are dissolved and have become branches to NBAB. A balance sheet and income statement are presented as of year end 2016 in order to present the effect the mergers would have had on these financial statement if the merger would have been completed as of 31 December 2016.

The adjustments made are in relation to align accounting policies of the merged entities with NBAB's accounting policies, the elimination of participation in entities being merged and intercompany transactions. The below financial statements have been prepared for illustrative purposes only.

Balance sheet

EURm	NBAB 31 Dec 2016	NBF 31 Dec 2016	NBN 31 Dec 2016	NBD 31 Dec 2016	Eliminations	NBAB 31 Dec 2016
Total assets						
Cash and balances with central banks	101	29,367	970	1,315	–	31,753
Loans to credit institutions	88,375	31,856	5,887	10,836	–78,769	58,185
Loans to the public	43,726	56,754	42,061	27,387	–16	169,912
Interest-bearing securities	16,942	27,368	12,141	13,005	–50	69,406
Financial instruments pledged as collateral	0	4,139	116	4,044	–	8,299
Shares	131	1,262	20	2,033	–26	3,420
Derivatives	4,668	68,563	554	69	–2,454	71,400
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	21	22	36	–	79
Investments in group undertakings	5,733	306	1,130	4,338	1,513	13,020
Investments in group undertakings being merged	14,368	–	–	–	–14,368	–
Investments in associated undertakings and joint ventures	12	8	46	15	–	81
Intangible assets	1,539	26	8	226	–78	1,721
Properties and equipment	132	81	44	77	–	334
Deferred tax assets	22	–	–	–	–	22
Current tax assets	204	–	–	34	–	238
Retirement benefit assets	–	78	5	33	–	116
Other assets	4,560	16,205	140	831	–200	21,536
Prepaid expenses and accrued income	749	222	109	127	–109	1,098
Total assets	**181,262**	**236,256**	**63,253**	**64,406**	**–94,557**	**450,620**
Liabilities						
Deposits by credit institutions	20,374	62,545	27,350	10,247	–74,287	46,229
Deposits and borrowings from the public	58,183	55,351	26,353	42,691	–224	182,354
Debt securities in issue	63,162	18,507	991	–	–32	82,628
Derivatives	3,612	70,864	349	219	–2,445	72,599
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,008	25	1	6	–	1,040
Current tax liabilities	0	65	271	1	–	337
Other liabilities	3,279	17,296	455	2,926	32	23,988
Accrued expenses and prepaid income	670	268	104	360	–89	1,313
Deferred tax liabilities	–	–	188	29	–17	200
Provisions	307	62	24	220	–204	409
Retirement benefit liabilities	169	4	124	4	–	301
Subordinated liabilities	10,086	632	1,151	1,153	–2,683	10,339
Total liabilities	**160,850**	**225,619**	**57,361**	**57,856**	**–79,949**	**421,737**
Untaxed reserves	**2**	**–**	**–**	**–**	**–**	**2**
Equity	**20,410**	**10,637**	**5,892**	**6,550**	**–14,608**	**28,881**
Total liabilities and equity	**181,262**	**236,256**	**63,253**	**64,406**	**–94,557**	**450,620**

P20. Investments in group undertakings being merged, cont.

Income statement

EURm	NBAB 2016	NBF[1] 2016	NBN 2016	NBD 2016	Eliminations	NBAB 2016
Operating income						
Interest income	1,403	835	1,403	952	–416	4,177
Interest expense	–939	–400	–612	–181	416	–1,716
Net interest income	**464**	**435**	**791**	**771**	**0**	**2,461**
Fee and commission income	978	694	347	871	–483	2,407
Fee and commission expense	–138	–586	–69	–107	483	–417
Net fee and commission income	**840**	**108**	**278**	**764**	**0**	**1,990**
Net result from items at fair value	216	1,152	54	81	0	1,503
Dividends	3,210	72	155	–	–1,317	2,120
Other operating income	712	95	67	354	–869	359
Total operating income	**5,442**	**1,862**	**1,345**	**1,970**	**–2,186**	**8,433**
Operating expenses						
General administrative expenses:						
Staff costs	–1,113	–484	–226	–785	4	–2,604
Other expenses	–1,008	–388	–206	–495	607	–1,490
Depreciation, amortisation and impairment charges of tangible and intangible assets	–172	–26	–9	–30	–12	–249
Total operating expenses	**–2,293**	**–898**	**–441**	**–1,310**	**599**	**–4,343**
Profit before loan losses	**3,149**	**964**	**904**	**660**	**–1,587**	**4,090**
Net loan losses	–193	–42	–161	–38	–	–434
Impairment of securities held as financial non-current assets	–6	–	–	–	–	–6
Operating profit	**2,950**	**922**	**743**	**622**	**–1,587**	**3,650**
Appropriations	1	–	–	–	–	1
Income tax expense	–51	–166	–184	–62	–	–463
Net profit for the year	**2,900**	**756**	**559**	**560**	**–1,587**	**3,188**

1) NBF pro forma, i.e. excluding the mortgage business divested in October 2016.

Specification

This specification includes all directly owned group undertakings being merged.

31 Dec 2016	Registration number	Domicile	Number of shares	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
Nordea Bank Finland Plc	1680235–8	Helsinki	1,030,800,000	7,231	7,962	100.0
Nordea Finance Finland Ltd	0112305–3	Helsinki				100.0
Nordea Bank Danmark A/S	13522197	Copenhagen	50,000,000	4,037	4,020	100.0
Nordea Finans Danmark A/S	89805910	Høje Taastrup				100.0
Nordea Kredit Realkreditaktieselskab	15134275	Copenhagen				100.0
Fionia Asset Company A/S	31934745	Copenhagen				100.0
Nordea Bank Norge ASA	911044110	Oslo	551,358,576	3,100	2,811	100.0
Nordea Eiendomskreditt AS	971227222	Oslo				100.0
Nordea Finans Norge AS	924507500	Oslo				100.0
Privatmegleren AS	986386661	Oslo				100.0
Total				14,368[1]	14,793[1]	

1) Carrying amount at 31 December 2016 is EUR 14,368m (EUR 14,793m), a decrease by EUR 425m. The decrease is related to a new company Nordea Mortgage Bank Plc in Finland EUR 731m, see note P19 "Investments in group undertakings" and revaluations under fair value hedge accounting EUR 306m.

P21. Investments in associated undertakings and joint ventures

EURm	31 Dec 2016	31 Dec 2015
Acquisition value at beginning of year	7	7
Acquisitions/capital contributions during the year	5	–
Acquisition value at end of year	12	7
- of which listed shares	–	–

P22. Intangible assets

EURm	31 Dec 2016	31 Dec 2015
Goodwill allocated to cash generating units		
Personal Banking	137	170
Commercial and Business Banking	92	114
Goodwill, total	229	284
Computer software	1,272	766
Other intangible assets	38	41
Total intangible assets	1,539	1,091
Movements in goodwill		
Acquisition value at beginning of year	1,094	1,059
Acquisition during the year	–	35
Acquisition value at end of year	1,094	1,094
Accumulated amortisation at beginning of year	–810	–754
Amortisation according to plan for the year	–55	–56
Accumulated amortisation at end of year	–865	–810
Total	229	284
Movements in computer software		
Acquisition value at beginning of year	861	682
Acquisitions during the year	576	388
Sales/disposals during the year	–7	–209
Reclassification	1	–
Acquisition value at end of year	1,431	861
Accumulated amortisation at beginning of year	–88	–120
Amortisation according to plan for the year	–63	–31
Accumulated amortisation on disposals	0	63
Accumulated amortisation at end of year	–151	–88
Accumulated impairment charges at beginning of year	–7	–146
Accumulated impairment charges on disposals during the year	7	146
Impairment charges during the year	–8	–7
Accumulated impairment charges at end of year	–8	–7
Total	1,272	766

P22. Intangible assets, cont.

EURm	31 Dec 2016	31 Dec 2015
Movements in other intangible assets		
Acquisition value at beginning of year	106	89
Acquisitions during the year	17	23
Sales/disposals during the year	–2	–6
Acquisition value at end of year	**121**	**106**
Accumulated amortisation at beginning of year	–62	–51
Amortisation according to plan for the year	–21	–17
Accumulated amortisation on disposals during the year	0	6
Accumulated amortisation at end of year	**–83**	**–62**
Accumulated impairment at beginning of year	–3	–1
Accumulated impairment charges on disposals during the year	3	1
Impairment charges during the year	0	–3
Accumulated impairment charges at end of year	**0**	**–3**
Total	**38**	**41**

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. See Note G20 "Intangible assets" and Note G1 "Accounting policies" section 4 for more information.

P23. Properties and equipment

EURm	31 Dec 2016	31 Dec 2015
Properties and equipment	132	138
- of which buildings for own use	0	0
Total	**132**	**138**
Movements in equipment		
Acquisition value at beginning of year	307	266
Acquisitions during the year	25	55
Acquisition through mergers	8	0
Sales/disposals during the year	–15	–14
Reclassification	–1	0
Acquisition value at end of year	**324**	**307**
Accumulated depreciation at beginning of year	–169	–147
Accumulated depreciation on sales /disposals during the year	12	4
Depreciations according to plan for the year	–25	–26
Depreciations through mergers	–6	0
Reclassification	–4	0
Accumulated depreciation at end of year	**–192**	**–169**
Total	**132**	**138**

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment. See also Note G1 "Accounting policies", section 15.

Leasing expenses during the year

EURm	31 Dec 2016	31 Dec 2015
Leasing expenses during the year	–121	–141
- of which minimum lease payments	–120	–137
- of which contingent rents	–1	–4
Leasing income during the year regarding sublease payments	**16**	**13**

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	31 Dec 2016
2017	157
2018	134
2019	102
2020	67
2021	49
Later years	106
Total	**615**

The sublease payments to be received under non-cancellable subleases amounts to EUR 224m. EUR 210m of the subleases are towards group undertakings.

P24. Other assets

EURm	31 Dec 2016	31 Dec 2015
Claims on securities settlement proceeds	39	403
Cash/margin receivables	1,286	1,010
Anticipated dividends from group undertakings	1,964	1,296
Group contributions	695	615
Other	576	1,063
Total	4,560	4,387

P25. Prepaid expenses and accrued income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest income	95	109
Other accrued income	84	101
Prepaid expenses	570	570
Total	749	780

P26. Deposits by credit institutions

EURm	31 Dec 2016	31 Dec 2015
Central banks	1,919	2,550
Banks	17,391	15,672
Other credit institutions	1,064	847
Total	20,374	19,069

P27. Deposits and borrowings from the public

EURm	31 Dec 2016	31 Dec 2015
Deposits[1]	58,129	60,423
Borrowings	54	620
Total	58,183	61,043

1) Deposits related to individual pension savings (IPS) are also included.

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits.

P28. Debt securities in issue

EURm	31 Dec 2016	31 Dec 2015
Certificates of deposit	7,248	7,460
Commercial papers	17,805	23,244
Bond loans	38,052	38,138
Other	57	66
Total	63,162	68,908

P29. Other liabilities

EURm	31 Dec 2016	31 Dec 2015
Liabilities on securities settlement proceeds	106	69
Sold, not held, securities	242	136
Cash/margin payables	1,930	1,982
Accounts payable	22	15
Other	979	1,329
Total	3,279	3,531

P30. Accrued expenses and prepaid income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest	5	6
Other accrued expenses	458	526
Prepaid income	207	227
Total	670	759

P31. Provisions

EURm	31 Dec 2016	31 Dec 2015
Restructuring	99	116
Guarantees	206	183
Other	2	2
Total	307	301

EURm	Restructuring	Guarantees	Other	Total
At beginning of year	116	183	2	301
New provisions made	29	39	0	68
Provisions utilised	–35	0	0	–35
Reversals	–8	–15	–	–23
Translation differences	–3	–1	–	–4
At end of year	99	206	2	307

New provisions for restructuring costs were recognised by EUR 29m. The restructuring activities have been initiated to manage the transformational change to a truly digital bank. The majority of the provision is expected to be used during 2017. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Provision for restructuring costs amounts to EUR 99m and covers termination benefits (EUR 65m) and other provisions mainly related to redundant premises (EUR 34m). Loan loss provisions for guarantees amounts to EUR 206m, of which EUR 204m covers the guarantee in favour of Nordea Bank Finland Plc.

P32. Retirement benefit obligations

Pension provisions

The pension liabilities of Nordea Bank AB (publ) are mainly covered by allocations to its pension foundation.

The provisions in the balance sheet mainly pertain to former employees of Postgirot Bank and pension obligations in foreign branches. EUR 141m (EUR 129m) of the provisions are covered by "Tryggandelagen".

A small percentage of the pension obligations are covered by insurance policies.

The following figures are mainly based on calculations in accordance with Swedish rules ("Tryggandelagen").

The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

Specification of amounts recognised on the balance sheet

EURm	31 Dec 2016	31 Dec 2015
Present value of commitments relating to in whole or in part funded pension plans	–1,469	–1,323
Fair value at the end of the period relating to specifically separated assets	1,469	1,421
Surplus in the pension foundation	0	98
Present value of commitments relating to unfunded pension plans	–169	–159
Unrecognised surplus in the pension foundation	0	–98
Reported liability net on the balance sheet	–169	–159

Movements in the liability recognised on balance sheet as pension

EURm	31 Dec 2016	31 Dec 2015
Balance at 1 Jan recognised as pension commitments	159	171
Pensions paid related to former employees of Postgirot Bank	–7	–7
Actuarial pension calculations through Profit and Loss	20	14
Actuarial pension calculations through Balance Sheet	–6	–18
Effect of exchange rate changes	3	–1
Balance at 31 Dec	169	159

Specification of cost and income in respect of pensions

EURm	31 Dec 2016	31 Dec 2015
Pensions paid related to former employees of Postgirot Bank	–7	–7
Pensions paid covered by the pension foundation	–65	–63
Actuarial pension calculations	–13	–7
Defined benefit plans	–85	–77
Defined contribution plans	–80	–69
Pension costs[1]	–165	–146
Return on specifically separated assets, %	6.0	2.5

1) See Note P8 "Staff costs".

P32. Retirement benefit obligations, cont.

Actual value of holdings in pension foundations

EURm	31 Dec 2016	31 Dec 2015
Shares	386	370
Interest-bearing securities	1,039	1,004
Other assets	44	47
Total	1,469	1,421

Main assumptions for defined benefit obligations

EURm	31 Dec 2016	31 Dec 2015
Discount rate	0.7%	1.6%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes

Next year's expected payment regarding defined benefit plans amounts to EUR 65m.

P33. Subordinated liabilities

EURm	31 Dec 2016	31 Dec 2015
Dated subordinated debenture loans	7,007	5,949
Hybrid capital loans	3,079	3,002
Total	10,086	8,951

Debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

The carrying amount at year end representing revaluations in the fair value of the hedged part of subordinated liabilities is included in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" under "Liabilities" and amounts to EUR 339 m (EUR 386 m).

At 31 December 2016 seven loans – with terms specified below – exceeded 10% of the total outstanding volume dated subordinated loans.

EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan[1]	1,250	1,181	Fixed
Dated loan[2]	750	750	Fixed
Dated loan[3]	1,000	998	Fixed
Dated loan[4]	750	748	Fixed
Dated loan[5]	1,000	942	Fixed
Dated loan[6]	750	744	Fixed
Dated loan[7]	1,000	991	Fixed

1) Maturity date 13 May 2021.
2) Call date 15 February 2017, maturity date 15 February 2022.
3) Maturity date 26 March 2020.
4) Maturity date 29 March 2021.
5) Maturity date 21 September 2022.
6) Call date 10 November 2020, maturity date 10 November 2025.
7) Call date 7 September 2021, maturity date 7 September 2026.

P34. Untaxed reserves

EURm	31 Dec 2016	31 Dec 2015
Accumulated excess depreciation, equipment	2	2

P35. Assets pledged as security for own liabilities

Assets pledged for own liabilities

EURm	31 Dec 2016	31 Dec 2015
Securities etc[1]	1,080	1,208

The above pledges pertain to the following liabilities

EURm	31 Dec 2016	31 Dec 2015
Deposits by credit institutions	255	337
Deposits and borrowings from the public	913	1,014
Total	1,168	1,351

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note P45 "Transferred assets and obtained collaterals".

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

P36. Other assets pledged

Other assets pledged are mainly related to securities which included interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions EUR 11,750m (EUR 7,686m). The terms and conditions require day to day securities and relate to liquidity intraday/overnight. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

P37. Contingent liabilities

EURm	31 Dec 2016	31 Dec 2015
Guarantees		
- Loan guarantees	67,928	69,576
- Other guarantees	3,682	2,667
Documentary credits	304	125
Other contingent liabilities	51	34
Total	71,965	72,402

In the normal business Nordea issues various forms of guarantees in favour of the bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees.

Nordea Bank AB (publ) has issued a guarantee in favour of its Russian subsidiary JSC Nordea Bank where Nordea Bank AB (publ) guarantees specified exposures in JSC Nordea Bank. At 31 December 2016 the guarantees cover exposures amounting to EUR 1bn. The guarantees are priced at arm's length. All internal transactions under the guarantees are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has issued a guarantee of maximum EUR 60bn in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees the majority of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The guarantee covers EUR 3bn of corporate loans, guarantees, documentary credits and loan commitments. In addition, EUR 4bn of derivatives are covered by the guarantee as of 31 December 2016. The maximum amount of derivatives guaranteed is EUR 10bn. The REA for this guarantee amounted to EUR 7bn as of 31 December 2016. The guarantee will generate commission income, while the losses recognized on the guaranteed exposures will be transferred to Nordea Bank AB (publ). The guarantee is priced at arm's length, including expected credit losses and the cost of capital required by the guarantee. All internal transactions in the guarantee are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

Within the framework of the normal business operations, the company faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on the company or its financial position.

P38. Commitments

EURm	31 Dec 2016	31 Dec 2015
Credit commitments	10,972	10,988
Unutilised portion overdraft facilities	15,890	16,658
Other commitments	131	281
Total	26,993	27,927

For information about derivatives see Note P18 "Derivatives and hedge accounting".

Nordea Bank AB (publ) has issued a liquidity facility for the benefit of Nordea Hypotek AB. The facility covers the amount necessary in order to ensure payment in respect of all interest and principal payments that are scheduled to fall due on existing and future covered bonds issued by Nordea Hypotek AB. The facility has been included in the table above with EUR 523m.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2016 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2016.

The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments. All disclosed commitements are irrevocable. For further information about credit commitments, see Note G1 "Accounting policies", section 24.

P39. Capital adequacy

Table A2 Transitional own funds

For information of the capital adequacy regulations see Note G38 "Capital adequacy".

Common Equity Tier 1 capital: instruments and reserves

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	–
	of which: Share capital	4,050	–
2	Retained earnings	12,384	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–2	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	274	–
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	17,786	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–72	–
8	Intangible assets (net of related tax liability) (negative amount)	–1,539	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	–	–
11	Fair value reserves related to gains or losses on cash flow hedges	31	–
12	Negative amounts resulting from the calculation of expected loss amounts	–	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–57	–
15	Defined-benefit pension fund assets (negative amount)	–	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–	–
25	of which: deferred tax assets arising from temporary differences	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	–
	Of which: ... filter for unrealised loss 1	–	11
	Of which: ... filter for unrealised gain 1	–	143
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	–1,636	–
29	Common Equity Tier 1 (CET1) capital	16,150	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,304	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	743	–
36	Additional Tier 1 (AT1) capital before regulatory adjustments	3,048	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	–
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	–30	–
44	Additional Tier 1 (AT1) capital	3,017	–
45	Tier 1 capital (T1 = CET1 + AT1)	19,167	–

P39. Capital adequacy, cont.

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	6,277	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	–	–
50	Credit risk adjustments	134	–
51	Tier 2 (T2) capital before regulatory adjustments	6,411	–
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–69	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,205	–
57	Total regulatory adjustments to Tier 2 (T2) capital	–1,274	–
58	Tier 2 (T2) capital	5,137	–
59	Total capital (TC = T1 + T2)	24,304	–
60	Total risk weighted assets	87,041	–
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18,6%	–
62	Tier 1 (as a percentage of risk exposure amount)	22,0%	–
63	Total capital (as a percentage of risk exposure amount)	27,9%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G–SII or O–SII buffer), expressed as a percentage of risk exposure amount)	3,1%	–
65	of which: capital conservation buffer requirement	2,5%	–
66	of which: countercyclical buffer requirement	0,6%	–
67	of which: systemic risk buffer requirement	–	–
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	–	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14,1%	–
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	209	–
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	725	–
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	22	–
Applicable caps to the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	31,061	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	186	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	–	–
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–
82	Current cap on AT1 instruments subject to phase out arrangements	1,182	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase out arrangements	300	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

P39. Capital adequacy, cont.

Minimum capital requirement and REA

	31 Dec 2016		31 Dec 2015	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	6,120	76,502	6,346	79,328
- of which counterparty credit risk	266	3,329	133	1,660
IRB	2,485	31,061	2,849	35,613
- corporate	2,062	25,772	2,367	29,584
- advanced	1,393	17,408	1,718	21,467
- foundation	669	8,364	649	8,117
- institutions	244	3,054	255	3,195
- retail	121	1,512	125	1,562
- secured by immovable property collateral	6	73	7	83
- other retail	115	1,439	118	1,479
- other	58	723	102	1,272
Standardised	3,635	45,441	3,497	43,715
- central governments or central banks	5	56	5	67
- regional governments or local authorities	2	23	2	19
- public sector entities	–	–	–	–
- multilateral development banks	0	6	–	–
- international organisations	–	–	–	–
- institutions	1,251	15,641	1,279	15,986
- corporate	137	1,707	42	529
- retail	18	231	26	324
- secured by mortgages on immovable properties	210	2,626	212	2,646
- in default	3	38	3	43
- associated with particularly high risk	–	–	–	–
- covered bonds	–	–	0	0
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	2,007	25,089	1,925	24,065
- other items	2	24	3	36
Credit Value Adjustment Risk	16	195	13	156
Market risk	450	5,628	210	2,623
- trading book, Internal Approach	13	165	23	288
- trading book, Standardised Approach	–	–	–	–
- banking book, Standardised Approach	437	5,463	187	2,335
Operational risk	369	4,614	378	4,730
Standardised	369	4,614	378	4,730
Additional risk exposure amount, Article 3 CRR	8	102	16	195
Sub total	6,963	87,041	6,963	87,032
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	–	–	–	–
Total	6,963	87,041	6,963	87,032

P39. Capital adequacy, cont.

Leverage ratio

EURm	31 Dec 2016	31 Dec 2015
Tier 1 capital, transitional definition, EURm[1]	19,167	19,314
Leverage ratio exposure, EURm[2]	216,455	224,816
Leverage ratio, percentage[2]	8.9	8.6

1) Including profit of the period.
2) Figures have been restated for 2015.

More Capital Adequacy information can be found in the section "Risk, Liquidity and Capital Management".

Table A3 – Capital instruments' main features template – CET1

	Common equity Tier 1 capital	
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
	Coupons / dividends	
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument								
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
	Regulatory treatment								
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 162m	EUR 81m	EUR 943m	EUR 471m	EUR 234m	EUR 137m	EUR 519m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 162m	JPY 10,000m / EUR 81m	USD 1,000m / EUR 949m	USD 500m / EUR 474m	SEK 2,250m / EUR 236m	NOK 1,250m / EUR 138m	USD 550m / EUR 522m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	17 sep 04	04 mars 05	12 Oct 05	23 sep 14	23 sep 14	12 mars 15	12 mars 15	12 mars 15
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17 Sep 2009 In addition tax/ regulatory call 100 per cent of nominal amount	4 Mar 2035 In addition tax/ regulatory call 100 per cent of nominal amount	12 Oct 2035 In addition tax/ regulatory call 100 per cent of nominal amount	23 Sep 2019 In addition tax/ regulatory call 100 per cent of nominal amount	23 Sep 2024 In addition tax/ regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/ regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/ regulatory call 100 per cent of nominal amount	13 Sep 2021 In addition tax/ regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17 Mar and 17 Sep each year after first call date	4 Mar and 4 Sep each year after first call date	12 Apr and 12 Oct each year after first call date	23 Mar and 23 Sep each year after first call date	23 Mar and 23 Sep each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	13 Sep each year after first call date
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

Additional Tier 1 instrument									
18	Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per **annum, until first** call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed USD 3.84 per cent per **annum, until first** call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 5.50 per cent per annum, **until first call** date, thereafter **fixed 5-year mid** swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, **until first call** date, thereafter **fixed 5-year mid** swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, **until first call** date, thereafter **fixed 5-year mid** swap +3.244 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive **net profit of both** Issuer and Group	Fully discretionary, if a positive **net profit of both** Issuer and Group	Fully discretionary, if a positive **net profit of both** Issuer and Group	Fully discretionary, if a positive **net profit of both** Issuer and Group	Fully discretionary, if a positive **net profit of both** Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No
37	If yes, specify non-compliant features	**No specified** trigger level, dividend stopper	**No specified** trigger level, step-up, dividend stopper	**No specified** trigger level, step-up, dividend stopper	N/A	N/A	N/A	N/A	N/A

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

	Tier 2 instruments					
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	XS0743689993	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law
	Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 645m (64.5 per cent of Nominal amount, <5 yrs to maturity)	EUR 635m (84.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 1030m (82.4 per cent of Nominal amount, <5 yrs to maturity)	EUR 750m	EUR 942m
9	Nominal amount of instrument	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,186m	EUR 750m	USD 1,000m / EUR 949m
9a	Issue price	99.810 per cent	99.699 per cent	99.508 per cent	99.803 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	26 Mar 2010	29 Sep 2010	13 May 2011	15 Feb 2012	21 Sep 2012
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	26 Mar 2020	29 Mar 2021	13 May 2021	15 Feb 2022	21 Sep 2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	15 Feb 2017 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments						
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 178m	EUR 240m	EUR 122m	EUR 744m	EUR 991m
9	Nominal amount of instrument	SEK 1,700m / EUR 178m	SEK 2,300m / EUR 241m	JPY 15,000m / EUR 122m	EUR 750m	EUR 1,000m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent	99.391 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability - amortised cost
11	Original date of issuance	17 Sep 2015	17 Sep 2015	6 Oct 2015	10 Nov 2015	07 Sep 2016
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	17 Sep 2025	17 Sep 2025	6 Oct 2025	10 Nov 2025	07 Sep 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10 Nov 2020 In addition tax/regulatory call 100 per cent of nominal amount	07 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17 Mar, 17 Jun, 17 Sep and 17 Dec each year after first call date	17 Sep each year after first call date	N/A	10 Nov each year after first call date	7 Sep each year after first call date

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template– T2, cont.

Tier 2 instruments						
Coupons/dividends						
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4.50%	4.00%	4.875%	Fixed 4.625 per cent per annum (equivalent to Euro Swap Rate +3.15 per cent per annum) to call date, **thereafter reset fixed rate** to Euro Swap Rate +3.15 per cent per annum	4.250%
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont.

	Tier 2 instruments					
	Coupons/dividends					
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per **annum, until first call date, thereafter fixed 5-year** mid swap +1.5 per cent per annum	1.160%	Fixed 1.875 per cent per **annum, until first call date, thereafter fixed 5-year** mid swap +1.7 per cent per annum	Fixed 1.00 per cent per **annum, until first call date, thereafter fixed 5-year** mid swap +1.25 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No

P40. Classification of financial instruments

Assets

31 Dec 2016, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets, group/ associated undertakings and joint ventures	Total
Cash and balances with central banks	101	–	–	–	–	–	–	101
Treasury bills	30	–	3,873	–	–	2,680	–	6,583
Loans to credit institutions	88,375	–	0	–	–	–	–	88,375
Loans to the public	39,220	–	4,506	–	–	–	–	43,726
Interest-bearing securities	26	2	3,058	–	–	7,273	–	10,359
Shares	–	–	129	1	–	–	–	130
Derivatives	–	–	2,602	–	2,066	–	–	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	–	–	–	–	–	–	0
Investments in group undertakings	–	–	–	–	–	–	5,733	5,733
Investments in group undertakings being merged	–	–	–	–	–	–	14,368	14,368
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	12	12
Participating interest in other com-panies	–	–	–	1	–	–	–	1
Intangible assets	–	–	–	–	–	–	1,539	1,539
Properties and equipment	–	–	–	–	–	–	132	132
Deferred tax assets	–	–	–	–	–	–	22	22
Current tax assets	–	–	–	–	–	–	204	204
Other assets	199	–	1,286	–	–	–	3,075	4,560
Prepaid expenses and accrued income	665	–	–	–	–	–	84	749
Total	128,616	2	15,454	2	2,066	9,953	25 ,169	181,262

Liabilities

31 Dec 2016, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other finan-cial liabilities	Non-financial liabilities	Total
Deposits by credit institutions	256	–	–	20,118	–	20,374
Deposits and borrowings from the public	1,988	–	–	56,195	–	58,183
Debt securities in issue	–	–	–	63,162	–	63,162
Derivatives	2,551	–	1,061	–	–	3,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,008	–	1,008
Current tax liabilities	–	–	–	–	–	0
Other liabilities	2,172	–	–	319	788	3,279
Accrued expenses and prepaid income	–	–	–	212	458	670
Provisions	–	–	–	–	307	307
Retirement benefit liabilities	–	–	–	–	169	169
Subordinated liabilities	–	–	–	10,086	–	10,086
Total	6,967	–	1,061	151,100	1,722	160,850

P40. Classification of financial instruments, cont.

Assets

31 Dec 2015, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets, group/ associated undertakings and joint ventures	Total
Cash and balances with central banks	75	–	–	–	–	–	–	75
Treasury bills	32	–	3,999	–	–	2,874	–	6,905
Loans to credit institutions	90,005	–	4	0	–	–	–	90,009
Loans to the public	41,104	–	4,716	–	–	–	–	45,820
Interest-bearing securities	28	2	3,963	86	–	8,084	–	12,163
Shares	–	–	2,329	33	–	–	–	2,362
Derivatives	–	–	2,863	–	2,148	–	–	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1	–	–	–	–	–	–	1
Investments in group undertakings	–	–	–	–	–	–	4,601	4,601
Investments in group undertakings being merged	–	–	–	–	–	–	14,793	14,793
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	7	7
Participating interest in other companies	–	–	–	1	–	–	–	1
Intangible assets	–	–	–	–	–	–	1,091	1,091
Properties and equipment	–	–	–	–	–	–	138	138
Deferred tax assets	–	–	–	–	–	–	26	26
Current tax assets	–	–	–	–	–	–	3	3
Other assets	629	–	–	1,010	–	–	2,748	4,387
Prepaid expenses and accrued income	679	–	–	–	–	–	101	780
Total	132,553	2	17,874	1,130	2,148	10,958	23,508	188,173

Liabilities

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits by credit institutions	337	983	–	17,749	–	19,069
Deposits and borrowings from the public	1,014	683	–	59,346	–	61,043
Debt securities in issue	–	–	–	68,908	–	68,908
Derivatives	3,109	–	1,071	–	–	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,158	–	1,158
Current tax liabilities	–	–	–	–	34	34
Other liabilities	136	1,982	–	330	1,083	3,531
Accrued expenses and prepaid income	–	–	–	232	527	759
Provisions	–	–	–	–	301	301
Retirement benefit liabilities	–	–	–	–	159	159
Subordinated liabilities	–	–	–	8,951	–	8,951
Total	4,596	3,648	1,071	156,674	2,104	168,093

P40. Classification of financial instruments, cont.

Financial assets and liabilities designated at fair value through profit or loss

Changes in fair values of financial liabilities attributable to changes in credit risk

The funding of Markets operations is measured at fair value and classified into the category "Fair value through profit or loss". The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant.

Changes in fair values of financial assets attributable to changes in credit risk

The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

EURm	Carrying amount	Amount to be paid at maturity
2016		
Financial liabilities designated at fair value through profit or loss	–	–
2015		
Financial liabilities designated at fair value through profit or loss	3,648	3,648

P41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2016		31 Dec 2015	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	101	101	75	75
Treasury bills	6,583	6,583	6,905	6,905
Loans	132,101	132,178	135,830	136,258
Interest-bearing securities	10,359	10,359	12,163	12,163
Shares	130	130	2,362	2,362
Participating interest in other companies	1	1	1	1
Derivatives	4,668	4,668	5,011	5,011
Other assets	1,485	1,485	1,639	1,639
Prepaid expenses and accrued income	665	665	679	679
Total financial assets	**156,093**	**156,170**	**164,665**	**165,093**
Financial liabilities				
Deposits and debt instruments	152,813	153,112	159,129	159,080
Derivatives	3,612	3,612	4,180	4,180
Other liabilities	2,491	2,491	2,448	2,448
Accrued expenses and prepaid income	212	212	232	232
Total financial liabilities	**159,128**	**159,427**	**165,989**	**165,940**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 "Accounting policies" and the section "Determination of fair value items measured at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value". For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet", in Note G40.

P41. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2016, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	5,208	1,345	–	6,553
Loans to credit institutions	–	0	–	0
Loans to the public	–	4,506	–	4,506
Interest-bearing securities	6,072	4,104	155	10,331
Shares	130	–	0	130
Participating interest in other companies	–	–	1	1
Derivatives	2	4,653	13	4,668
Other assets	–	1,286	–	1,286
Total	11,412	15,894	169	27,475
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	256	–	256
Deposits and borrowings from the public	–	1,988	–	1,988
Derivatives	1	3,585	26	3,612
Other liabilities	–	2,172	0	2,172
Total	1	8,001	26	8,028

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

31 Dec 2015, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	2,613	4,260	–	6,873
Loans to credit institutions	–	4	–	4
Loans to the public	–	4,716	–	4,716
Interest-bearing securities	6,944	5,034	155	12,133
Shares	2,334	–	28	2,362
Participating interest in other companies	–	–	1	1
Derivatives	4	4,983	24	5,011
Other assets	–	1,010	–	1,010
Total	11,895	20,007	208	32,110
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	1,320	–	1,320
Deposits and borrowings from the public	–	1,697	–	1,697
Derivatives	7	4,150	23	4,180
Other liabilities	–	2,118	–	2,118
Total	7	9,285	23	9,315

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

For determination of fair values for items measured at fair value on the balance sheet, see Note G40 "Assets and liabilities at fair value".

Transfers between Level 1 and 2

No transfers between Level 1 and 2 have occurred during this year or 2015. Transfers between levels are considered to have occurred at the end of the year.

P41. Assets and liabilities at fair value, cont.

Movements in Level 3

31 Dec 2016, EURm	1 Jan 2016	Sales	Transfers into level 3	31 Dec 2016
Interest-bearing securities	155	–	–	155
Shares	28	–28	–	0
Participating interest in other companies	1	–	–	1
Derivatives (net)	1	–	–14	–13

During the year Nordea Bank AB transferred derivatives (net) of EUR –14m into Level 3. The reason for the transfer into Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in Note P5 "Net result from items at fair value" (see Note P5 Net result from items at fair value).

Movements in Level 3

31 Dec 2015, EURm	1 Jan 2015	Purchases	Transfers into level 3	Transfers out of level 3	31 Dec 2015
Interest-bearing securities	155	–	–	–	155
Shares	28	–	–	–	28
Participating interest in other companies	1	–	–	–	1
Derivatives (net)	8	–1	–1	–5	1

During the year Nordea Bank AB transferred derivatives (net) of EUR –5m out of Level 3 and EUR –1m into Level 3. The reason for the transfer from Level 3 was that observable market data became available. The reason for the transfer to Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in Note 5 "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3.

Financial instruments

For information about the valuation processes, see Note G40 "Assets and liabilities at fair value"

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2016, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	155	Discounted cash flows	Credit spread	+/–0
Participating interest in other companies				
Unlisted shares	1	Net asset value	–	+/–0
Derivatives				
Interest rate derivatives	–13	Option model	Corrections, Volatilities	–3/+3

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities held at fair value".

P41. Assets and liabilities at fair value, cont.

31 Dec 2015, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	155	Discounted cash flows	Credit spread	+/–0
Shares				
Unlisted shares	28	Net asset value	–	+/–0
Participating interest in other companies				
Unlisted shares	1	Net asset value	–	+/–0
Derivatives				
Interest rate derivatives	1	Option model	Corrections, Volatilities	+/–0

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities held at fair value".

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2016		31 Dec 2015		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	101	101	75	75	3
Treasury bills [1,2]	30	30	32	32	3
Loans	127,595	127,672	131,110	131,538	3
Interest-bearing securities[2]	28	28	30	30	1,2,3
Other assets	199	199	629	629	3
Prepaid expenses and accrued income	665	665	679	679	3
Total	**128,618**	**128,695**	**132,555**	**132,983**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	150,569	150,868	156,112	156,063	3
Other liabilities	319	319	330	330	3
Accrued expenses and prepaid income	212	212	232	232	3
Total	**151,100**	**151,399**	**156,674**	**156,625**	

1) The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

2) The fair value of Treasury bills and Interest-bearing securities is EUR 58m (EUR 62m), of which EUR 2m (EUR 2m) is categorised in level 1 and EUR 0m (EUR 0m) in level 2 and EUR 56m (EUR 60m) in level 3 of the fair value hierarchy.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities held at fair value".

P42. Financial instruments set off on balance or subject to netting agreements

31 Dec 2016, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	9,289	–4,666	4,623	–1,486	–	–1,790	1,347
Securities borrowing agreements	4,505	–	4,505	–	–4,505	–	0
Total	13,794	–4,666	9,128	–1,486	–4,505	–1,790	1,347

31 Dec 2016, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	8,214	–4,666	3,548	–1,486	–	–94	1,968
Securities lending agreements	2,244	–	2,244	–	–2,244	–	0
Total	10,458	–4,666	5,792	–1,486	–2,244	–94	1,968

31 Dec 2015, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	4,696	–320	4,376	–2,111	–	–1,854	411
Securities borrowing agreements	4,718	–	4,718	–	–4,718	–	0
Total	9,414	–320	9,094	–2,111	–4,718	–1,854	411

31 Dec 2015, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	4,289	–320	3,969	–2,111	–	–130	1,728
Securities lending agreements	1,351	–	1,351	–	–1,351	–	0
Total	5,640	–320	5,320	–2,111	–1,351	–130	1,728

1) All amounts are measured at fair value.

2) Securities borrowing agreements are on the balance sheet classified as "Loans to credit institutions" or "Loans to the public". Securities lending agreements are on the balance sheet classified as "Deposits by credit institution" or as "Deposits and borrowings from the public".

For more information about master netting arrangements and similar agreements see section "Enforcable master netting arrangements and similar agreements" in Note G41 "Financial instruments set off on balance or subject to netting agreements".

P43. Disposal group held for sale

Balance sheet - Condensed[1]

EURm	31 Dec 2016
Assets	
Loans to credit institutions	818
Loans to the public	6,589
Other assets	295
Total assets held for sale	**7,702**
Liabilities	
Deposits by credit institutions	4,308
Deposits and borrowings from the public	4,783
Other liabilities	121
Total liabilities held for sale	**9,212**

1) Includes the external assets and liabilities held for sale. The external funding of the Baltic operations that will remain subsequent to the transaction is not included.

Assets and liabilities held for sale relate to Nordea's earlier announced decision to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities will be derecognised in Nordea and instead an investment in an associated company will be recognised. The transaction is expected to be completed around Q2 2017 and is subject to regulatory approvals.

P44. Assets and liabilities in foreign currencies

31 Dec 2016, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	65.7	56.5	2.6	2.0	32.1	22.4	181.3
Total liabilities	44.4	53.3	4.0	1.7	35.0	22.4	160.8

31 Dec 2015, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	58.6	55.3	6.4	2.2	37.0	28.7	188.2
Total liabilities	37.9	55.9	6.4	2.2	37.0	28.7	168.1

P45. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions results in the securities are returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterpart in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2016	31 Dec 2015
Securities borrowing agreements		
Received collaterals which can be repledged or sold	4,505	4,718
- of which repledged or sold	4,505	4,718

P46. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2016 Expected to be recovered or settled:			31 Dec 2015 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		101	–	101	75	–	75
Treasury bills	P14	3,438	3,145	6,583	3,295	3,610	6,905
Loans to credit institutions	P15	61,362	27,013	88,375	60,125	29,884	90,009
Loans to the public	P15	13,973	29,753	43,726	37,993	7,827	45,820
Interest-bearing securities	P16	1,339	9,020	10,359	2,165	9,998	12,163
Shares	P17	1	129	130	2,330	32	2,362
Derivatives	P18	804	3,864	4,668	994	4,017	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0	–	0	0	1	1
Investments in group undertakings	P19	–	5,733	5,733	30	4,571	4,601
Investments in group undertakings being merged	P20	14,368	–	14,368	14,793	–	14,793
Investments in associated undertakings and joint ventures	P21	–	12	12	–	7	7
Participating interest in other companies		–	1	1	–	1	1
Intangible assets	P22	–	1,539	1,539	–	1,091	1,091
Properties and equipment	P23	–	132	132	–	138	138
Deferred tax assets	P13	4	18	22	20	6	26
Current tax assets		204	–	204	3	–	3
Other assets	P24	4,560	–	4,560	4,387	–	4,387
Prepaid expenses and accrued income	P25	404	345	749	412	368	780
Total assets		100,558	80,704	181,262	126,622	61,551	188,173
Deposits by credit institutions	P26	13,240	7,134	20,374	12,693	6,376	19,069
Deposits and borrowings from the public	P27	58,099	84	58,183	60,367	676	61,043
Debt securities in issue	P28	34,450	28,712	63,162	32,726	36,182	68,908
Derivatives	P18	1,154	2,458	3,612	1,151	3,029	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,008	–	1,008	296	862	1,158
Current tax liabilities		–	0	0	34	–	34
Other liabilities	P29	3,113	166	3,279	3,531	–	3,531
Accrued expenses and prepaid income	P30	670	–	670	759	–	759
Provisions	P31	295	12	307	299	2	301
Retirement benefit liabilities	P32	6	163	169	8	151	159
Subordinated liabilities	P33	1,590	8,496	10,086	642	8,309	8,951
Total liabilities		113,625	47,225	160,850	112,506	55,587	168,093

P46. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2016, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	3,058	430	2,966	269	6,723
Loans to credit institutions	4,490	52,181	11,389	18,616	2,427	89,103
Loans to the public	975	12,271	5,951	22,542	5,170	46,909
Interest-bearing securities	–	360	1,330	9,092	1,003	11,785
Other	–	5,163	–	–	22,466	27,629
Total financial assets	5,465	73,033	19,100	53,216	31,335	182,149
Deposits by credit institutions	4,113	6,870	2,409	6,684	379	20,455
Deposits and borrowings from the public	51,280	5,544	1,278	86	–	58,188
- of which Deposits	51,280	4,632	1,278	86	–	57,276
- of which Borrowings	–	912	–	–	–	912
Debt securities in issue	–	23,493	12,791	31,713	9,362	77,359
- of which Debt securities in issue	–	22,556	12,604	23,672	6,760	65,592
- of which Other	–	937	187	8,041	2,602	11,767
Other	–	5,235	–	–	216	5,451
Total financial liabilities	55,393	41,142	16,478	38,483	9,957	161,453
Derivatives, cash inflow	–	74,164	10,408	13,892	5,357	103,821
Derivatives, cash outflow	–	73,505	10,254	10,790	4,700	99,249
Net exposure	–	659	154	3,102	657	4,572
Exposure	−49,928	32,550	2,776	17,835	22,035	25,268
Cumulative exposure	−49,928	−17,378	−14,602	3,233	25,268	–

31 Dec 2015, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	96	1,823	4,786	407	7,112
Loans to credit institutions	3,456	50,765	14,488	18,984	3,378	91,071
Loans to the public	1,138	13,205	6,059	19,836	9,202	49,440
Interest-bearing securities	–	2,338	1,666	9,084	834	13,922
Other	–	33,443	–	–	–	33,443
Total financial assets	4,594	99,847	24,036	52,690	13,821	194,988
Deposits by credit institutions	3,243	8,866	2,258	4,385	405	19,157
Deposits and borrowings from the public	52,019	7,137	1,633	270	1	61,060
- of which Deposits	52,019	6,123	1,633	270	1	60,046
- of which Borrowings	–	1,014	–	–	–	1,014
Debt securities in issue	–	25,506	11,752	32,648	12,419	82,325
- of which Debt securities in issue	–	25,332	11,580	27,180	7,278	71,370
- of which Other	–	174	172	5,468	5,141	10,955
Other	–	30,486	–	–	–	30,486
Total financial liabilities	55,262	71,995	15,643	37,303	12,825	193,028
Derivatives, cash inflow	–	68,574	8,698	14,606	5,603	97,481
Derivatives, cash outflow	–	68,234	8,096	12,160	4,690	93,180
Net exposure	–	340	602	2,446	913	4,301
Exposure	−50,668	28,192	8,995	17,833	1,909	6,261
Cumulative exposure	−50,668	−22,476	−13,481	4,352	6,261	–

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 26,993m (EUR 27,927m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 71,965m (EUR 72,402m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

P47. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note G1 "Accounting policies", section 26 and Note G45 "Related-party transactions".

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Assets						
Loans and receivables	86,819	85,865	317	333	–	–
Interest-bearing securities	–	87	–	–	–	–
Derivatives	1,577	1,780	4	–	–	–
Investments in group undertakings	20,101	19,394	–	–	–	–
Other assets	704	914	–	–	–	–
Prepaid expenses and accrued income	509	579	–	–	–	–
Total assets	**109,710**	**108,619**	**321**	**333**	**–**	**–**
Liabilities						
Deposits	14,790	13,052	2	3	8	43
Debt securities in issue	54	111	–	–	–	–
Derivatives	2,433	2,798	–	5	–	–
Other liabilities	0	2	–	–	–	–
Accrued expenses and deferred income	23	286	–	–	–	–
Subordinated liabilities	19	12	–	–	–	–
Total liabilities	**17,319**	**16,261**	**2**	**8**	**8**	**43**
Off balance[1]	**68,197**	**70,814**	**1,763**	**1,668**	**–**	**–**

1) Including guarantees to Nordea Bank Finland Plc, see Note P37 "Contingent liabilities" as well as nominal values on derivatives in associated undertakings.

	Group undertakings		Associated undertakings		Other related parties	
EURm	2016	2015	2016	2015	2016	2015
Net interest income and expenses	–168	–26	1	1	0	0
Net fee and commission income	396	399	1	0	–	–
Net result from items at fair value	–161	–229	5	–3	–	–
Other operating income	708	748	–	–	–	–
Total operating expenses	–146	–565	–	0	–	–
Profit before loan losses	**629**	**327**	**7**	**–2**	**0**	**0**

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Nordea Bank AB (publ) takes part in a guarantee consortium to support Norwegian Eksportfinans ASA. For further information, see Note G45 "Related-party transactions".

P48. Proposed distribution of earnings

According to the balance sheet, the following amount is available for distribution by the Annual General Meeting:

EUR	
Share premium reserve	1,079,925,521
Retained earnings	9,049,852,113
Other free funds	2,762,284,828
Net profit for the year	2,899,588,070
Total	**15,791,650,532**

The Board of Directors proposes that these earnings are distributed as follows:

EUR	
Dividends paid to shareholders, EUR 0.65 per share	2,625,368,991
To be carried forward to:	
- share premium reserve	1,079,925,521
- retained earnings	9,324,071,192
- other free funds	2,762,284,828
Total	**15,791,650,532**

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's and the Group's need for consolidation, liquidity and financial position in general.

Signing of the Annual Report

The Board of Directors and the President and Group CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS/IAS) referred to in the European parliament and councils' regulation (EC) 1606/2002, from 19 July 2002, on application of International Accounting Standards. They give a true and fair view of the Group's and the Company's financial position and result. The Board of Directors' Report for the Group and the Company gives a true and fair overview of the development of the operations, financial position and result of the Group and the Company and describes the material risks and uncertainties that the Company and the Group companies are facing.

3 February 2017

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Tom Knutzen
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member[1]

Lars G Nordström
Board member

Gerhard Olsson
Board member[1]

Hans Christian Riise
Board member[1]

Sarah Russell
Board member

Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Casper von Koskull
President and Group CEO

Our audit report was submitted on 13 February 2017

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

1) Employee representative.

Auditor's report

To the Annual general meeting of the shareholders of Nordea Bank AB (publ), corporate identity number 516406-0120

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nordea Bank AB (publ) for the year 2016, with the exception of the Corporate Governance report on pages 59–65. The annual accounts and consolidated accounts of the company are included on pages 35–225 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Security Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Security Companies. Our opinions do not include the Corporate Governance report on pages 59–65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The Nordea Group has centralised group functions combined with global processes per business area. We have organised the audit work by having our central team carry out the testing of centralised systems and processes whereby local auditors carry out the audit of systems and processes in each business area and legal entity.

Full scope audit is performed at entities with high significance and risk to the group. The procedures applied generally include an assessment and testing of controls over key business processes, analytical procedures of individual account balances, tests of accounting records through inspection, observation or confirmation, and obtaining corroborating evidential matter in response to inquiries.

For some entities, even though not considered to have high significance or risk, it is required from a group audit perspective to obtain assurance on certain accounting areas. In these cases, local audit teams are instructed to perform certain procedures and report back to us. The procedures applied generally include a detailed analytical review, reconciliation to underlying sub-ledgers, substantive testing for specific processes, areas and accounts, discussion with management regarding accounting, tax and internal control as well as follow-ups on known issues from previous periods.

Our audit is carried out continuously during the year. In December, we reported to the Board Audit Committee our interim audit regarding internal control and management's administration. At year end, we reported our final observations to the Board Audit Committee as well to the full Board of Directors. We have also performed a limited review of the interim report as of 30 June 2016.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

In the table on page 229 we set out how we tailored our audit for these key audit matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment of loans to customers	
Accounting for impairment of loans to customers require management's judgment over timing of recognition of impairment and the size of any such impairment allowance. Nordea makes allowances for incurred credit losses both on an individual and on a collective basis. Important areas of impairment of loans to customers relate to: • Identification of impaired loans including completeness of the customer accounts that are included in the impairment calculation • Assumptions and estimates made by management underlying the calculation of individual and collective impairment allowances. Examples of these relate to the probability to default and loss given default calculations. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G10 – Net loan losses and Note G13 – Loans and impairment	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. We assessed and tested the design and operating effectiveness of the controls over: • rating and scoring of customers • individually assessed loan impairment calculations • collectively assessed loan impairment calculations We performed detailed testing on a sample of loans to ascertain whether we concur with the risk assessment as expressed by the internal rating or scoring. We had a special focus on loans to customers in the shipping, oil and offshore services. We tested impairment calculations on a sample of significant impaired loans including assessment of expected future cash flow. In addition, we examined a sample of loans and advances which had not been identified by management as impaired. We also assessed the appropriateness of relevant parameters in the collective impairment models.
Valuation of certain Level II and III financial instruments held at fair value	
The valuation of Level II and III financial instruments utilise unobservable inputs for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework & policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Levelling and disclosures of financial instruments Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G18 – Derivatives and Hedge accounting, Note G39 – Classification of financial statements and Note G40 – Assets and liabilities at fair value.	In our audit, we assessed and tested the design and operating effectiveness of the controls over • the identification, measurement and oversight of valuation of financial instruments • fair value hierarchy, fair value adjustments and independent price verification • model control & governance We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Group's governance and reporting processes and controls. For the valuations dependent on unobservable inputs or which involve a higher degree of judgement, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions. In respect of fair value adjustments, specifically CVA, DVA and FFVA for derivatives we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence.
Actuarial assumptions related to the Life business	
Technical provisions have a material impact on the financial statements. Some of the economic and non-economic actuarial assumptions used in valuing insurance contracts are by nature judgmental. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and Note G27 – Liabilities to policyholders	In our audit, we assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business. Our audit also included assessments of actuarial reports, assumptions used in calculations as well as the actuarial change analysis. The audit was carried out involving PwC actuaries.
Provisions for uncertain tax positions	
The Group is subject to taxation in many jurisdictions and in certain cases the ultimate tax treatment is not determined until resolved with the relevant tax authority. Consequently, recognition and calculation of taxation requires judgment due to the uncertainty underlying its future outcome. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and G11 – Taxes	We gained an understanding over the Group's internal processes for determining uncertain tax provisions. Our tax specialists examined the correspondence between the Group and the relevant tax authorities. On a sample basis, we examined and tested significant matters in dispute and the provisions made by management as well as significant tax calculations.
IT systems supporting processes over financial reporting	
The Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that the IT general controls are designed and operates effectively.	For relevant IT systems and controls relating to financial reporting we assessed and tested the design and operating effectiveness. We examined the framework of governance over the Group's IT organisation and the controls over program development and changes, access to program and data and IT operations. • for logical access to program and data, audit activities included testing that new access, removal of access rights and that access rights were periodically monitored for appropriateness. • other areas tested included security configurations, controls over changes to IT-systems including appropriate segregation of duties.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4–34. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act of Credit Institutions and Security companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Board Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordea Bank AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect;

- has undertaken any action or been guilty of any omission which can give rise to liability to the company; or
- in any other way has acted in contravention of the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Security Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Banking and Financing Business Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Banking and Financing Business Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Stockholm, 13 February 2017

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

Board of Directors

Björn Wahlroos

Marie Ehrling

Tom Knutzen

Robin Lawther

Lars G Nordström

Sarah Russell

Silvija Seres

Kari Stadigh

Björn Wahlroos, *Chairman*

Ph.D (Economics), 1979. Board member since 2008 and Chairman since 2011. Born 1952. *Nationality:* Finnish. Board Chairman of Sampo plc and UPM-Kymmene Corporation.
Other assignments: Board Chairman of Hanken School of Economics. Board member of several charities, including the Finnish Business and Policy Forum EVA/ETLA and the Mannerheim Foundation.

Previous positions:

2001–2009	Group CEO and President of Sampo plc.
2005–2007	Chairman of Sampo Bank plc.
1998–2000	Chairman and CEO of Mandatum Bank plc.
1992–1997	President of Mandatum & Co Ltd.
1985–1992	Various positions with Union Bank of Finland including executive vice president and member of the executive committee 1989–1992.
1974–1985	Various academic positions, including Professor of Economics at Hanken School of Economics and visiting professor at Brown University and Kellogg Graduate School of Management, Northwestern University.

Shareholding in Nordea: 100,000.[1]

Marie Ehrling, *Vice Chairman*

BSc (Economics). Board member since 2007 and Vice Chairman since 2011. Born 1955. *Nationality:* Swedish. Board Chairman of Telia Company AB (publ) and Securitas AB (publ).
Vice Chairman of Axel Johnson AB.
Other assignments: Chairman of the Advisory Board of Stockholm School of Economics. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

Previous positions:

2003–2006	CEO TeliaSonera Sverige AB.
1982–2002	Deputy CEO SAS Group, Head of SAS Airline and other executive positions within the SAS group.
1980–1982	Information officer at the Ministry of Finance.
1979–1980	Information officer at the Ministry of Education.
1977–1979	Financial analyst at Fourth Swedish National Pension Fund.

Shareholding in Nordea: 3,075.[1]

Tom Knutzen

MSc (Economics). Board member since 2007. Born 1962. *Nationality:* Danish. CEO Jungbunzlauer Suisse AG and Board Chairman of several group companies. Board member of FLSmidth & Co A/S.

Previous positions:

2006–2011	CEO Danisco A/S.
2000–2006	CEO NKT Holding A/S.
1996–2000	CFO NKT Holding A/S.
1988–1996	Various positions within Niro A/S.
1985–1988	Various positions within Fællesbanken.

Shareholding in Nordea: 75,000.[1]

Robin Lawther

BA Honours (Economics) and MSc (Accounting & Finance).
Board member since 2014. Born 1961. *Nationality:* American and British.
Board member of Oras Invest Ltd
Other assignments: Board member of UK Government Investments Limited.

Previous positions:

1985–2012	Various positions within J.P. Morgan.
2011–2012	Head, Wealth Management for Southeast, USA.
2007–2011	Head, Nordic Investment Bank, UK.
2005–2007	Head, Mergers & Acquisitions Execution, European Financial Institutions, UK.
2003–2005	Head, Commercial Banking Group, UK.
1994–2005	Managing Director, Financial Institutions Investment Banking, UK.
1990–1994	Vice President, Mergers & Acquisitions, UK.
1985–1990	International Capital Markets, USA.

Shareholding in Nordea: 50,000.[1]

Lars G Nordström

Law studies at Uppsala University. Board member since 2003. Born 1943. *Nationality:* Swedish. Board Chairman of Vattenfall AB. Board member of Viking Line Abp.
Other assignments: Board Chairman of the Finnish-Swedish Chamber of Commerce. Board member of the Swedish-American Chamber of Commerce and the Centre for Business and Policy Studies (SNS). Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Honorary Consul of Finland in Sweden.

Previous positions:

2008–2011	President and Group CEO of Posten Norden AB.
2006–2010	Board member of TeliaSonera AB.
2005–2009	Board Chairman of the Royal Swedish Opera.
2002–2007	President and Group CEO of Nordea Bank AB.
1993–2002	Various executive management positions within Nordea Group.
1970–1993	Various positions within Skandinaviska Enskilda Banken (Executive Vice President from 1989).

Shareholding in Nordea: 23,250.[1]

Sarah Russell

Master of Applied Finance. Board member since 2010. Born 1962. *Nationality:* Australian. CEO Aegon Asset Management Holdings NV and Board member of several group companies. Vice chairman of the Supervisory Board of La Banque Postale Asset Management SA.
Other assignments: Member of the Supervisory Board of Nederlandse Investeringsinstelling NV.

Previous positions:

1994–2008	Various executive management positions within ABN AMRO, including Senior Executive Vice President and CEO of ABN AMRO Asset Management 2006–2008.
1981–1994	Various management and other positions in Financial Markets within Toronto Dominion Australia Ltd.

Shareholding in Nordea: 0.[1]


Birger Steen


Kari Ahola


Toni H. Madsen


Gerhard Olsson


Hans Christian Riise

Silvija Seres

MBA, Ph.D (Mathematical science) and MSc (Computer Science).
Board member since 2015. Born 1970. *Nationality:* Norwegian.
Board member of Enoro Holding AS, Academedia AB, Syncron AB and Eidsiva Energi AS.
Other assignments: Board member of Norsk rikskringkasting AS (NRK), Oslo Business Region AS, Simula Research Laboratory AS, Transparency International Norge, Seema AS and the Kavli Trust. Chairman of the Board of Polyteknisk Forening.
Member of the Corporate Assembly (Nor. Bedriftsforsamlingen) and the Nomination Committee of Telenor ASA.

Previous positions:

2011–2016	Managing director of TechnoRocks AS.
2008–2011	Director of Business Management at Microsoft Development Center, Norway.
2004–2008	Vice President for Services Strategic Development, Product Marketing and Strategic Development at Fast Search & Transfer ASA.
1997–2003	Prize Fellow, Tutor and Lecturer at University of Oxford, the UK.
2003	Visiting Researcher at the Chinese Academy of Sciences in Beijing, China.
2002	Assistant Professor and Programme Manager at Dar Al Hekma University in Jeddah, Saudi Arabia.
1999	Visiting Researcher at DEC/Compaq Systems Research Center in Palo Alto, USA.
1996–1997	Scientific Researcher at Norwegian Computing Centre
1994–1996	IT developer at Skrivervik Data.

Shareholding in Nordea: 0.[1]

Kari Stadigh

Master of Science (Engineering) and Bachelor of Business Administration.
Board member since 2010. Born 1955. *Nationality:* Finnish.
Group CEO and President of Sampo plc. Board Chairman of If P&C Insurance Holding Ltd and Mandatum Life Insurance Company Limited.
Board member of Nokia Corporation and Waypoint Group Holding Ltd.
Other assignments: Board member of The Federation of Finnish Financial Services and Niilo Helander Foundation.

Previous positions:

2001–2009	Deputy CEO of Sampo plc.
1999–2000	President of Sampo Life Insurance Company Ltd.
1996–1998	President of Nova Life Insurance Company Ltd.
1991–1996	President of Jaakko Pöyry Group.
1985–1991	President of JP Finance Oy.

Shareholding in Nordea: 100,000.[1]

Birger Steen

MSc (Computer Science) and MBA. Board member since 2015.
Born 1966. *Nationality:* Norwegian. CEO of Parallels, Inc.
Board member of *Schibsted ASA*
Other assignments: Member of the Board of Trustees of the Nordic Heritage Museum in Seattle.

Previous positions:

2009–2010	Vice President of Worldwide SMB & Distribution at Microsoft Corporation.
2004–2009	General Manager of Microsoft Russia.
2002–2004	General Manager of Microsoft Norge.
2000–2002	CEO of Scandinavia Online AS.
1996–1999	Vice President of Business Development of Schibsted ASA.
1993–1996	Consultant of McKinsey & Company.
1992–1993	Oil Trader at Norwegian Oil Trading AS.

Shareholding in Nordea: 0.[1]

Employee representatives

Kari Ahola

Board member since 2006. Born 1960.
Shareholding in Nordea: 0.[1]

Toni H. Madsen

Board member since 2013. Born 1959.
Shareholding in Nordea: 3,299.[1]

Gerhard Olsson

Board member since 1 October 2016. Born 1978.
Shareholding in Nordea: 0.[1]

Hans Christian Riise

Board member since 2013. Born 1961.
Shareholding in Nordea: 0.[1]

1) Shareholdings, as of 31 December 2016, also include shares held by family members and closely affiliated legal entities.

Group Executive Management

Group Executive Management, from left to right: Snorre Storset, Karen Tobiasen, Matthew Elderfield, Erik Ekman, Julie Galbo, Heikki Ilkka, Casper von Koskull, Martin Persson, Topi Manner and Torsten Hagen Jørgensen.

Casper von Koskull

President and Group CEO since 2015.
Born 1960.
Member of Group Executive Management 2010.
Shareholding in Nordea: 238,758.[1]

Previous positions:

2010–2015	Head of Wholesale Banking Nordea Bank AB.
1998–2010	Managing Director and Partner of Goldman Sachs International in London, Head of Nordic Investment Banking.
1994–1998	Managing Director, Nordic Investment Banking, UBS London.
1992–1994	Head of Derivatives Marketing and Structuring for German Corporate Cilents, Citibank, Frankfurt.
1990–1992	Vice President Leverage Finance, Citibank, New York.
1987–1990	Vice President Nordic Coverage Citicorp Investment Bank, Ltd, London.
1984–1987	Account Manager, Citibank, Helsinki.

Torsten Hagen Jørgensen

Group COO and Deputy Group CEO since 2015
Born 1965.
Member of Group Executive Management 2011.
Shareholding in Nordea: 111,722.[1]

Martin Persson

Executive Vice President, Head of Wholesale Banking.
Born 1975.
Member of Group Executive Management 2016.
Shareholding in Nordea: 0.[1]

Heikki Ilkka

Executive Vice-President, Group CFO, Head of Group Finance and Business Control.
Born 1970.
Member of Group Executive Management 2016.
Shareholding in Nordea: 0.[1]

Erik Ekman

Executive Vice President, Head of Commercial and Business Banking.
Born 1969.
Member of Group Executive Management 2015.
Shareholding in Nordea: 0.[1]

Topi Manner

Executive Vice President, Head of Personal Banking.
Born 1974.
Member of Group Executive Management 2016.
Shareholding in Nordea: 49,671.[1]

Julie Galbo

Chief Risk Officer, Head of Group Risk Management and Control.
Born 1971.
Member of Group Executive Management 2017.
Shareholding in Nordea: 0.[1]

Matthew Elderfield

Group Compliance Officer and Head of Group Compliance.
Born 1966.
Member of Group Executive Management 2016.
Shareholding in Nordea: 26,360.[1]

Snorre Storset

Executive Vice President, Head of Wealth Management.
Born 1972.
Member of Group Executive Management 2015.
Shareholding in Nordea: 12,300.[1]

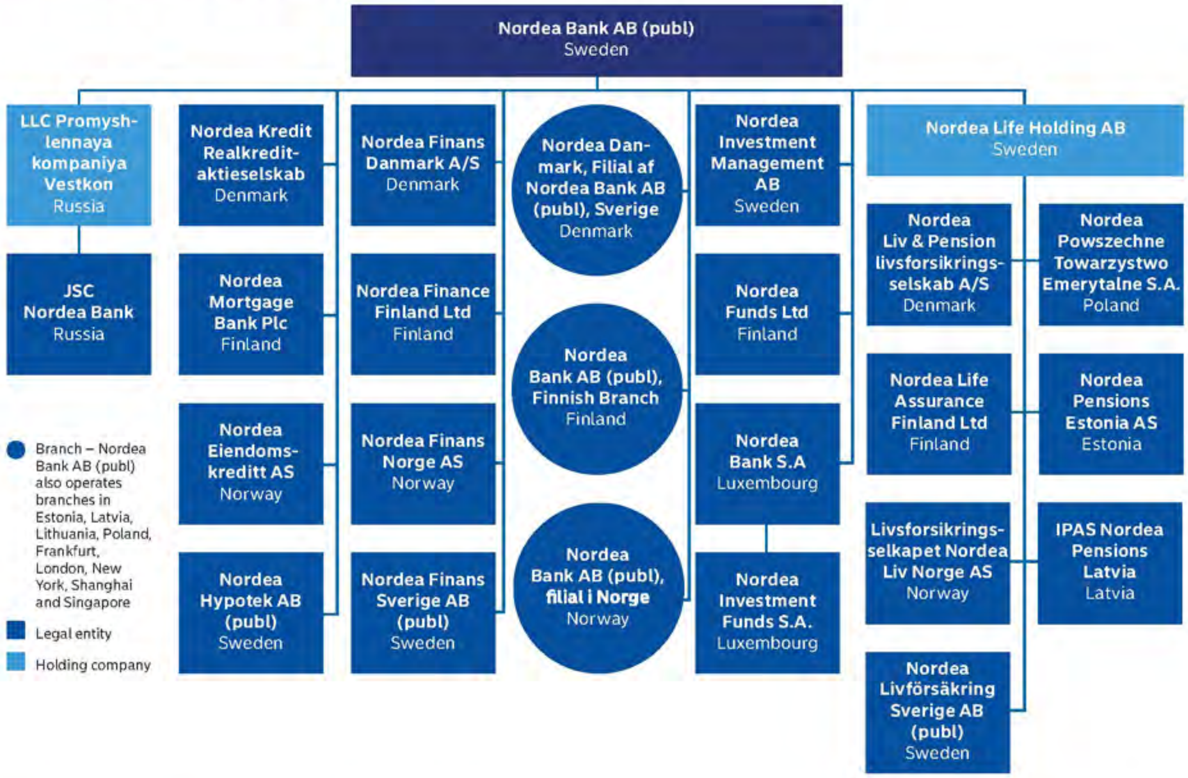
Karen Tobiasen

Chief People Officer
Born 1965.
Member of Group Executive Management 2016.
Shareholding in Nordea: 0.[1]

1) Shareholdings, as of 31 December 2016, also include shares held by family members and closely affiliated legal entities.

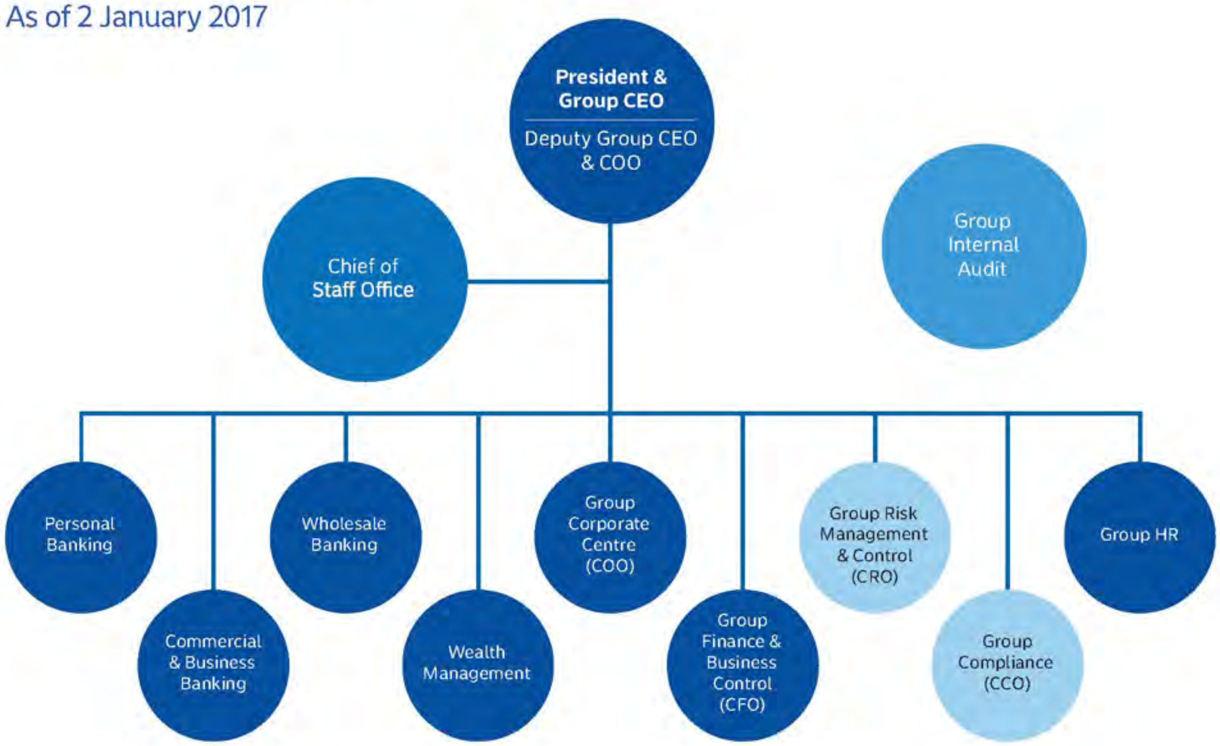
Legal structure

Main legal structure as of 2 January 2017



Group Organisation

As of 2 January 2017



Annual General Meeting 16 March 2017

Nordea's Annual General Meeting (AGM) 2017 will be held on Thursday 16 March at 13.00 CET at Stockholm City Conference Centre, Folkets Hus, Barnhusgatan 12–14, Stockholm.

Notification of participation, etc.

Shareholders who wish to participate in the AGM shall be entered in the share register maintained by the Swedish Securities Register Center (Euroclear Sweden AB) not later than 10 March 2017 and notify Nordea. Shareholders whose shares are held in custody must therefore temporarily re-register their shares in their own names with Euroclear Sweden AB in order to be able to participate. This applies for example to holders of Finnish Depositary Receipts in Finland and holders of shares registered in VP Securities in Denmark. Such re-registration must be effected in Euroclear Sweden AB in Sweden on 10 March 2017. This means that the shareholder in good time prior to this date must inform the trustee about this.

Shareholders registered in Euroclear Sweden AB in Sweden

Notification of participation in the AGM must be made to Nordea Bank AB (publ) at the latest on 10 March 2017 preferably before 13.00 Swedish time at the following address: Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's website www.nordea.com.

Holders of Finnish Depositary Receipts (FDR) in Finland

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 9 March 2017 at 12.00 noon Finnish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's website www.nordea.com.

Shareholders registered in VP Securities in Denmark

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 9 March 2017 at 12.00 noon Danish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's website www.nordea.com.

Financial calendar

Financial calendar 2017

Annual General Meeting	16 March
Ex-dividend date	17 March
Record date	20 March
Dividend payments	27 March
1st quarter results	27 April
2nd quarter results	20 July
3rd quarter results	26 October

Contacts

Torsten Hagen Jørgensen,
Group COO and Deputy Group CEO
Phone: +46 8 614 78 00

Investor Relations

Rodney Alfvén, Head of Investor Relations
Ylva Andersson
Carolina Brikho
Michel Karimunda
Andreas Larsson
Pawel Wyszynski

SE-105 71 Stockholm, Sweden
Phone: +46 10 156 2962

Website

All reports and press releases are available on the Internet at: www.nordea.com. Financial reports published by the Nordea Group may be ordered on the website and via Investor Relations.

Nordea's report on Capital and risk management, in accordance with the Pillar III disclosure requirements according to the EU Capital Requirements Regulation, is presented on www.nordea.com.

The Annual Report 2016

This Annual Report covers Nordea Bank AB (publ) and pertains to the operations of the Nordea Group, whose main legal structure is presented on page 235. The original annual report is in Swedish. This is an English version thereof. A Swedish version may be obtained upon request.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).

Design: Bold | Layout and production: Åkesson & Curry

Photo: Dan Coleman, Poul Pedersen and Lana Wagner Plant | Print: Hylte Tryck AB, 2017

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Nordea Bank AB (publ)
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Nordea

Capital and Risk Management Report 2016

Provided by Nordea Bank AB on the basis of its consolidated situation

Executive summary

2016 was probably the most eventful year in the history of Nordea. Continued negative interest rates, regulatory uncertainty and digital transformation were in focus for the banking sector, alongside with unexpected political events and geopolitical uncertainties. Sweden continued to show strong growth, Finland came back to a growth path, Denmark showed a better growth rate and Norway was experiencing a slowdown of growth.

Nordea has delivered robust results, with EUR 4.4bn operating profit, solid credit quality and return on equity of 11.5%, despite a challenging environment. Nordea is confident and well-prepared for the future in light of strong and stable profitability, solid quality in its well-diversified credit portfolio, a strong capital position and a diversified funding base.

Key ratios

Common equity Tier 1 (CET1) capital ratio

18.4%

CET1 capital ratio increased by 1.90 percentage points mainly due to strong profit generation.

Total capital ratio

24.7%

Issuance of Tier 2 instrument added EUR 1bn to own funds.

Net loan loss ratio

15bps

Net loan loss ratio remained largely stable through the period at 15bps

Credit risk exposure change

0.3%

Credit risk exposure stayed largely stable at EUR 499bn.

Liquidity coverage ratio

159%

Group LCR was solid at 159% in 2016.

Mergers of subsidiary banks into the parent company finalised 2 January 2017

On 2 January 2017, the cross border mergers between Nordea Bank AB (publ) and its subsidiary banks in Denmark, Finland and Norway were executed. As a result, all assets and liabilities of the subsidiary banks were transferred to Nordea Bank AB (publ). Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA have been dissolved and the banking business in Denmark, Finland and Norway will, going forward, be carried out in branches of Nordea Bank AB (publ). The remaining local subsidiaries in Denmark, Finland and Norway (e.g. mortgage companies) are now subsidiaries to Nordea Bank AB (publ).

Further strengthened capital ratios – strong profit generation and issuance of Tier 2 instruments

The CET1 capital ratio was further strengthened in 2016 through strong profit generation of the Group in combination with a continued focus on capital management, reaching 18.4% by the end of 2016 (last year 16.5%). In September 2016, Nordea issued a CRD IV compliant Tier 2 instrument of EUR 1bn, strengthening the total capital ratio by 60bps. The Group's total capital ratio was 24.7% at year-end.

Continued solid credit quality with a net loan loss ratio of 15bps

Nordea's credit quality remained overall solid in 2016 with stable rating and scoring and a net loan loss ratio of 15bps, (last year 14bps) below Nordea's ten year average of 16bps. Continued stabilisation was seen in Denmark and a stable development is seen in Finland and overall in Norway, the risk level has remained elevated in oil and offshore exposures. Impaired loans ratio stayed at 1.6% while credit risk exposures remained stable at EUR 499bn. The Group's market risk, which is mainly driven by interest rate risk measured by VaR, was EUR 29m on average in 2016 in the trading book and EUR 77m on average in 2016 in the banking book.

Strong funding name maintained, high long-term funding activity and LCR compliant

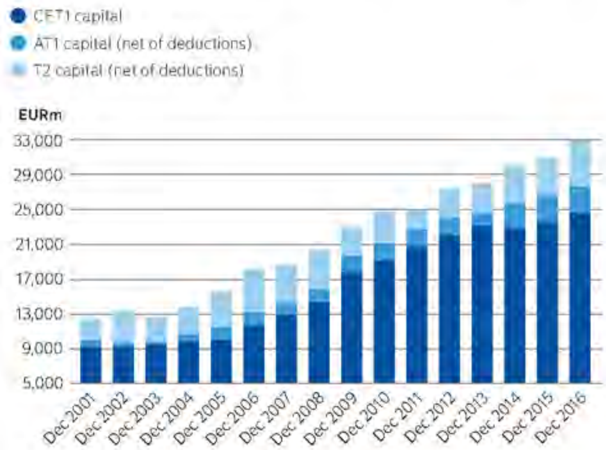
In the funding and liquidity risk area, Nordea maintained its position as one of the strongest names. Nordea, by virtue of its well-recognised name and strong rating, was able to actively use all of its funding programmes during 2016. Approximately EUR 23bn was issued in long-term debt during 2016, excluding Danish covered bonds (last year EUR 25bn). Nordea had a solid liquidity coverage ratio (LCR), with an LCR at year-end on Group level of 159%, 334% in EUR and 221% in USD.

Figure 1.1 Development of key capital adequacy ratios

During the year REA both excluding and including Basel I Floor has decreased. The main drivers were a reduction of the REA for credit risk, mainly in the corporate portfolio, securitisation and a reduction of REA for market risk. Common Equity Tier 1 capital as well as the Tier 1 Capital increased during the year, mainly driven by continued profit generation. Total Own funds further increased due to the issuance of a new Tier 2 loan of EUR 1bn during 2016.

Figure 1.2 Development of own funds

During the period 2001 to 2016 the total own funds increased by EUR 20.5bn to EUR 33 bn. The increase was mainly driven by retained profit and the implementation of Basel II in 2007 and CRR/CRD IV in 2014 as well as implementation of capital buffer requirements which requires higher capital ratios. CET1 capital has increased by EUR 15.4bn, AT1 capital increased by EUR 2.2bn and T2 capital increased by EUR 2.9bn.



Nordea Bank AB (publ) with Swedish corporate registration number 516406-0120 provides these public disclosures according to Part Eight of Regulation (EU) No 575/2013, commonly referred to as the Capital Requirements Regulation (CRR), on the basis of its consolidated situation (hereinafter referred to as simply "Nordea").

This disclosure constitutes a comprehensive disclosure on risks, risk management and capital management. It includes disclosures, or references to other disclosures, required according to Part Eight of the CRR and tables especially encouraged by EBA guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013. An overview of information exempted from disclosure due to being non-material, proprietary or confidential can be found in Part 1, table 11.3. In addition, this disclosure also includes tables encouraged to be disclosed by the EBA guidelines, to the extent possible given the short time frame from finalisation of the EBA guidelines to this disclosure. The disclosures are made annually in conjunction with the date of publication of Nordea Group's financial statements. For items where Nordea has assessed that more frequent disclosures are needed, information is given in the interim financial reports or on the Investor Relations pages on www.nordea.com.

Accompanying this report are the required disclosures for the subsidiaries Nordea Bank Finland Plc ("NBF"), Nordea Bank Norge ASA ("NBN"), Nordea Kredit Realkreditaktieselskab, Nordea Hypotek AB ("Nordea Hypotek"), and Nordea Mortgage Bank Plc. The disclosure for Nordea Kredit Realkreditaktieselskab, Nordea Hypotek, and Nordea Mortgage Bank Plc are made on individual basis, while the others are made on a sub-consolidated basis. NBF, Nordea Kredit Realkreditaktieselskab, Nordea Mortgage Bank and Nordea Hypotek are required to provide disclosures according to Articles 437, 438, 440, 442, 450, 451 and 453, according to Article 13. NBN and the Norwegian subsidiaries Nordea Eiendomskreditt AS and Nordea Finans Norge AS are required to provide disclosures according to local Norwegian regulations ("Kapitalkravsforskriften"), implementing parts of the CRR. The subsidiaries' disclosures are included as appendices and will be released on www.nordea.com on the publication date of each subsidiary's Annual Report.

Nordea Bank AB and its subsidiaries have adopted a formal policy to assure compliance with the disclosure requirements and has established policies for assessing the appropriateness of these disclosures, including their verification and frequency.

Nordea is part of the Sampo conglomerate and falls under the same supervisory authority (the Finnish FSA) as the Sampo Group in accordance to the Act on the Supervision of Financial and Insurance Conglomerates (2004/699), based on Directive 2002/87/EC.

Nordea's Board of Directors, by attesting this report , approve of the formal statement of key risks in Part 1 section 1 and formally declare the adequacy of risk management arrangements given Nordea's risk profile. The statement and the declaration are made in accordance with CRR Article 435(1).

Table of Contents

PART 1 Year end results and analysis

Quantitative information accompanied by qualitative analysis of the year end results of the Nordea Group

1. Risk profile

Nordea's business model is well diversified and Credit Risk represents the largest risk category in terms of 84% of REA.

1.1 Description of the Nordea Group

The Nordea Group is the largest financial services group in Northern Europe with a market capitalisation of approximately EUR 42.8bn, total assets of EUR 616bn and a CET1 capital ratio of 18.4%. The Group has leading positions within corporate and institutional banking as well as retail banking and private banking. It is also the leading provider of life and pension products in the Nordic countries.

With approximately 600 branch locations, call centres in all Nordic countries and highly competitive online and mobile banking platforms, the Nordea Group has the largest distribution network in the Nordic and Baltic Sea region. Nordea Group furthermore has the largest customer base of any financial services group in the Nordic region with approximately 10 million household customers and around 0.6 million corporate customers.

1.2 Key risks in Nordea's operations

Nordea has a well-diversified business model. Risks are spread over a number of countries, industries and customer types. Most of Nordea's risks originate from Wholesale Banking, Commercial & Business Banking and Personal Banking, representing approximately 85% of the total risk exposure amount (REA). The remainder originates mainly from Group Functions.

Credit risk (including Credit Value Adjustment) is Nordea's dominant risk category representing approximately 84% of REA. In the income statement, credit risk is capitalised by a net interest income 8 times higher than net loan losses. In the risk appetite framework credit risk is managed by limits on single-name, industry and geography concentration risk, expected loss and stressed loan losses.

Retail mortgages and corporate segments currently represent 9% and 48% respectively of Nordea's total REA. The housing markets as well as the general portfolio quality of the corporate segments are currently stable, and loan losses remained on a low level in all of Nordea's markets. Housing markets in Norway and Sweden are however sensitive to changes in market conditions and still exposed to regulatory initiatives. Within the corporate segment, the largest exposures in terms of REA are towards the real estate and shipping segments.

Operational risk is Nordea's second largest risk category representing 13% of REA. During 2016 losses due to operational risks were lower than expected and represented only a minor amount in comparison with profit and capital requirements for operational risk. In the risk appetite framework operational risk is managed by special attention to Chief Operational Risk Officer assessment, operational risk losses, reputational risk and top 10 risk assessment. The ten most important and emerging risks are identified in the "Top 10 risk process". Representatives for all Business Areas participate in the process to identify, discuss and agree on mitigants for the top 10 risks. All risk categories are considered in the process, both financial and non-financial risks.

Market risk is the third largest risk category within Nordea, representing 3% of REA. Income derived from market risk positions counterbalanced the risks taken by a wide margin in 2016. Market risks are governed in the risk appetite framework by limits on market risk losses, structural market risk and other market risk related regulatory requirements.

1.3 Risk tolerance

Nordea currently has the following capital ratios: CET1 capital ratio 18.4%, Tier 1 capital ratio 20.7% and total capital ratio 24.7%. These capital levels allow for growth according to the decided strategy as well as for risks developing within the limits set in the risk appetite framework, while leaving a comfortable margin to the risk tolerance defined in the capital target setting.

Table 1.1 Distribution of exposure, Risk Exposure Amount (REA), capital requirement and Economic Capital (EC)in Business Areas, 31 December 2016

	EURbn	Exposure	%	REA	CAR	%	EC	%
Total Nordea Group	Credit risk[1]	499.2	100%	111.8	8.9	84%	18.5	70%
	Market risk			4.5	0.4	3%	1.0	4%
	Operational risk			16.9	1.3	13%	2.9	11%
	Nordea Life & Pension						2.0	8%
	Other[2]						1.9	7%
	Total, % of Nordea Group	499.2	100%	133.2	10.7	100%	26.3	100%
Personal Banking	Credit risk[1]	179.8	100%	25.8	2.1	82%	4.6	64%
	Market risk						0.1	1%
	Operational risk			5.7	0.5	18%	1.1	15%
	Nordea Life & Pension						0.5	7%
	Other[2]						0.9	13%
	Total, % of Nordea Group	179.8	36%	31.5	2.5	24%	7.2	27%
Commercial & Business Banking	Credit risk[1]	99.3	100%	29.7	2.4	90%	4.5	76%
	Market risk						0.1	2%
	Operational risk			3.3	0.3	10%	0.6	10%
	Nordea Life & Pension						0.2	3%
	Other[2]						0.5	8%
	Total, % of Nordea Group	99.3	20%	33.0	2.6	23%	5.9	22%
Wholesale Banking	Credit risk[1]	107.1	100%	39.8	3.2	82%	6.1	73%
	Market risk			3.9	0.3	8%	0.6	7%
	Operational risk			4.8	0.4	10%	0.8	10%
	Nordea Life & Pension						0.1	1%
	Other[2]						0.7	8%
	Total, % of Nordea Group	107.1	21%	48.6	3.9	36%	8.3	32%
Wealth Management	Credit risk[1]	3.3	100%	4.3	0.3	72%	1.4	52%
	Market risk							
	Operational risk			1.7	0.1	28%	0.1	4%
	Nordea Life & Pension						1.1	41%
	Other[2]						0.1	4%
	Total, % of Nordea Group	3.3	1%	6.0	0.5	4%	2.7	10%
Group Corporate Center	Credit risk[1]	95.7	100%	4.0	0.3	70%	0.6	86%
	Market risk			0.6		11%	0.2	29%
	Operational risk			1.1	0.1	20%	0.2	29%
	Nordea Life & Pension							
	Other[2]						−0.3	−43%
	Total, % of Nordea Group	95.7	19%	5.7	0.5	4%	0.7	3%
Group Functions and Other	Credit risk[1]	13.9	100%	8.3	0.7	98%	1.3	108%
	Market risk							
	Operational risk			0.1		2%		
	Nordea Life & Pension							
	Other[2]						−0.1	−8%
	Total, % of Nordea Group	13.9	3%	8.4	0.7	6%	1.2	5%

1) Includes CVA Risk.

2) Capital deductions and internal allocations.

2. Capital position

Nordea's own funds increased during 2016 following profit generation and issuance of a Tier 2 instrument. CET1 capital, considered as capital of the highest quality, comprises 75% of Nordea's own funds.

Table 2.1 Minimum capital requirement & buffers, 31 December 2016

		Capital buffers					
Percent (%)	Minimum capital requirements	CCoB	CCyB	SII	SRB	Combined buffer requirement[1]	Total requirement
Common Equity Tier 1 capital	4.5	2.5	0.5	2.0	3.0	6.0	10.5
Tier 1 capital	6.0	2.5	0.5	2.0	3.0	6.0	12.0
Own funds	8.0	2.5	0.5	2.0	3.0	6.0	14.0

[1] Only the maximum of the SRB and SII is used in the calculation of the total capital buffers.

Table 2.2 Overview of REA incl. Basel I floor (OV1)

Table 2.2 provides an overview of total REA forming the denominator of the risk based capital requirements. Credit risk REA accounts for the largest risk type, where approximatly 87% is held under the IRB approach. Operational risk and counterparty credit risk account for the second and third largest risk types respectively. Total REA, incl. Basel I floor, decreased EUR 6.0bn year on year and EUR 2.3bn quarter on quarter. The decrease seen over the year mainly reflects improvements in credit quality, particularly in the corporate portfolio, as well as reduced market and operational risk. This was partly offset by an increase in the Article 3 CRR buffer.

EURm		REA 31 December 2016	REA 30 September 2016	REA 31 December 2015	Minimum capital requirements
1	Credit risk (excluding counterparty credit risk)	97,111	100,385	107,331	7,769
2	Of which standardised approach (SA)[1]	12,484	12,635	12,428	999
3	Of which internal rating-based IRB (FIRB) approach	14,144	14,663	16,200	1,131
4	Of which advanced IRB (AIRB) approach	70,484	73,088	78,703	5,639
4a	*- of which Corporate AIRB*	48,585	51,109	56,211	3,887
4b	*- of which Retail IRB*	21,899	21,979	22,492	1,752
5	Of which Equity IRB under the Simple risk-weight or the internal models approach				
6	Counterparty credit risk	11,287	11,855	11,261	903
7	Of which Market to market[2]	2,067	1,779	1,675	165
8	Of which Original exposure method				
9	Of which standardised approach				
10	Of which internal model method (IMM)	6,888	7,285	7,197	551
	Of which financial collateral simple method (for SFTs)	502	946	620	40
11	Of which exposure amounts to default fund of a CCP	32	17	18	3
12	Of which CVA	1,798	1,828	1,751	144
13	Settlement risk	0	0	1	0
14	Securitisation exposures in banking book (after cap)	828	823		66
16	Of which IRB Supervisory Formula Approach (SFA)	828	823		66
19	Market risk	4,474	4,758	6,533	358
20	Of which standardised approach (SA)	1,532	1,149	3,543	123
21	Of which internal model approaches (IMA)	2,942	3,609	2,990	235
22	Large exposures				
23	Operational risk	16,873	16,873	17,031	1,350
26	Of which Standardised approach	16,873	16,873	17,031	1,350
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	84	496	137	7
	Article 3 CRR Buffer	2,500	1,000	1,000	200
24	Basel I floor adjustment	82,655	81,873	78,533	6,612
25	Total	215,812	218,064	221,827	17,265

[1] Excluding amounts below the thresholds for deduction (subject to 250% risk weight).

[2] Excluding exposure amount for contributions to the default fund of a CCP.

Table 2.3 Flow statement of REA excl. Basel I floor

From Q4 2015 to Q4 2016 REA has decreased EUR 10.1bn. Credit Risk factors decreased REA by EUR 7.9bn, the main drivers were credit quality, volumes and Securitisation. Book quality decreased REA by EUR 5.6bn. The improved quality was mainly due to improved rating and scoring, a decrease in defaulted customers and a decrease in average maturity. The book size decreased REA by EUR 3.4bn mostly due to decreased loan volumes in the corporate portfolio. The securitisation transaction decreased REA by EUR 2.7bn. The decrease was somewhat offset by an increase in the Article 3 Buffer and Model and Methodology changes which increased due to yearly validation of parameters. The market risk factors decreased REA by EUR 2.1bn mostly due to reduced foreign exchange risk in the banking book. In addition, the FSA approved update of the VaR-model accounted for a REA decrease of EUR 0.5bn. The Operational risk factors decreased REA by EUR 0.2bn due to income related changes.

EURm	
Total REA, 31 December 2015	143,294
Credit Risk factors	−7,919
Book size (including derivatives)	−3,357
Book quality	−5,566
Model & Methodology changes	1,283
Regulation	
Foreign currency translation effects	1,029
Securitisation	−2,693
Additional buffer, Article 3	1,500
Other	−116
Market Risk factors	−2,060
Model & Methodology changes	−480
Regulation	
Movement in risk levels	−1,580
Operational risk factors	−158
Changes in beta factors	
Income related changes	−158
Total REA, 31 December 2016	133,157

Figure 2.1 Drivers behind the development of the CET1 capital ratio

The CET1 ratio has increased to 18.4% in Q4 2016 from 16.5% in Q4 2015. The reduced average risk weight in credit risk increased the ratio with 0.7 percentage points mainly stemming from the corporate portfolio. The volume effect increased the ratio by 0.5 percentage points which was also mainly stemming from the corporate portfolio where loan volumes decreased. The FX effect decreased the ratio by 0.1 percentage point. Securitisation represent an increase of 0.3 percentage points while Other changes decreased the ratio by 0.1 percentage point. Profit net after dividend increased the ratio by 0.8 percentage points.

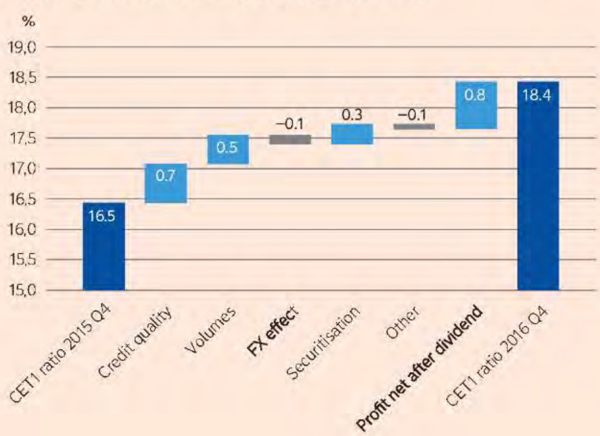


Table 2.4 Countercyclical capital buffer (CCyB), 31 December 2016

Table 2.4 details the institution specific countercyclical buffer as of 31 December 2016. During 2016, the countercyclical buffer rates were increased in both Sweden and Norway, from 1.0% to 1.5%. Additionally, a countercyclical buffer rate of 0.6% was introduced in Hong Kong. Following these changes, the institution specific countercyclical capital buffer rate for Nordea Group increased by 0.1 percentage points (from 0.4% to 0.5%); the Group's total institution specific countercyclical capital buffer requirement increased by 30.3% (from EUR 545m to EUR 711m). For the CCyB disclosure in the format specified by (EU) No 1555/2015, refer to Table 10.15.

Row		Column
EURm		010
010	Total risk exposure amount	133,157
020	Institution specific countercyclical capital buffer rate	0.5%
030	Institution specific countercyclical capital buffer requirement	711

Figure 2.2 CET1 requirement build-up, %

Nordea's Internal Capital Requirement (ICR) was EUR 14.6bn at the end of the year. The ICR should be compared to the own funds, which was EUR 32.9bn at the end of the year. The ICR is calculated based on a Pillar I plus Pillar II approach and also includes a buffer for economic stress.

In addition, supervisors require Nordea to hold capital for other risks which are identified and communicated as part of the Supervisory Review and Evaluation Process (SREP). The outcome of the 2016 SREP, which was communicated in October 2016, indicated that the CET1 requirement as of third quarter 2016 was 17.3%. The CET1 requirement is assessed to be 17.4% as of year-end 2016. The SFSA publish quarterly updates of the capital requirement in the "Capital requirements of the Swedish banks" on www.fi.se. The combined buffer requirement consists of a 3% systemic risk buffer, a 2.5% capital conservation buffer and a countercyclical buffer of approximately 0.5%. The countercyclical buffer is expected to increase to approximately 0.7% as of year-end 2017 after the planned increase in the countercyclical buffer rates in Sweden during Q1 2017 and in Norway in Q4 2017. The Pillar II other part consists of the SFSA standardised benchmark models for Pillar II risks as well as other Pillar II add-ons as a result of the SREP. The final capital requirement for 2017 will depend on the outcome of the 2017 SREP which Nordea expects in October 2017. Figure 2.2 explains the composition of the CET1 ratio requirement as of the year-end 2016.

The Pillar II add-ons, including risk weight floors, do not affect the maximum distributable amount (MDA) level at which automatic restrictions on distributions would come into effect unless a formal decision on Pillar II has been made. A formal decision on Pillar II has not been made. Currently the MDA level is approximately 10.5% and it is expected to increase to approximately 10.7% in 2017 when the countercyclical buffer rates in Sweden and Norway are increased.

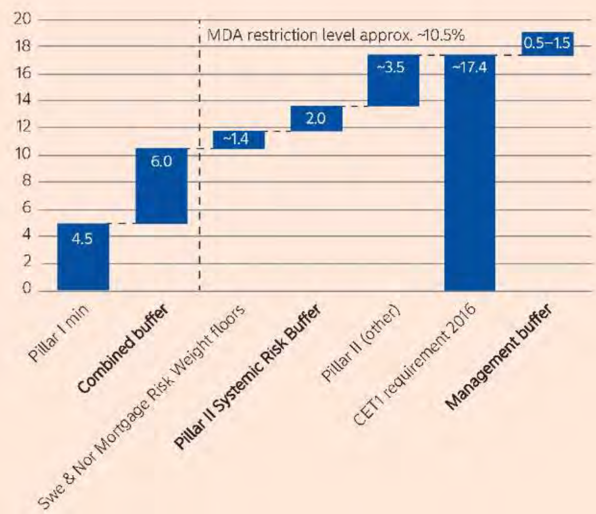


Table 2.5 Flow statement of movements in own funds

Own funds as of year-end 2016 was EUR 32.9bn (30.9bn in 2015), of which CET1 capital constituted EUR 24.5bn (23.6bn), Additional Tier 1 capital EUR 3.0bn (2.9bn) and Tier 2 capital EUR 5.3bn (4.4bn).

During 2016, Nordea's CET1 capital increased by EUR 1bn. The increase **was due to profit generation and, to a lesser extent, a decrease in the IRB** provision shortfall and pension deductions, included in "Other". The **increase was partly offset by increased deductions of intangible assets and prudential filters.**

There have been no redemptions of AT1 or T2 instruments during the year. A new Tier 2 loan of EUR 1bn was issued by Nordea Bank AB during the period which mainly explains the increase of Tier 2 capital. This was partly **offset by unfavourable FX-effects and amortisation of T2 instruments.**

EURm	
Common Equity Tier 1, 31 December 2015	23,575
Profit attributable to owners of the parent	4,006
Dividend	–2,625
Change in goodwill and intangible assets	–569
Change in IRB provision shortfall deduction	85
Change in prudential filters	–166
Change in unrealised gains on AFS	
Other	232
Common Equity Tier 1, 31 December 2016	24,538
Additional Tier 1 capital, 31 December 2015	2,941
Issued AT1 instruments	
Redeemed AT1 instruments	
FX effect	77
Change in amounts that exceed the limit for AT1 grandfathering	
Other adjustments	–1
Additional Tier 1 capital, 31 December 2016	3,017
Tier 1 capital, 31 December 2016	27,555
Tier 2 capital, 31 December 2015	4,384
Issued T2 instruments	991
Redeemed T2 instruments	
FX effect	69
Change in Excess on the limit of AT1 grandfathered instruments	
Change in deduction due to significant investment	296
Change in IRB-provisions excess add-on	78
Other adjustments	–469
Tier 2 capital, 31 December 2016	5,349
Total own funds, 31 December 2016	32,904

Table 2.6 Bridge between IFRS equity and CET1 capital, 31 December 2016

A bridge between IFRS equity and CET1 capital is provided in Table 2.6. **For the own funds disclosure in the format specified by (EU) No 1423/2013,** refer to Table 10.2.

The full terms and conditions and the main features templates of Nordea's capital instruments can be found on www.nordea.com.

EURm	31 Dec 16	31 Dec 15
Balance sheet equity	32,410	31,032
Valuation adjustment for non-CRR companies[1]	–877	–1,070
Subtotal	31,533	29,962
Dividend[2]	–2,625	–2,584
Goodwill	–1,946	–1,869
Intangible assets	–1,489	–997
Shortfall deduction	–212	–297
Pension deduction	–240	–296
Prudential filters	–449	–284
Transitional adjustments		
Other deductions	–34	–59
Common Equity Tier 1 capital	24,538	23,575

1) See Table 10.14 for an overview of companies included in the non-CRR group.
2) Proposed dividend.

3. Credit risk

Credit risk exposures

Table 3.1 Specification of on-balance sheet and off-balance sheet items for the Nordea Group, 31 December 2016[1]

Table 3.1 shows the link between the Annual Report and CRR credit risk exposure. Total Original exposure, including all exposure types, has decreased EUR 2.6bn from EUR 558.2bn in Q4 2015 to EUR 555.5bn in Q4 2016. The largest decrease is seen in On-balance sheet items, which have decreased EUR 3.1bn from EUR 415.7bn, primarily as a result of a decrease in cash and balances held with central banks.

EURm

On-balance sheet items	Balance sheet (accounting)	Items not according to CRR[2]	Items related to market risk	Repos, derivatives, securities lending	Other	Original exposure	Exposure adjustment[3]	Exposure
Cash and balances with central banks	32,099	93				32,192		32,192
Loans to central banks and credit institutions	20,261	−343	0	−2,755	16	17,178		17,178
Loans to the public	317,689	13,031	0	−26,590	−468	303,662	−936	302,727
Interest-bearing securities and pledged instruments	92,808	−21,308	−17,345			54,156		54,156
Derivatives	69,959	1,188		−71,147				
Intangible assets	3,792	−357			−3,435	0		0
Other assets and prepaid expenses	79,051	−49,428	−23,375		−808	5,440		5,440
Total	615,659	−57,124	−40,720	−100,492	−4,696	412,627		411,692

Off–balance sheet items in the Annual Report	Off-balance sheet (accounting)	Items not according to CRR[3]	Included in derivatives & sec fin	Included in CRR off-balance
Assets pledged as security for own liabilities	189,332	−23,430	−165,903	
Other assets pledged	8,330	0	−8,330	
Contingent liabilities	23,089	−38		23,051
Commitments	79,435	−1,164		78,270
Total	300,187	−24,632	−174,233	101,322

Off-balance sheet items in the CRR	Included in CRR off-bal. (from AR)	Included in CRR (not in AR)[4]	Original Exposure	Credit Conversion Factor, %	Exposure
Credit facilities	48,900	1,277	50,177	53%	26,365
Checking accounts	16,204	3,913	20,117	54%	10,883
Loan commitments	13,089	2,507	15,596	47%	7,291
Guarantees	21,566		21,566	41%	8,778
Other (leasing and documentary credits)	1,563	14	1,577	34%	532
Total	101,322	7,711	109,032		53,849

Derivatives and securities financing	Original Exposure	Exposure adjustment[3]	Exposure
Derivatives	29,497	−257	29,240
Securities Financing Transactions & Long Settlement Transactions	4,388		4,388
Total credit risk (CRR definition)	555,545		499,169

1) Securitisation positions to an on-balance original exposure amount of 6 907 EURm and an off-balance original exposure amount of 2 769 EURm are included in the table

2) On-balance sheet items and Off-balance sheet items in accounting which is not handled according to CRR.

3) The on-balance exposures have a CCF of 100% but can still have lower EAD due to provisions in the standardised approach, financial collateral in the standardised approach and residual value for leasing in the IRB approach, that are deducted from the original exposure when calculating EAD.

4) Off-balance exposures included in the CRR but not included in the Annual Report (AR), such as exposures related to undrawn credit facilities which are unconditionally cancellable as well as exposures against Nordea Life Group.

Table 3.2 Minimum capital requirements for credit risk, split by exposure class, 31 December 2016

IRB exposures are the largest component of credit risk. Total credit risk, incl. counterparty credit risk, accounts for EUR 108bn of which EUR 94bn are under IRB approach. The average risk weight within the IRB approach was by the end of the year 24% and within the standardised portfolio 12%. Average risk weights in the standardised portfolio are lower due to a high proportion of sovereign exposure. Average risk weights under the IRB approach decreased approximately 2.3 percentage points year on year, from 27% to 24%, mainly seen in the corporate portfolio due to improved credit quality. In the standardised approach, average risk weights remained stable year on year.

EURm	Original exposure	Exposure	Average risk weight	REA	Minimum capital requirements
IRB exposure classes					
Institution	39,663	37,861	19%	7,144	572
Corporate	201,350	163,184	38%	62,212	4,977
– of which Advanced	167,635	133,378	36%	48,585	3,887
Retail	186,501	177,349	12%	21,933	1,755
– of which secured by immovable property	147,432	144,215	8%	12,229	978
– of which other retail	35,758	30,210	28%	8,527	682
– of which SME	3,311	2,925	40%	1,177	94
Other non-credit obligation assets	2,145	1,841	100%	1,841	147
Securitisation	9,676	8,400	10%	828	66
Total IRB approach	439,335	388,636	24%	93,958	7,517
Standardised exposure classes					
Central governments and central banks	73,682	76,701	0%	320	26
Regional governments and local authorities	11,629	8,511	3%	266	21
Institution	6,153	6,153	8%	498	40
Corporate	4,347	2,160	100%	2,159	173
Retail	7,398	4,393	73%	3,223	258
Exposures secured by real estate	5,059	4,948	58%	2,862	229
Other[1)]	7,942	7,668	55%	4,225	338
Total standardised approach	116,210	110,533	12%	13,554	1,084
Total	555,545	499,169	22%	107,512	8,601

1) Includes exposure classes public sector entities, multilateral development banks, international organisations, exposures in default, exposures associated with particularly high risk, equity and other items.

Table 3.3 Original exposure, exposure, REA and minimum capital requirements for credit risk, split by exposure type,[1)] 31 December 2016

Table 3.3 illustrates exposures and average risk weights split by exposure type. The table shows that the vast majority of REA is held in on balance sheet items. This is followed by off balance sheet items and derivatives. Securities financing is the smallest exposure type, making up less than 1% of the total capital requirement. Over the year the largest changes were seen in on balance sheet items, primarily as a result of a decrease in IRB corporate exposures. Further, securities financing transactions decreased due to lower volumes.

EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total 2016	Total 2015
Original exposure	412,627	109,032	4,388	29,497	555,545	558,159
Exposure	411,692	53,849	4,388	29,240	499,169	497,877
REA	80,384	17,638	502	8,987	107,512	116,978
Minimum capital requirements	6,431	1,411	40	719	8,601	9,358
Average risk weight	20%	33%	11%	31%	22%	23%

1) Securitisation positions to an original exposure amount of 9,676 EURm, exposure of 8,400 EURm, REA of 828 EURm and capital requirement of 66 EURm for 31 Dec 2016 are included in the table.

Table 3.4 Original exposure split by exposure class and exposure type, 31 December 2016

At year-end 2016, 79% of the total credit risk original exposures were calculated using the IRB approach. The total IRB exposures consists mainly of corporate and retail exposures. During 2016 original exposure, excluding securitised exposures in current period, decreased driven by exposure class IRB corporate. Further decrease in original exposure was seen in exposure class IRB Institution. The decrease was partially offset by the IRB retail portfolio.

EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total
IRB exposure classes					
Institution	30,609	2,827	882	5,345	39,663
Corporate	116,990	69,819	1,275	13,266	201,350
– of which Advanced	102,656	64,979			167,635
Retail	165,038	21,378	2	83	186,501
– of which mortage	138,845	8,587			147,432
– of which other retail	23,891	11,809	1	57	35,758
– of which SME	2,302	982	0	26	3,311
Other non-credit obligation assets	2,118	28			2,145
Total IRB approach[1]	**314,755**	**94,052**	**2,159**	**18,694**	**429,659**
Standardised exposure classes					
Central governments and central banks	69,401	699	809	2,773	73,682
Regional governments and local authorities	4,365	5,070	0	2,194	11,629
Institution	92	2	1,132	4,928	6,153
Corporate	2,560	1,334		454	4,347
Retail	4,371	2,883		144	7,398
Exposures secured by real estate	3,258	1,801			5,059
Other[2]	6,920	424	288	310	7,942
Total standardised approach	90,966	12,212	2,229	10,803	116,210
Total	405,721	106,263	4,388	29,497	545,869

[1] Securitisation positions to an original exposure amount of 9,676 EURm for 31 Dec 2016 are not included in the table.

[2] Includes exposures classes public sector entities, multilateral development banks, international organisations, exposures in default, exposures associated with particularly high risk, equity and other items.

Table 3.5 Average quarterly original exposure during 2016, split by exposure class and exposure type

Average exposures remain broadly in line with year-end amounts.

EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total
IRB exposure classes					
Institution	30,893	2,909	1,734	5,533	41,070
Corporate	122,971	69,764	1,649	13,953	208,337
– of which Advanced	108,692	65,065			173,757
Retail	164,021	20,320	1	89	184,432
– of which mortage	137,422	7,239			144,661
– of which other retail	24,282	12,091	1	62	36,436
– of which SME	2,318	989	0	28	3,335
Other non-credit obligation assets	2,521	30		0	2,551
Total IRB approach[1]	320,407	93,023	3,384	19,576	436,389
Standardised exposure classes					
Central governments and central banks	78,351	733	1,270	2,876	83,230
Regional governments and local authorities	4,193	5,342	7	2,567	12,109
Institution	99	1	1,708	4,022	5,831
Corporate	2,387	2,360		385	5,132
Retail	4,365	2,987		44	7,396
Exposures secured by real estate	3,157	1,816			4,972
Other[2]	7,054	444	697	368	8,563
Total standardised approach	99,605	13,683	3,683	10,261	127,233
Total	420,012	106,706	7,067	29,837	563,622

1) Securitisation positions to an average original exposure amount of 9 659 EURm for 31 Dec 2016 and 30 Sep 2016 are not included in the table.

2) Includes exposures classes public sector entities, multilateral development banks, international organisations, exposures in default, exposures associated with particularly high risk, equity and other items.

Table 3.6 Exposure split by industry group and by main exposure class

Table 3.6 shows exposure split by industry group and by the main exposure classes. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (statistical classification codes of economic activities in the European community).

On an overall level, excluding securitised exposures in current period, exposures decreased by 1% of which the largest decrease occurred in corporate IRB exposures which decreased by approximately 6%. This was partially offset by an increase in retail IRB exposures which increased by 3%.

The corporate portfolio is well diversified between industry groups where the group "real estate management and investment" has the largest share of total corporate exposures. Together with the second largest corporate exposure industry group - other financial institutions - they account for 38% of total IRB corporate exposure. The retail portfolio consists mainly of residential mortgages classified under "other, public and organisations" industry group, which accounts for 98% of total retail IRB exposure.

Between 2015 and 2016 and excluding securitised exposures in current period, the industry group with the highest increase was "other, public and organisations" driven by IRB Retail and exposures towards governments and central banks. The largest decrease was seen in industry group "other financial institutions" driven by IRB Institution.

	IRB approach[1]				Standardised approach					
EURm	Institution	Corporate	– of which SME	Retail	Other non-credit obligation assets	Central governments and central banks	Regional government and local authorities	Other[2]	Total 2016	Total 2015
Construction and engineering		5,862	2,625	268				268	6,399	5,673
Consumer durables (cars, appliances, etc.)		3,115	683	39				31	3,184	4,543
Consumer staples (food, agriculture etc.)		11,740	7,929	179				352	12,271	13,685
Energy (oil, gas, etc.)		4,186	25	2				14	4,202	4,337
Health care and pharmaceuticals		1,517	510	72				33	1,623	2,010
Industrial capital goods		4,543	596	26				20	4,589	4,931
Industrial commercial services		13,646	2,804	353				343	14,342	16,154
IT software, hardware and services		1,704	505	68				39	1,811	1,856
Media and leisure		2,406	1,010	179				59	2,644	2,730
Metals and mining materials		1,133	177	8				19	1,160	1,081
Other financial institutions	37,861	17,523	3,550	59				9,616	65,060	67,167
Other materials (chemical, building materials, etc.)		6,030	1,621	72				201	6,303	8,213
Other, public and organisations		4,172	932	174,282	1,841	76,701	8,511	12,714	278,222	275,013
Paper and forest materials		2,465	391	36				41	2,542	2,467
Real estate management and investment		44,295	25,962	1,131				108	45,534	46,619
Retail trade		12,040	2,978	377				371	12,788	13,045
Shipping and offshore		12,570	825	10				15	12,595	13,065
Telecommunication equipment		249	24	1				5	255	283
Telecommunication operators		1,712	278	4				11	1,727	1,642
Transportation		3,980	1,239	161				442	4,583	4,626
Utilities (distribution and production)		8,297	1,568	20				619	8,935	8,737
Total exposure 2016	37,861	163,184	56,231	177,349	1,841	76,701	8,511	25,321	490,769	
Total exposure 2015	43,787	172,702	58,726	172,406	2,300	73,499	9,326	23,858		497,877

1) Securitisation positions to an exposure amount of 8,400 EURm for 31 Dec 2016 are not included in the table.

2) Includes exposures classes public sector entities, multilateral development banks, international organisations, exposures in default, exposures associated with particularly high risk, equity and other items.

Table 3.7 Standardised exposure classes, distributed by credit quality step

Table 3.7 presents the exposures for which the S&P's ratings are used to derive the regulatory credit quality steps. Out of the total EUR 73.7bn in original exposure towards central governments and central banks, 99% was within the highest credit quality step. Additionally the table shows that 99% of the EUR 11.6bn in original exposure towards regional government or local authorities was within the highest credit quality step. The distribution among credit quality steps remained broadly stable over the period. Notables changes include an increase in sovereign exposure year on year as well as a decrease in original exposure towards corporates rated BBB+ to BB- and public sector entities.

			Original exposure		Exposure	
Credit quality step, EURm	**Standard & Poor's rating**	**Risk weight**	**Dec 2016**	**Dec 2015**	**Dec 2016**	**Dec 2015**
a) Central Governments or Central banks						
1	AAA to AA–	0%	72,647	69,223	76,164	72,934
2	A+ to A–	20%	295	198	287	180
3	BBB+ to BBB–	50%	0	0	0	0
4 to 6 or blank	BB+ and below, or without rating	100–250%	739	876	250	385
Total			73,682	70,297	76,701	73,499
b) Regional Governments or local authorities						
1	AAA to AA–[1]	0%–20%[1]	11,606	12,024	8,488	9,302
2	A+ to A–	50%	5	0	5	0
3 to 6 or blank	BBB+ and below, or without rating	100–250%	18	24	18	24
Total			11,629	12,048	8,511	9,326
c) Public sector entities						
1	AAA to AA–[1]	0%–20%[1]	1,552	1,700	1,357	1,444
2	A+ to A–	50%				
3 to 6 or blank	BBB+ and below, or without rating	100–250%				
Total			1,552	1,700	1,357	1,444
d) Multilateral Developments Banks						
1	AAA to AA–[2]	0%–20%[2]	2,249	2,122	2,237	2,128
2	A+ to A–	50%				
3 to 6 or blank	BBB+ and below, or without rating	100–250%	33	34	26	0
Total			2,282	2,156	2,263	2,128
e) Institutions						
1	AAA to AA–	20%	66	61	66	68
2	A+ to A–	50%	0	0	0	0
3 to 6 or blank	BBB+ and below, or without rating	100–150%	28	26	28	26
Total			94	87	94	94
f) Corporates						
1	AAA to AA–	20%				
2	A+ to A–	50%		0		0
3 to 4	BBB+ to BB–	100%	4,215	6,045	2,157	2,109
5 to 6 or blank	B+ and below, or without rating	150%	133	2	3	2
Total			4,347	6,047	2,160	2,111

[1] Includes exposures treated as exposures to the central government, regional government or local authority as provisioned by CRR and that receives a 0%-risk weight.

[2] **Includes exposures to specific entities and receives a 0%-risk weight as provisioned by CRR.**

Table 3.8 Exposure split by residual maturity, 31 December 2016

The distribution of exposures, excluding securitised exposures in current period, remained stable during 2016 under both IRB and standardised approaches. The highest concentration is within >5 years bucket. In the IRB portfolio, this is as a result of a high proportion of retail exposures. 91% of IRB retail exposures have a residual maturity of greater than five years. In the standardised approach, the majority of exposures that have a residual maturity of greater than five years are towards central governments and central banks.

EURm	< 1 year	1–3 years	3–5 years	> 5 years	Total exposure
IRB exposure classes					
Institution	4,356	15,886	9,261	8,358	37,861
Corporate	45,849	33,199	30,498	53,638	163,184
– of which Advanced	43,383	29,960	27,149	32,887	133,378
Retail	5,016	4,144	6,074	162,115	177,349
– of which secured by immovable property	2,361	2,469	3,725	135,659	144,215
– of which other retail	2,191	1,306	1,920	24,792	30,210
– of which SME	463	369	429	1,664	2,925
Other non-credit obligation assets	207	1,480	89	66	1,841
Total IRB approach[1]	55,428	54,709	45,922	224,177	380,236
Standardised exposure classes					
Central government and central banks	19,145	8,460	6,808	42,288	76,701
Regional governments and local authorities	2,191	1,320	667	4,333	8,511
Institution	587	2,161	276	3,129	6,153
Corporate	163	518	813	666	2,160
Retail	385	1,010	1,239	1,759	4,393
Exposures secured by real estate	66	82	72	4,728	4,948
Other[2]	1,259	1,939	1,773	2,697	7,668
Total standardised approach	23,797	15,490	11,647	59,599	110,533
Total	79,225	70,199	57,569	283,776	490,769

1) Securitisation positions to an exposure amount of 8,400 EURm for 31 Dec 2016 are not included in the table.

2) Includes exposures classes public sector entities, multilateral development banks, international organisations, exposures in default, exposures associated with particularly high risk, equity and other items.

Table 3.9 Credit risk mitigation techniques – Overview (EU CR3), 31 December 2016

Table 3.9 show the split of unsecured (not having any CRM mechanism) and secured exposures. Nordea's share of exposures which has at least one CRM mechanism (collateral, financial guarantees, credit derivatives) associated with them exceeds exposures which do not benefit from any CRM mechanism. Nordea's share of exposures having at least one CRM mechanism was 59% as of year-end 2016, with the largest part of exposures being secured by collaterals.

		a	b	c	d	e
EURm		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	122,934	259,241	211,875	10,789	
2	Total debt securities	54,538				
3	Total exposures	177,471	259,241	211,875	10,789	
4	Of which defaulted	2,414	5,114	3,493	297	

Table 3.10 Exposure secured by collateral, guarantees and credit derivatives, split by exposure class, 31 December 2016

At the end of 2016 and excluding securitised exposures in current period, the share of total exposure secured by eligible collateral increased by 1% to **44% (43%). The corresponding figure for the IRB portfolio was 56% (53%). The increase is mainly driven by an increase in exposure secured by eligible** collateral in the corporate and retail exposure classes. Approximately 3% (3%) of total exposure was secured by guarantees and credit derivatives.

EURm	Original exposure	Exposure	– of which secured by guarantees and credit derivatives	– of which secured by collateral	Average weighted LGD 2016	Average weighted LGD 2015
IRB exposure classes						
Institution	39,663	37,861	121	403	22.8%	23.7%
Corporate	201,350	163,184	10,969	68,066	30.8%	30.8%
– of which Advanced	167,635	133,378	10,122	62,223	27.9%	28.2%
Retail	186,501	177,349	1,787	143,174	17.3%	17.2%
– of which secured by immovable property	147,432	144,215		140,212	14.1%	13.8%
– of which other retail	35,758	30,210	1,487	1,468	31.5%	31.4%
– of which SME	3,311	2,925	300	1,494	28.1%	28.1%
Other non-credit obligation assets	2,145	1,841	5	59	n.a.	n.a.
Total IRB approach 2016[1]	429,659	380,236	12,883	211,701		
Total IRB approach 2015	444,496	391,195	13,706	205,962		
Standardised exposure classes						
Central government and central banks	73,682	76,701	488			
Regional governments and local authorities	11,629	8,511	143	0		
Institution	6,153	6,153				
Corporate	4,347	2,160		953		
Retail	7,398	4,393	72	157		
Exposures secured by real estate	5,059	4,948		4,948		
Other[2]	7,942	7,668	16	1		
Total standardised approach 2016	116,210	110,533	718	6,058		
Total standardised approach 2015	113,662	106,683	647	5,816		

1) Securitisation positions to an original exposure amount of 9,676 EURm and exposure amount of 8,400 EURm for 31 Dec 2016 are not included in the table.

2) Includes exposures classes public sector entities, multilateral development banks, international organisations, exposures in default, exposures associated with particularly high risk, equity and other items.

Table 3.11 Total and average net amount of exposures (EU CRB-B), 31 December 2016

The size of total IRB assets is largely stable at the end of 2016 (EUR 415.9bn) compared to the 2016 annual average (EUR 415.6bn). An increase in retail **exposures over the period was almost fully offset by a decrease in corporate exposures net of securitised exposures . In the standardised approach** exposures are down 9% compared to their 2016 annual average, mainly driven by lower central government and central bank exposure at year end.

		a	b
		Net exposure	Average quarterly net exposure
1	Central governments or central banks		
2	Institutions	33,436	33,801
3	Corporates	184,752	190,664
4	Of Which: Specialised Lending	569	680
5	Of Which: SME	55,855	57,001
6	Retail	185,885	183,790
7	Secured by real estate property	148,594	145,834
8	SME	1,251	1,260
9	Non-SME	147,343	144,574
10	Qualifying Revolving		
11	Other Retail	37,292	37,956
12	SME	1,992	2,001
13	Non-SME	35,299	35,955
14	Equity		
	Securitisation	9,676	4,830
	Other	2,143	2,548
15	Total IRB approach	415,891	415,633
16	Central governments or central banks	70,099	79,083
17	Regional governments or local authorities	9,434	9,535
18	Public sector entities	1,531	1,618
19	Multilateral Development Banks	1,737	1,673
20	International Organisations	411	453
21	Institutions	94	101
22	Corporates	3,883	4,736
23	of which: SME	161	175
24	Retail	7,239	7,335
25	of which: SME	1,267	1,257
26	Secured by mortgages on immovable property	5,051	4,965
27	of which: SME	80	86
28	Exposures in default	111	116
29	Items associated with particularly high risk	467	462
30	Covered bonds	0	0
31	Claims on institutions and corporates with a short-term credit assessment	0	0
32	Collective investments undertakings (CIU)	0	0
33	Equity exposures	1,220	1,247
34	Other exposures	1,818	1,871
35	Total SA approach	103,098	113,194
36	Total	524,170	534,079

Table 3.12 Distribution of collateral

Real estate collateral is the main collateral type with a share of 72% of total eligible collateral. Real estate collateral in general is not concentrated in any particular region within the Nordic and Baltic countries. The proportion of each collateral category on total eligible collateral remained relatively stable in 2016, with a slight decrease of other physical collateral.

Percent (%)	31 Dec 2016	31 Dec 2015
Financial collateral	1.4%	1.3%
Receivables	1.0%	0.8%
Residential real estate	71.9%	71.8%
Commercial real estate	17.8%	17.4%
Other physical collateral	8.0%	8.7%
Total	100.0%	100.0%

Table 3.13 Loan-to-value distribution, retail mortgage exposure, on-balance

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 Table 3.13, retail mortgage exposures are distributed by LTV buckets based on the LTV ratio

	31 Dec 2016		31 Dec 2015	
EURm	Exposure	%	Exposure	%
<50%	110,343	79.5	105,314	78.4
50–70%	20,799	15.0	21,449	16.0
70–80%	4,916	3.5	5,078	3.8
80–90%	1,882	1.4	1,729	1.3
>90%	905	0.7	810	0.6
Total	138,845	100	134,380	100

The exposure is continuously distributed by LTV buckets. For example, an exposure of 540 with an LTV of 54% is distributed 500 to the <50% bucket and 40 to the 50-70% bucket

Table 3.14 REA flow statements of credit risk exposures under IRB (EU CR8), 31 December 2016

Table 3.14 shows the REA flow of credit risk exposures under IRB between Q4 2016 and Q3 2016. Over the period, REA decreased EUR 3.1bn, driven by improved asset quality and to a lesser extent a decrease in the asset size. The improved asset quality was most prominent in the IRB corporate portfolio which in turn was driven by reduced maturity and decreased volumes in defaulted exposures. The change in asset size further contributed to the REA decrease but was mostly offset by unfavourable foreign exchange movements, driven by EUR depreciation against USD.

		a	b
	EURm	REA amount	Capital requirement
1	REA, 31 September 2016	88,574	7,086
2	Asset size	–880	–70
3	Asset quality	–2,400	–192
4	Model updates		
5	Methodology and policy		
6	Acquisitions and disposals		
7	Foreign exchange movements	738	59
8	Other	–576	–46
9	REA, 31 December 2016	85,455	6,836

Loans

Table 3.15 Loans to the real estate management industry, split by geography

The real estate portfolio, shown in Table 3.15, predominantly consists of relatively large and financially strong companies, with 90% (83%) of the lending in rating grades 4- and higher. There is a higher level of collateral coverage for the real estate portfolio than for other corporate customers. 35% or EUR 14.4bn of lending to the real estate industry is to companies located in Sweden.

	31 December 2016		31 December 2015	
EURm	Loans	%	Loans	%
Denmark	9,206	22.4	8,581	20.5
Finland	7,742	18.8	8,038	19.2
Norway	9,085	22.1	8,346	20.0
Sweden	14,461	35.1	14,801	35.4
Baltic countries			1,300	3.1
Russia	648	1.6	721	1.7
Other			24	0.1
Total	41,142	100%	41,811	100%

Table 3.16 Loans to the shipping and offshore industry, split by segment

Nordea is a leading bank to the global shipping and offshore industry with strong brand recognition and a world leading loan syndication franchise. Nordea's shipping portfolio, shown in Table 3.16, is well diversified by type of vessel or offshore segment, and has focus on large and financially robust industrial players. Despite this, the portfolio credit quality deteriorated over the last year. The portfolio has an average rating of 4. Loans to shipping and **offshore industry remained flat at EUR 10.5bn (EUR 10.5bn) during the year.**

	31 December 2016		31 December 2015	
EURm	Loans	%	Loans	%
Bulk carriers	1,354	12.9	1,583	15.1
Product tankers	757	7.2	836	8.0
Crude tankers	1,443	13.8	1,296	12.3
Chemical tankers	605	5.8	623	5.9
Gas tankers	1,831	17.4	1,710	16.3
Other shipping	1,925	18.3	1,919	18.3
Offshore and oil services	2,579	24.6	2,544	24.1
Total	10,494	100%	10,510	100%

Table 3.17 Loans to corporate customers, split by size of loan

The distribution of loans to corporates by size of loans, shown in Table 3.17, shows a high degree of diversification. Approximately 69% (66%) of corporate lending represents loans up to EUR 50m per customer.

	31 December 2016		31 December 2015	
Loan size, EURm	Loans	%	Loans	%
0–10	68,263	44.6	74,836	42.2
10–50	37,309	24.4	42,019	23.7
50–100	19,892	13.0	20,114	11.3
100–250	17,655	11.5	23,444	13.2
250–500	4,727	3.1	8,291	4.7
500–	5,116	3.3	8,838	5.0
Total	152,964	100%	177,542	100%

Table 3.18 Loans, impaired loans, allowances and provisioning ratios, split by customer type, 31 December 2016

Nordea's lending to the public decreased by 7% to EUR 318bn during 2016 (EUR 341bn), which excludes discontinued operations in Baltics. The change is attributable to a decrease of 16% in the corporate portfolio and an increase of 2% in the household portfolio. The portion of lending to corporate customers decreased to 48% (52%) while the share of total lending to household customers increased to 51% (46%) and public sector decreased to 1% (2%). Development of total lending is included further in Table 3.18. Lending to the public distributed by borrower domicile is geographically well diversified with no market accounting for more than 30% of lending. Lending to the shipping industry constitutes 3.3% (3.1%) of lending to the public. For a further breakdown of the loan portfolio by geography refer to the Annual Report.

Corporate lending decreased by 16% to EUR 153bn (EUR 178bn). The sector that increased the most in 2016 was Construction and engineering, while Financial institutions decreased the most. In terms of concentration, the three largest industries account for approximately 23% (20%) of total lending.

In 2016 lending to household customers increased by 2% to EUR 161bn (EUR 158bn). Mortgage loans increased to EUR 133bn (130bn) and consumer loans were stable at EUR 28bn. The proportion of mortgage loans of total household loans was unchanged at 83%.

Impaired loans

In Table 3.18-3.21 impaired loans, loan losses and allowances are distributed and stated according to the International Financial Reporting Standard (IFRS) as in the Annual Report,

Impaired loans gross decreased by 7% during the year to reach EUR 5,550m. This corresponds to 163bps (162bps) of total loans. 58% (62%) of impaired loans gross are servicing and 42% (38%) are non-servicing. The decrease in impaired loans was mainly related to the industries Other materials (chemical, building materials) and Real estate management and investment. The industries with the largest increases in impaired loans were Shipping and offshore and Energy.

Impaired loans net, after allowances for individually assessed impaired loans, decreased to EUR 3,637m (EUR 3,747m), corresponding to 108bps of total loans. Allowances for individually assessed loans decreased slightly to EUR 1913m (EUR 2,213m), and allowances for collectively assessed loans increased slightly to EUR 513m (EUR 451m). The ratio of individual allowances for impaired loans decreased to 34% (37%), while total allowances in relation to impaired loans was slightly higher at 44% (45%).

EURm	Loans after allowances 2015[1]	Loans after allowances 2016	Impaired loans before allowances	Impaired loans in % of loans	Allowances for collectively assessed loans	Individual allowances	Total provisioning ratio
To central banks and credit institutions	24,183	20,261	9	0.04	2	0	27%
– of which central banks	13,224	11,235					
– of which credit institutions	10,959	9,026	9	0.09	2	0	27%
To the public	340,920	317,689	5,541	1.73	511	1,913	44%
– of which corporate	177,542	152,964	3,533	2.28	394	1,506	54%
Construction and engineering	4,613	5,158	160	3.05	8	77	54%
Consumer durables (cars, appliances, etc.)	2,272	1,611	123	7.27	20	62	67%
Consumer staples (food, agriculture, etc.)	11,515	10,796	909	8.20	46	255	33%
Energy (oil, gas, etc.)	3,035	2,678	116	4.17	23	77	86%
Financial institutions	17,013	13,600	284	2.03	0	162	57%
Health care and pharmaceuticals	1,781	1,393	18	1.30	1	6	41%
Industrial capital goods	1,932	1,959	34	1.70	22	21	125%
Industrial commercial services, etc.	12,517	11,738	392	3.29	14	180	49%
IT software, hardware and services	1,609	1,634	65	3.92	1	37	58%
Media and leisure	2,467	2,472	63	2.52	4	29	54%
Metals, and mining materials	836	856	63	7.07	1	36	58%
Other materials (chemical, building materials, etc.)	6,087	4,589	220	4.68	8	103	50%
Other, public and organisations	4,938	3,166	19	0.63	19	23	223%
Paper and forest materials	1,629	1,610	7	0.45	2	2	51%
Real estate management and investment	41,811	41,142	400	0.97	57	127	46%
Retail trade	9,584	9,003	331	3.61	14	151	50%
Reversed repurchase agreements to corporates	32,274	19,176					
Shipping and offshore	10,510	10,494	244	2.27	148	91	98%
Telecommunication equipment	79	76	1	1.44	0	1	79%
Telecommunication operators	1,242	1,044	16	1.47	1	26	167%
Transportation	3,601	3,659	45	1.22	4	24	60%
Utilities (distribution and production)	6,200	5,109	23	0.44	1	16	76%
– of which household	158,150	161,099	2,008	1.24	117	407	26%
Mortgage financing	130,232	133,341	1,126	0.84	23	60	7%
Consumer financing	27,919	27,759	882	3.13	94	348	50%
– of which public sector	5,228	3,626					
Total loans	365,103	337,950	5,550	1.63	513	1,913	44%
– of which in the life insurance operations	1,156	375					

Provisions for off-balance sheet items for 2016 were EUR 0m for credit institutions and EUR 71m for lending to the public.

[1] Including discontinued operations in Baltics.

Table 3.19 Credit risk adjustments, split by customer type, 31 December 2016

Table 3.19 describes the distribution of new provisions and reversals for individual and collectively assessed. At the end of 2016 total new provisions was –1,057 EURm, of which the corporate portfolio amounted to –825 EURm and the household portfolio amounted to –231 EURm.

	Specific credit risk adjustments charges					
	Individually		Collectively		Total	
EURm	Provisions	Reversals	Provisions	Reversals	Provisions	Reversals
To central banks and credit institutions	0	0	–1	1	–1	1
- of which central banks						
- of which credit institutions	0	0	–1	1	–1	1
To the public	–729	408	–327	231	–1,056	639
- of which corporate	–543	251	–282	174	–825	425
Construction and engineering	–22	12	–7	5	–29	17
Consumer durables (cars, appliances, etc.)	–7	13	–20	15	–27	28
Consumer staples (food, agriculture, etc.)	–93	31	–9	8	–102	40
Energy (oil, gas, etc.)	–71	0	–20	1	–91	1
Financial institutions	–55	24	–5	7	–61	31
Health care and pharmaceuticals	–1	2	–1	1	–3	3
Industrial capital goods	–6	6	–6	3	–12	9
Industrial commercial services, etc.	–82	44	–11	16	–93	60
IT software, hardware and services	–6	8	–1	2	–7	10
Media and leisure	–12	5	–5	3	–17	8
Metals and mining materials	–1	1	–2	3	–4	4
Other materials (chemical, building materials, etc.)	–26	26	–6	12	–32	38
Other, public and organisations	–11	6	–13	12	–24	18
Paper and forest materials	–2	9	–1	1	–4	10
Real estate management and investment	–32	23	–43	39	–75	62
Retail trade	–43	29	–6	11	–49	40
Reversed repurchase agreements						
Shipping and offshore	–46	6	–117	26	–163	32
Telecommunication equipment	0	0	0	0	0	0
Telecommunication operators	–3	0	–2	2	–5	2
Transportation	–9	5	–4	5	–13	9
Utilities (distribution and production)	–14	1	–2	3	–16	4
- of which household	–187	157	–44	57	–231	213
Mortgage financing	–63	47	–10	12	–73	59
Consumer financing	–124	109	–35	45	–158	154
- of which public sector	0	0			0	0
Total	–730	408	–327	232	–1,057	639

Table 3.20 Loan losses, split by customer type, 31 December 2016

Tables 3.20 show the changes in the allowance accounts as well as the specification of loan losses per customer type. Total net loan losses increased to EUR 502m in 2016 (EUR 479m). The corresponding loan loss ratio, measured as a proportion of loans to the public, was 14bps.

EURm	New provisions and write-offs	Reversals and recoveries	Net loan losses	Loan loss ratio bps
To cental banks and credit institutions	–1	1	0	0
– of which central banks				
– of which credit institutions	–1	1	0	0
To the public	–1,278	776	–501	15
– of which corporate	–926	499	–427	27
Construction and engineering	–38	26	–12	22
Consumer durables (cars, appliances, etc.)	–29	28	–1	7
Consumer staples (food, agriculture, etc.)	–127	56	–71	65
Energy (oil, gas, etc.)	–92	1	–91	328
Financial institutions	–56	41	–15	10
Health care and pharmaceuticals	–3	3	0	
Industrial capital goods	–12	10	–2	12
Industrial commercial services, etc.	–105	66	–39	33
IT software, hardware and services	–9	11	2	
Media and leisure	–18	9	–8	32
Metals, and mining materials	–5	3	–2	21
Other materials (chemical, building materials, etc.)	–34	36	3	
Other, public and organisations	–40	34	–6	2
Paper and forest materials	–7	11	4	
Real estate management and investment	–90	65	–25	6
Retail trade	–67	48	–19	20
Reversed repurchase agreements				
Shipping and offshore	–162	35	–127	121
Telecommunication equipment	0	0	0	
Telecommunication operators	–5	2	–3	29
Transportation	–13	10	–3	7
Utilities (distribution and production)	–16	4	–12	23
– of which household	–352	277	–74	5
Mortgage financing	–86	58	–28	2
Consumer financing	–266	220	–47	17
– of which public sector	0	0	0	
Total	–1,279	777	–502	14

Table 3.21 Impaired loans gross and allowances to the public split by geography and industry, 31 December 2016

Danish consumers currently benefit from increased purchasing power as a result of low interest expenses, positive real wage growth and rising employment. It is expected that the uptrend in home prices will continue in coming years, although at a more moderate pace. Over the past few years global trade has been subdued, and moreover slower growth in two of Denmark's key export markets, Sweden and the UK, could dampen exports further. Agricultural products are still under pressure within milk and pig products.

In Sweden the Credit quality remains solid and household is still the key growth driver of the Swedish economy with good financial situation. Consumer confidence has increased during the fall. Domestic demands show a better growth while exports has slower trend. The forecast going forward may be affected by several global uncertainties.

The recovery of the Finnish economy have been stable during 2016. Exports to Russia increased 2% in August, first time since December 2013, but decreased again in September. Prices on the housing market have remained quite stable.

The Norwegian economy is slowing down, and it seems that the downturn in oil related business will last longer than previously believed.

EURm	Total 2015	Total 2016	Denmark	Finland	Norway	Sweden	Baltic countries	Russia	Allowances	Total provisioning ratio	Past due loans, not impaired
To the public											
– of which corporate	3,860	3,533	1,860	722	559	375		17	1,900	54%	700
Construction and engineering	194	160	111	23	23	3			86	54%	84
Consumer durables (cars, appliances, etc.)	149	123	29	14	60	19			82	67%	11
Consumer staples (food, agriculture, etc.)	906	909	825	56	27	1			301	33%	28
Energy (oil, gas, etc.)	2	116	0	1	54	60			100	86%	0
Financial institutions	334	284	156	27	58	42			163	57%	22
Health care and pharmaceuticals	23	18	12	6	0	0			7	41%	6
Industrial capital goods	77	34	12	16	0	7			43	125%	9
Industrial commercial services, etc.	394	392	120	98	62	112			193	49%	79
IT software, hardware and services	74	65	28	36	1	0			38	58%	13
Media and leisure	70	63	27	20	4	12			34	54%	19
Metals, and mining materials	60	63	1	30	30	2			37	58%	6
Other materials (chemical, building materials, etc.)	329	220	19	162	12	27			111	50%	21
Other, public and organisations	56	19	17	2	0	0			42	223%	32
Paper and forest materials	30	7	6	1	0	0			4	51%	12
Real estate management and investment	605	400	267	56	59	1		17	183	46%	230
Retail trade	362	331	162	80	8	81			165	50%	68
Reversed repurchase agreements to corporates											
Shipping and offshore	110	244	36	70	135	3			240	98%	10
Telecommunication equipment	1	1	0	1					1	79%	0
Telecommunication operators	8	16	1	11	4	0			26	167%	1
Transportation	71	45	27	11	5	2			27	60%	42
Utilities (distribution and production)	5	23	3	1	16	2			17	76%	6
– of which household	2,101	2,008	1,058	641	143	150					1,410
Mortgage financing	1,060	1,126	579	344	122	64			83	7%	797
Consumer financing	1,040	882	478	297	21	86			441	50%	613
– of which public sector	0										4
Total impaired loans	5,960	5,541	2,917	1,363	701	525		17			
Past due loans	2,582	2,114	442	675	780	195					2,114
Allowances	2,662	2,424	1,056	593	450	296		22	2,424		
Total provisioning ratio	45%	1%	36%	44%	64%	56%		128%			

Table 3.22 Reconciliation of allowance accounts for impaired loans

Tables 3.22 show the changes in the allowance accounts as well as the specification of loan losses per customer type. Total net loan losses increased to EUR 502m in 2016 (EUR 479m). The corresponding loan loss ratio, measured as a proportion of loans to the public, was 15bps. See table 3.19 for a detailed specification of new provisions and reversals.

	Specific credit risk adjustments		
EURm	Individually assessed	Collectively assessed	Total
Opening balance, 1 Jan 2016	–2,213	–451	–2,664
Changes through the income statement	–322	–96	–418
– of which Provisions	–730	–327	–1,057
– of which Reversals	408	232	639
Allowances used to cover write-offs	474		474
Reclassifications	151	42	192
Currency translation differences	–3	–8	–11
Closing balance, 31 Dec 2016	–1,913	–513	–2,426

For loan losses directly recognised through the income statement (not affecting the allowance accounts), refer to the note "Net loan losses" in the Annual Report.

Table 3.23 Changes in stock of general and specific credit risk (EU CR2-A), 31 December 2016

Accumulated Specific credit risk adjustment had a closing balance of 2.426 EURm at the end of 2016. Opening balance includes Baltics figures but is now reported as asset held for sale. Business combinations, including acquisitions and disposals of subsidiaries of 192 EURm intends Baltics. Nordea does not have general credit risk adjustment due to use of IFRS accounting.

		a
EURm		Accumulated Specific credit risk adjustment
1	Opening balance	–2,664
2	Increases due to amounts set aside for estimated loan losses during the period	–1,057
3	Decreases due to amounts reversed for estimated loan losses during the period	639
4	Decreases due to amounts taken against accumulated credit risk adjustments	474
5	Transfers betwen credit risk adjustments	
6	Impact of exchange rate differences	–11
7	Business combinations, including acquisitions and disposals of subsidiaries	192
8	Other adjustments	
9	Closing balance	–2,426
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	57
11	Specific credit risk adjustments recorded directly to the statement of profit or loss	–126

Table 3.24 Past due loans, not impaired

Table 3.24 shows loans past due 6 days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, not considered impaired, were at end of 2016 EUR 704m, down from EUR 962m one year ago, and past due loans for household customers decreased to EUR 1,410m (EUR 1,620m).

	31 December 2016		31 December 2015	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	376	940	653	1,058
31–60 days	134	239	153	250
61–90 days	73	94	37	89
>90 days	121	138	118	223
Total	**704**	**1,410**	**962**	**1,620**
Past due loans, not impaired, divided by loans to the public after allowances, %	0.46	0.88	0.54	1.02

Figure 3.1 Annualised net loan loss ratio

The development of loan losses over time is shown in Figure 3.1. EUR 427m (EUR 336m) of net loan losses related to corporate customers, EUR 74m (EUR 143m) related to household customers. Within corporates the main losses were in the industries Consumer durables, in Consumer staples and in Retail trade.

Total collective provisions 2016 were EUR 513m compared to EUR 451m in 2015.

Credit risk measurement

Table 3.25 Credit risk exposures by portfolio and PD scale (EU-CR6), 31 December 2016

Table 3.25 show the distribution of on-balance and off-balance credit risk exposures by probability of default (PD) buckets. For the institutions portfolio, the majority of exposures are located within the lowest PD bucket and primarily consist of on-balance sheet exposures.

The exposures in the corporate portfolio are primarily non-specialised lending and calculated using the AIRB approach. The three lowest PD buckets contain the vast majority of the exposures and constitute approximately 73% of the total corporate exposure in the AIRB approach. In terms of REA, this amounts to 50% of the total in the AIRB approach corporate portfolio excluding specialised lending.

Exposures secured by immovable property are the majority of the exposures in the retail portfolio, and amounts to approximately 80% of the total retail exposures. The average PD in the non-SME retail portfolio (secured by immovable property) is 1.41% and more than half of the exposures in the portfolio is assigned to the PD bucket associated with the lowest risk.

Intitutions - FIRB

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	25,349	1,412	38.32%	26,072	0.06%	732	14.67%	2.5	2,407	9.23%	2	
0.15 to < 0.25	4,930	566	21.06%	5,049	0.16%	217	41.32%	2.5	1,913	37.89%	3	
0.25 to < 0.50	70	133	19.15%	98	0.35%	134	44.28%	2.5	79	80.06%	0	
0.50 to < 0.75	79	201	24.04%	123	0.55%	99	43.28%	2.5	107	86.75%	0	
0.75 to < 2.50	109	328	35.61%	190	1.47%	169	45.00%	2.5	255	134.01%	1	
2.50 to < 10.00	71	183	22.61%	100	4.44%	133	41.66%	2.5	165	164.64%	2	
10.00 to < 100.00	0	3	38.51%	2	15.21%	14	45.00%	2.5	4	270.55%	0	
100.00 (Default)	0	1	20.00%	0	100.00%	2	45.00%	2.5			0	
Sub-total	30,609	2,827	32.12%	31,634	0.10%	1,500	19.39%	2.5	4,929	15.58%	9	0

Corporate - FIRB and Specialised Lending

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	18			18	0.10%	1	45.00%	2.5	6	32.16%	0	
0.15 to < 0.25												
0.25 to < 0.50	9			9	0.35%	1	45.00%	2.5	6	62.55%	0	
0.50 to < 0.75												
0.75 to < 2.50	19			19	0.81%	1	45.00%	2.5	17	90.53%	0	
2.50 to < 10.00												
10.00 to < 100.00												
100.00 (Default)												
Sub-total	46			46	0.45%	3	45.00%	2.5	28	62.44%	0	

Table 3.25, cont

Corporate - AIRB and Specialised Lending

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	97			97	0.04%	2	33.53%	1.1	7	7.36%	0	
0.15 to < 0.25	15	1	72.90%	18	0.22%	3	33.93%	2.4	5	28.44%	0	
0.25 to < 0.50	128			128	0.35%	6	33.43%	3.6	75	58.72%	0	
0.50 to < 0.75	147	1	53.90%	146	0.55%	10	36.39%	3.2	99	68.30%	0	
0.75 to < 2.50	43			43	1.42%	8	33.70%	2.3	28	64.51%	0	
2.50 to < 10.00	57			57	8.65%	3	36.08%	3.3	83	145.23%	2	
10.00 to < 100.00												
100.00 (Default)	39			39	100.00%	8	25.48%	2.2	83	211.51%	5	
Sub-total	527	1	66.14%	528	8.70%	40	34.00%	2.7	381	72.06%	8	5

Corporate - FIRB, Non-SME, Excluding Specialised Lending

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	3,664	836	27.20%	4,218	0.07%	1,769	42.15%	2.5	948	22.48%	1	
0.15 to < 0.25	2,692	1,128	28.44%	3,000	0.20%	1,894	41.16%	2.5	1,274	42.47%	2	
0.25 to < 0.50	1,123	529	21.48%	1,178	0.35%	1,190	42.94%	2.5	707	59.97%	2	
0.50 to < 0.75	1,268	295	18.73%	1,280	0.55%	1,032	40.59%	2.5	900	70.32%	3	
0.75 to < 2.50	1,126	645	15.79%	1,163	1.06%	1,372	42.63%	2.5	1,086	93.37%	5	
2.50 to < 10.00	793	267	4.82%	468	5.39%	353	41.72%	2.5	704	150.38%	11	
10.00 to < 100.00	23	2	8.11%	22	21.15%	61	40.31%	2.5	53	235.71%	2	
100.00 (Default)	406	32	19.42%	390	100.00%	176	40.81%	2.5			159	
Sub-total	11,094	3,734	22.45%	11,720	3.86%	7,847	41.79%	2.5	5,672	48.40%	185	162

Corporate - FIRB , SME, Excluding Specialised Lending

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	604	251	6.61%	736	0.08%	2,248	42.37%	2.5	148	20.10%	0	
0.15 to < 0.25	687	204	12.25%	781	0.21%	3,120	41.88%	2.5	269	34.42%	1	
0.25 to < 0.50	406	132	16.21%	492	0.35%	1,774	42.33%	2.5	233	47.29%	1	
0.50 to < 0.75	458	113	7.31%	462	0.55%	1,834	41.91%	2.5	252	54.59%	1	
0.75 to < 2.50	639	211	10.83%	642	1.35%	3,235	41.36%	2.5	451	70.13%	4	
2.50 to < 10.00	272	129	1.42%	256	5.88%	1,301	40.54%	2.5	268	104.60%	6	
10.00 to < 100.00	34	24	0.20%	33	19.85%	362	40.36%	2.5	53	158.45%	3	
100.00 (Default)	92	42	13.62%	96	100.00%	328	41.94%	2.5			40	
Sub-total	3,194	1,106	9.22%	3,499	3.81%	14,202	41.84%	2.5	1,673	47.81%	55	33

Table 3.25, cont

Corporate - AIRB, Non-SME, Excluding Specialised Lending

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	11,681	18,737	54.67%	20,521	0.07%	3,407	31.84%	2.6	3,818	18.60%	5	
0.15 to < 0.25	19,240	18,448	53.17%	28,040	0.21%	4,716	30.42%	2.7	9,124	32.54%	17	
0.25 to < 0.50	10,224	7,588	54.20%	13,120	0.35%	2,927	27.71%	2.7	5,224	39.82%	13	
0.50 to < 0.75	7,691	5,892	46.33%	9,736	0.55%	2,493	29.28%	2.6	5,007	51.43%	16	
0.75 to < 2.50	5,394	3,516	49.38%	6,588	1.21%	3,005	28.94%	2.6	4,383	66.53%	23	
2.50 to < 10.00	2,724	974	56.10%	2,889	6.31%	860	26.98%	3.1	3,101	107.33%	49	
10.00 to < 100.00	375	178	49.91%	380	16.13%	141	30.02%	2.9	632	166.53%	18	
100.00 (Default)	1,709	475	0.54%	1,673	100.00%	577	30.30%	2.6	2,723	162.81%	755	
Sub-total	59,039	55,808	52.43%	82,946	2.62%	18,126	29.97%	2.7	34,012	41.01%	896	1,007

Corporate - AIRB, SME, Excluding Specialised Lending

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	14,467	2,858	55.85%	16,702	0.06%	12,420	24.11%	2.5	1,529	9.16%	2	
0.15 to < 0.25	8,983	2,463	56.55%	11,465	0.21%	9,822	25.34%	2.5	2,459	21.45%	6	
0.25 to < 0.50	5,686	1,214	55.13%	6,618	0.35%	5,074	24.26%	2.6	1,849	27.93%	6	
0.50 to < 0.75	4,651	1,015	52.92%	5,262	0.55%	4,712	23.88%	2.5	1,741	33.08%	7	
0.75 to < 2.50	4,949	958	58.15%	5,378	1.34%	7,090	23.92%	2.5	2,261	42.05%	17	
2.50 to < 10.00	1,779	471	56.34%	2,057	6.31%	2,695	25.35%	2.4	1,459	70.95%	33	
10.00 to < 100.00	273	50	48.04%	279	18.71%	631	23.88%	2.5	261	93.68%	12	
100.00 (Default)	2,303	139	0.00%	2,143	100.00%	1,631	26.28%	2.5	2,633	122.83%	727	
Sub-total	43,090	9,169	55.13%	49,904	4.98%	44,075	24.51%	2.5	14,192	28.44%	810	848

Retail - RIRB - secured by immovable property, non SME

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	76,732	6,285	65.52%	80,850	0.1%	601,402	13.74%	2.5	2,525	3.12%	10	
0.15 to < 0.25	25,945	1,172	56.83%	26,611	0.2%	199,729	14.55%	2.5	1,543	5.80%	7	
0.25 to < 0.50	17,458	568	60.33%	17,801	0.3%	131,146	14.36%	2.5	1,611	9.05%	9	
0.50 to < 0.75	5,309	104	46.89%	5,358	0.6%	42,342	14.07%	2.5	705	13.15%	4	
0.75 to < 2.50	9,232	275	45.03%	9,356	1.3%	72,824	13.91%	2.5	1,989	21.26%	17	
2.50 to < 10.00	1,992	162	38.07%	2,054	4.9%	12,939	17.43%	2.5	1,222	59.52%	18	
10.00 to < 100.00	762	17	39.23%	769	23.0%	6,791	15.42%	2.5	693	90.06%	26	
100.00 (Default)	1,414	4	69.33%	1,416	100.0%	12,444	14.39%	2.5	1,941	137.07%	66	
Sub-total	138,845	8,587	62.54%	144,215	1.4%	1,079,617	14.06%	2.5	12,229	8.48%	156	88

Table 3.25, cont

Retail - RIRB - secured by immovable property, SME

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	7	10	51.39%	12	0.10%	918	20.97%	2.50	0	3.89%	0	
0.15 to < 0.25	362	24	49.65%	373	0.19%	6,672	21.43%	2.50	25	6.58%	0	
0.25 to < 0.50	118	24	67.59%	134	0.36%	2,243	19.38%	2.50	13	10.03%	0	
0.50 to < 0.75	87	14	68.52%	97	0.60%	1,361	18.77%	2.50	14	14.46%	0	
0.75 to < 2.50	405	95	59.37%	461	1.45%	8,976	20.53%	2.50	129	28.08%	1	
2.50 to < 10.00	55	13	69.51%	64	3.60%	1,223	20.91%	2.50	31	48.82%	0	
10.00 to < 100.00	14	1	62.42%	14	30.37%	276	21.36%	2.50	14	100.54%	1	
100.00 (Default)	26	2	76.65%	28	100.00%	642	21.97%	2.50	49	177.02%	4	
Sub-total	1,074	181	60.33%	1,184	3.60%	22,311	20.61%	2.50	276	23.35%	7	5

Retail - RIRB - other, non -SME

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	5,473	5,504	64.01%	8,880	0.09%	1,121,123	33.23%	2.50	718	8.09%	3	
0.15 to < 0.25	3,601	2,536	63.23%	5,044	0.19%	508,642	33.69%	2.50	695	13.78%	3	
0.25 to < 0.50	4,146	1,705	64.18%	5,011	0.35%	500,495	33.77%	2.50	1,043	20.82%	6	
0.50 to < 0.75	1,626	480	62.94%	1,789	0.60%	165,895	31.54%	2.50	474	26.51%	3	
0.75 to < 2.50	3,318	985	65.50%	3,578	1.34%	382,721	31.44%	2.50	1,309	36.59%	15	
2.50 to < 10.00	3,343	399	56.61%	3,448	4.95%	207,387	23.55%	2.50	1,268	36.77%	41	
10.00 to < 100.00	1,625	101	57.84%	1,605	19.81%	85,628	23.30%	2.50	861	53.63%	73	
100.00 (Default)	760	100	55.20%	797	100.00%	83,020	33.44%	2.50	2,137	268.10%	314	
Sub-total	23,891	11,809	63.57%	30,152	4.58%	3,054,911	31.45%	2.50	8,506	28.21%	458	401

Retail - RIRB - other, SME

EURm	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density	EL	Value adjust-ments and Provisions
0.00 to < 0.15	4	9	67.58%	10	0.09%	2,157	42.74%	2.5	1	8.77%	0	
0.15 to < 0.25	9	11	63.71%	16	0.19%	914	40.36%	2.5	2	13.58%	0	
0.25 to < 0.50	43	76	75.45%	99	0.39%	7,518	35.95%	2.5	21	20.80%	0	
0.50 to < 0.75	36	70	71.40%	85	0.60%	6,008	35.12%	2.5	22	25.76%	0	
0.75 to < 2.50	457	369	75.70%	701	1.50%	36,094	32.28%	2.5	242	34.55%	3	
2.50 to < 10.00	489	220	59.13%	593	4.80%	32,484	32.61%	2.5	265	44.73%	9	
10.00 to < 100.00	109	21	84.81%	119	19.27%	5,552	30.57%	2.5	72	60.70%	7	
100.00 (Default)	82	25	63.15%	92	100.00%	6,120	35.76%	2.5	263	284.49%	25	
Sub-total	1,228	801	70.34%	1,715	9.05%	96,847	32.95%	2.5	888	51.79%	45	36

Table 3.26 Exposure weighted average PD and LGD, IRB exposure classes (excl. defaulted exposures), 31 December 2016

Table 3.26 shows PD and LGD for different exposure classes under the IRB approach distributed on geographical dimension. Parameters are calculated excluding defaulted exposures. In the retail exposure class, average PD is lowest in Sweden (0.26%) and highest in the Baltic countries (2.88%). Similarly, average LGD is lowest in Sweden (13.3%) but highest in Russia (36.6%). In the Nordics, retail PD in the Norwegian portfolio improved from 0.64% to 0.52% compared to 2015, mainly as a result of favourable scoring migration. In the corporate portfolio, average PD improved in the Swedish and Finnish portfolios while PD increased in the Russian portfolio. In the institution, the average PD in the Finnish portfolio increased to 0.21% from 0.12% compared 2015. This mainly stems from rating downgrades in a limited amount of large counterparties

	Denmark		Finland		Norway		Sweden		Baltic countries		Russia		USA		Other	
Percent (%)	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD
Institution	0.09%	11.9%	0.21%	26.9%	0.04%	13.8%	0.05%	16.5%	0.25%	45.0%	0.55%	45.0%	0.11%	45.0%	0.18%	41.6%
Corporate	0.59%	29.1%	0.64%	30.7%	0.71%	29.5%	0.35%	30.4%	0.38%	39.4%	0.50%	43.7%	0.38%	34.2%	1.05%	32.7%
– of which AIRB	0.62%	26.5%	0.63%	28.4%	0.71%	27.5%	0.34%	27.1%	0.27%	31.3%	0.41%	39.4%	0.38%	34.0%	1.11%	30.5%
Retail	0.70%	21.2%	1.58%	14.6%	0.52%	21.0%	0.26%	13.3%	2.88%	41.4%	2.61%	36.6%	2.02%	36.2%	2.24%	36.7%
– of which secured by immovable property	0.58%	16.9%	0.63%	10.8%	0.45%	19.5%	0.18%	10.6%								
– of which other retail	1.16%	40.0%	3.84%	22.4%	0.82%	30.1%	0.81%	34.5%								
– of which SME	2.14%	26.8%	3.19%	26.8%	2.59%	38.3%	1.96%	25.2%	2.88%	41.4%	2.61%	36.6%	2.02%	36.2%	2.24%	36.7%
Other non-credit obligation assets	2.18%	43.7%	2.27%	42.0%	1.97%	39.9%	2.36%	44.7%	2.50%	45.0%	2.50%	45.0%	2.50%	45.0%	2.50%	44.8%
Total exposure-weighted IRB 2016[1]	0.59%	23.2%	1.20%	21.2%	0.58%	24.3%	0.29%	19.6%	0.39%	39.5%	0.51%	43.7%	0.33%	36.7%	0.77%	35.6%
Total exposure-weighted IRB 2015	0.62%	22.6%	1.21%	20.8%	0.64%	25.3%	0.36%	20.4%	0.45%	40.6%	0.41%	42.0%	0.20%	38.7%	0.44%	36.6%

[1] Securitisation positions for 31 Dec 2016 are not included in the table.

Table 3.27 a) Obligor-weighted PD vs. ADF, 2016

Table3.27 a) shows the PD and actual default frequency ADF, calculated for the corporate and institution portfolio as the long term average. For the Retail portfolio the PD and ADF are based on the latest estimation year due to the PIT methodology used in the model calibration.

	Average PD	Average ADF
Retail	1.22%	0.96%
– of which SME	2.99%	2.37%
Corporate & Institution	1.41%	1.30%

Table 3.27 b) Exposure-weighted estimated vs. Realised LGD & EAD & CCF for the corporate and retail IRB portfolios, 2015[1]

Table 3.27 b) shows estimated and realized LGD, CCF and EAD for IRB exposures based on the exposure in the reporting period. For retail the LGD estimation uses a 3 years' work out period. The sub-exposure class according to CRR is not directly comparable to LGD and CCF segmentation used for estimation and validation.

Realized LGD and CCF values are for both corporate and retail portfolio based on a minimum of 7 default years. The estimated values include a **downturn add-on and a safety margin, hence the difference between estimated and realized values. The figures showed in the table are the same as in the last year's report, as the validations are yet to be finalized.**

	Estimated	Realised average
Retail LGD	17.2%[2]	9.8%
Retail CCF	55.8%	49.5%
Retail EAD[3], EURm	253	182
Corporate LGD	31.1%[2]	14.3%
Corporate CCF	60.4%	53.9%
Corporate EAD[3], EURm	241	147

1) Figures provided for 2015. Updates for 2016 will be publicly available as soon **as the validation process for 2016 is finalised.**

2) Defaulted customers not included.

3) **Only for exposures with an off-balance part.**

N.B. Realised avg. EAD does not include post-default drawings.

Table 3.27 c) Comparison between EL and actual losses

Table 3.27 c) displays the comparison between EL and actual losses. **Estimated EL follows the calculation rules defined in the CRR calculated** using midyear data. Realized loss is net loss based on end of year data.

	Expected loss	
	Estimated	Realised
2016		
Retail	–245	–74
– *of which secured by immovable property*	–90	–28
– *of which other retail*	–155	–46
Corporate[1]	–334	–427
Institution	–20	
Government		
2015		
Retail	–268	–144
– *of which secured by immovable property*	–100	–49
– *of which other retail*	–168	–95
Corporate[1]	–295	–345
Institution	–20	10
Government		
2014		
Retail	–202	–194
– *of which secured by immovable property*	–98	–79
– *of which other retail*	–104	–115
Corporate[1]	–322	–298
Institution	–37	–42
Government		

1) Includes Retail SME

Table 3.28 Standardised approach after application of CCF and CRM (EU CR5), 31 December 2016

Table 3.28 present a breakdown of exposures under the standardised approach by asset class and risk weight. Exposures shown are on and off balance sheet exposures post conversion factor and post risk mitigation techniques. As of year-end 2016, out of the total exposure amount of EUR 97.8bn, approximately 84% of exposures are risk weighted at a 0% risk weight. Remaining exposures are predominately held in the 100% and 75% risk weight bucket, mainly related corporate and retail exposures respectively. Sovereign exposure which receive a 250% risk weight are exclusively deferred tax assets (DTAs) which rely on future profitability and arise from temporary differences.

	Credit risk	Risk weight								
	EURm	0%	20%	35%	50%	75%	100%	150%	250%	Total
	Exposure classes									
1	Central governments or central banks	72,863	9		0		198	14	34	73,118
2	Regional government or local authorities	5,854	440		5		18			6,317
3	Public sector entities	1,146	190							1,337
4	Multilateral development banks	1,666	27				26			1,719
5	International organisations	411								411
6	Institutions		66		0		28			94
7	Corporates						1,931	3		1,935
8	Retail					4,277				4,277
9	Secured by mortgages on immovable property			3,183	22		1,744			4,948
10	Exposures in default						67	31		99
11	Higher-risk categories							467		467
12	Covered bonds									
13	Institutions and corporates with a short term credit assessment									
14	Collective investment undertakings									
15	Equity						192		1,027	1,220
16	Other items	648	513				656			1,817
17	Total	82,588	1,245	3,183	27	4,277	4,861	516	1,061	97,758

Table 3.29 IRB – Effect on REA of credit derivatives used as CRM techniques (EU-CR7), 31 December 2016

Table 3.29 illustrates the effect of credit derivatives for the IRB approach calculations on the risk exposure amount (REA). The total amount of pre-credit derivatives REA at the end of 2016 amounted to EUR 88.1bn compared to actual REA of EUR 84.6bn, corresponding to a gross REA relief of EUR 3.5bn (EUR 2.6bn net of REA held on securitised positions). Outside of the synthetic securitisation of certain corporate exposures, Nordea does not use credit derivatives as a credit risk mitigation technique in the banking book

		a	b
	EURm	pre-credit derivatives REA	Actual REA
1	Exposures under Foundation IRB		
2	Central governments and central banks		
3	Institutions	4,929	4,929
4	Corporates - SME	1,673	1,673
5	Corporates - Specialised Lending	28	28
6	Corporates - Other	5,672	5,672
7	Exposures under Advanced IRB		
8	Central governments and central banks		
9	Institutions		
10	Corporates - SME	15,025	14,192
11	Corporates - Specialised Lending	381	381
12	Corporates - Other	36,648	34,012
13	Retail - Secured by real estate SME	276	276
14	Retail - Secured by real estate non-SME	12,229	12,229
15	Retail - Qualifying revolving		
16	Retail - Other SME	888	888
17	Retail - Other non-SME	8,506	8,506
18	Equity IRB		
19	Other non credit-obligation assets	1,841	1,841
20	Total	88,095	84,627

Table 3.30 Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (EU CR4), 31 December 2016

Table 3.30 illustrates the effect of all CRM techniques applied for on and off balance sheet exposures at year-end 2016. The table show that out of the total exposure amount pre CCF and CRM of EUR 103billion, approximately 88% of the exposure is on-balance exposure. The exposure is predominately within the sovereign asset class. In terms of REA, retail exposure is largest asset class which mainly stems from Nordea's finance companies in Denmark, Finland and Sweden.

	EURm	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		REA and REA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	REA	REA density
1	Central governments or central banks	69,401	699	72,759	359	261	0%
2	Regional government or local authorities	4,365	5,070	5,778	539	109	2%
3	Public sector entities	1,150	382	1,150	186	38	3%
4	Multilateral development banks	1,699	38	1,700	19	32	2%
5	International organisations	411		411			
6	Institutions	92	2	92	2	41	44%
7	Corporates	2,560	1,334	1,865	69	1,934	100%
8	Retail	4,371	2,883	4,174	103	3,137	73%
9	Secured by mortgages on immovable property	3,258	1,801	3,196	1,752	2,862	58%
10	Exposures in default	155	4	98	0	114	116%
11	Higher-risk categories	467		467		701	150%
12	Covered bonds						
13	Institutions and corporates with a short term credit assessment						
14	Collective investment undertakings						
15	Equity	1,220		1,220		2,760	226%
16	Other items	1,818		1,817		579	32%
17	Total	90,966	12,212	94,728	3,030	12,568	13%

4. Counterparty credit risk

Table 4.1 Counterparty credit risk exposures and REA split by exposure class

Table 4.1 illustrate the changes in exposures and REA in the counterparty credit risk portfolio. The table show that the majority of counterparty credit risk is held within the IRB portfolio, where corporate exposure is the largest exposure class. The standardised approach comprises of approximately 38% of total counterparty credit risk in terms of exposure and 10% in terms of REA.

Over the year, exposure related counterparty credit risk increase, most notably in exposures cleared through Central Counterparties (CCPs). The increase in CCPs is partially offset by a decrease in institutions exposure.

REA decreased on an overall level by EUR 0.02bn. The decrease was primarily driven by a decrease in the IRB corporate portfolio, partially offset by a slight increase in risk weights in the IRB institutions portfolio, primarily due to increased PD. The increase in exposure towards CPP's is mostly driven by changes in initial margin called by the CCP's, which can fluctuating quite a lot towards Nordea's largest CCP's when there are large market movement affecting the portfolio.

	31 December 2016		31 December 2015	
EURm	Exposure	REA	Exposure	REA
IRB Exposure classes				
Institution	6,227	2,215	7,336	2,355
Corporate	14,542	6,254	14,315	6,427
Retail	84	34	85	28
Other non-credit obligation assets			3	3
Total IRB approach	20,853	8,503	21,735	8,813
Standardised exposure classes				
Central government and central banks	3,582	59	2,945	71
Regional governments and local authorities	2,194	157	2,187	165
Other	6,998	770	5,591	460
– of which cleared through CCPs	6,059	457	4,550	242
Total standardised approach	12,775	986	10,722	696
Total	33,628	9,489	32,457	9,510

Exposures include derivatives as well as securities financing transactions.

Table 4.2 Analysis of counterparty credit risk by approach (EU CCR1), 31 December 2016

Nordea is using two methodologies when calculating the counterparty credit risk amounts. These methodologies are the mark to market and Internal Model Method (IMM). For Securities Financing Transactions (SFT) Nordea is using the financial collateral simple method. As shown in table 4.2, most of the derivatives exposures are calculated using the Internal Model (IMM)

		a	b	c	d	e	f	g
	EURm	Notional	Replacement cost/Current market value	Potential future value	EEPE	Multiplier	EAD post-CRM	REA
1	Mark to market		327	7,172			7,499	2,099
2	Original exposure method							
3	Standardised approach							
4	Internal Model Method (for derivatives and SFTs)			8,888	15,529	1.4	21,741	6,888
5	Of which securities financing transactions							
6	Of which derivatives & long settlement transactions			8,888	15,529	1.4	21,741	6,888
7	Of which from contractual cross product netting							
8	Financial collateral simple method (for SFTs)						4,388	502
9	Financial collateral comprehensive method (for SFTs)							
10	VaR for SFTs							
11	Total							9,489

Table 4.3 REA flow statements of Counterparty credit risk exposures under Internal Model Method (IMM) (EU CCR-7), 31 December 2016

The breakdown of REA movements into the components are presented for exposures calculated under IMM Approach. The credit quality represents REA change caused by movements in the risk weights. There has not been any model updates in Q4 so these components do not contribute to the change. Change in the asset size is based on new and maturing trades within Q4 causing the REA to decrease with EUR 130m. The REA change caused by Foreign exchange movements represents the exposure change for foreign exchange derivatives and similar the Interest rate movements represents the exposure change for interest rate derivatives. The exposure on foreign exchange derivatives has decreased mainly due to a strengthened USD causing REA to decrease by 106 mEUR. The exposure on interest rate derivatives har decreased by 708 mEUR due to increasing interest rates mainly in DKK and SEK.

		a	b
	EURm	REA	Capital requirements
1	**REA as at end of 2015**	**7,285**	**583**
2	Asset size	–130	–10
3	Credit quality of counterparties	350	28
4	Credit quality of counterparties		
5	Methodology and policy (IMM only)		
6	Acquisitions and disposals		
7	Foreign exchange movements	–106	–8
	Interest rate movements	–708	–57
8	Other	198	16
9	**REA as at end of current reporting period**	**6,888**	**551**

Table 4.4 Standardised approach – Counterparty credit risk exposures by regulatory portfolio and risk (EU CCR3), 31 December 2016

Table 4.4 provides a breakdown of counterparty credit risk (CCR) by exposure class and risk weight. The table shows that approximately 43% of counterparty credit risk exposure receives 0% risk weight under the standardised approach. Exposure with 2% risk weight consists exclusively of trade exposures with CCPs.

	Counterparty credit risk	Risk weight							
	EURm	0%	2%	20%	75%	100%	150%	Others	Total
	Exposure classes								
1	Central governments or central banks	3,301		277		4			3,582
2	Regional government or local authorities	1,409		786					2,194
3	Public sector entities	14		6					20
4	Multilateral development banks	544							544
5	International organisations	34							34
6	Institutions	232	3,965	1,730		0		132	6,059
7	Corporates					225	0		225
8	Retail				115				115
9	Institutions and corporates with a short term credit assessment								
10	Other items								
11	Total	5,534	3,965	2,799	115	230	0	132	12,775

Table 4.5 Counterparty credit risk exposures by portfolio and PD scale (EU-CCR4), 31 December 2016

Table 4.5 shows the distribution of institution and corporate counterparty credit risk by probability of default (PD) bucket. For the institution portfolio, the majority of exposure and REA is located within the lowest PD bucket, where 74% of the exposure and 61% of the REA is assigned. The average risk weight for this bucket was 29%. Only 3% of the exposure and 6% of the REA is assigned to buckets with PD higher than 0.5% for institution exposure.

In the corporate portfolio specialised lending account for 0.1% of the total corporate counterparty credit risk exposure and REA.

Low risk PD buckets account for the majority of the exposure and REA in corporate portfolio excluding specialised lending, where 68% of the total exposure and 46% of the total REA have PDs lower than 0.25%. Only 1% of the exposures were in default at the end of year 2016.

Institutions – FIRB

EURm	a	b	c	d	e	f	g
PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density
0.00 to < 0.15	4,628	0.1%	142	42.0%	2.2	1,361	29.4%
0.15 to < 0.25	834	0.2%	85	29.8%	2.4	286	34.3%
0.25 to < 0.50	592	0.4%	25	39.8%	2.4	426	71.8%
0.50 to < 0.75	139	0.6%	19	45.0%	0.9	102	73.4%
0.75 to < 2.50	15	0.9%	11	45.0%	2.1	16	105.9%
2.50 to < 10.00	18	2.9%	7	45.0%	1.2	24	134.2%
10.00 to < 100.00	0	20.7%	1	45.0%	2.5	0	254.3%
100.00 (Default)							
Sub-total	6,227	0.1%	290	40.2%	2.2	2,215	35.6%

Corporate– FIRB and Specialised Lending

EURm	a	b	c	d	e	f	g
PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density
0.00 to < 0.15							
0.15 to < 0.25	16	0.2%	1	45.0%	2.5	8	49.6%
0.25 to < 0.50	2	0.4%	3	45.0%	2.5	1	62.6%
0.50 to < 0.75	0	0.6%	1	45.0%	2.5	0	77.2%
0.75 to < 2.50							
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (Default)	0	100.0%	1	45.0%	2.5		
Sub-total	18	1.2%	6	45.0%	2.5	9	50.8%

Corporate - FIRB, Non-SME, Excluding Specialised Lending

EURm	a	b	c	d	e	f	g
PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density
0.00 to < 0.15	5,117	0.1%	876	45.0%	2.2	1,048	20.5%
0.15 to < 0.25	3,323	0.2%	691	45.0%	2.4	1,533	46.1%
0.25 to < 0.50	1,554	0.4%	401	45.0%	2.5	967	62.2%
0.50 to < 0.75	1,213	0.6%	344	45.0%	2.4	924	76.2%
0.75 to < 2.50	570	1.4%	344	45.0%	2.2	574	100.8%
2.50 to < 10.00	96	7.8%	111	45.0%	2.5	176	184.7%
10.00 to < 100.00	19	15.9%	9	45.0%	2.5	46	236.7%
100.00 (Default)	70	100.0%	40	45.0%	2.5		
Sub-total	11,961	0.9%	2,816	45.0%	2.3	5,269	44.1%

Table 4.5, cont

Corporate - FIRB, SME, Excluding Specialised Lending

EURm	a	b	c	d	e	f	g
PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA Density
0.00 to < 0.15	987	0.1%	1,096	45.0%	2.3	145	14.7%
0.15 to < 0.25	450	0.2%	1,042	45.0%	2.5	170	37.8%
0.25 to < 0.50	447	0.4%	666	45.0%	2.3	213	47.7%
0.50 to < 0.75	296	0.6%	645	45.0%	2.5	182	61.6%
0.75 to < 2.50	244	1.2%	912	45.0%	2.3	182	74.7%
2.50 to < 10.00	56	7.6%	416	45.0%	2.5	76	135.7%
10.00 to < 100.00	3	18.0%	68	45.0%	2.5	6	184.4%
100.00 (Default)	80	100.0%	179	45.0%	2.5		
Sub-total	2,563	3.6%	5,024	45.0%	2.4	975	38.1%

Table 4.6 Credit derivatives exposures (EU CCR6), 31 December 2016

	a	b
	Credit derivative hedges	
EURm	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	8,093	7,326
Index credit default swaps	27,630	27,413
Total return swaps		
Credit options	400	350
Other credit derivatives	995	3,110
Total notionals	37,118	38,199
Fair values		
Positive fair value (asset)	64	1,535
Negative fair value (liability)	1,522	125

Table 4.7 Impact of netting and collateral held on exposure values (EU-CCR5-A), 31 December 2016

A decrease in Counterparty Credit Risk gross and net exposures over the second half of 2016 have by nature decreased the absolute value of Nordea's netting benefit and called collateral. The main driver of the decrease in exposure over the period is increasing interest rates towards the end of 2016.

Note that collateral held (d) is the residual between (c) and (d) why excess collateral received are not refelected. This is to reflect the actual risk mitigation coming from held collateral.

		a	b	c	d	e
	EURm	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives by underlying	221,599	201,869	19,730	6,689	13,041
2	SFTs	8,309		8,309	7,709	601
3	Cross-product netting					
4	Total	229,908	201,869	28,039	14,398	13,641

Table 4.8 Composition of collateral for exposures to counterparty credit risk (EU CCR5-B), 31 December 2016

Collateral used in derivative transactions reflect the total amounts of posted and received collateral on the day of reporting. For the SFT's the trade collateral (the counterparties obligation in the transaction) is included as collateral.

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
EURm	Segregated	Unsegregated	Segregated	Unsegregated		
Cash		7,576		11,721	37,485	42,665
Government bonds		575	443	2,432	25,466	28,098
Mortgage Bonds		356		880	14,126	7,172
Bonds		147	124	633	6,141	2,383
Equity					2,159	1,406
Total		8,653	567	15,666	85,376	81,724

Table 4.9 Exposures to central counterparties (EU-CCR8), 31 December 2016

The total risk exposure amount for the Nordea's year-end central counterparty exposures amounted for a total of 457 mEUR. There was a relatively large increase in central counterparty exposures when comparing with year-end 2015 which mainly stemmed from increased trade exposure in derivatives clearing (mainly affected by increased posting of initial margin due to raised interest rates). Most of the Nordea's current exposures cleared through central counterparties consist of OTC derivatives (72%) and the second largest share of central counterparty exposures is consisting of securities financing transactions (21%).

		a	b
	EURm	EAD (post-CRM)	REA
1	Exposures to QCCPs (total)		457
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	5,695	425
3	(i) OTC derivatives	4,088	393
4	(ii) Exchange-traded derivatives	387	8
5	(iii) Securities financing transactions	1,221	24
6	(iv) Netting sets where cross-products netting has been approved		
7	Segregated initial margin	567	
8	Non-segregated initial margin		
9	Pre-funded default fund contribution	363	22
10	Unfunded default fund contribution	1	9
11	Exposures to non-QCCPs (total)		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC derivatives		
14	(ii) Exchange-traded derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-products netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contribution		
20	Unfunded default fund contribution		

Table 4.10 Credit valuation adjustment risk capital charge (EU CCR2), 31 December 2016

For credit valuation adjustment (CVA) capital charge, Nordea is using two different methodologies: advanced and standardised method. Around 71% of the CVA risk REA is calculated using the advanced method and the rest using the standardised method. The REA for advanced method comes from two components, where the VaR component counts for around 28% of the exposure and stressed VaR counts for the rest (72%).

		a	b
	EURm	Exposure value	REA
1	Total portfolios subject to the advanced method	5,017	1,278
2	(i) VaR component (including the 3×multiplier)		354
3	(ii) Stressed VaR component (including the 3×multiplier)		924
4	All portfolios subject to the standardised method	3,159	520
EU4	Based on original exposure method		
5	Total subject to the CVA risk capital charge	8,176	1,798

5. Market risk

The market risk taking activities of Nordea are primarily focused on the Nordic and European markets. The total market risk for the Nordea trading book, as measured by VaR, was EUR 29m on average in 2016, compared to EUR 32m in 2015 and EUR 16m at the end of 2016. The total market risk, measured by VaR, is primarily driven by interest rate risk.

Table 5.1 REA and minimum capital requirements for market risk, 31 December 2016

By the end of the year, REA and capital requirements for market risk were EUR 4,474m (EUR 6,534m) and EUR 358m (EUR 523m) respectively as shown in Table 5.1. The reduction in REA is mainly explained by decreased banking book risk using the standardised approach where foreign exchange risk is the main driver. Additional reduction in REA is explained by reduced trading book risk using the internal model approach where interest rate risk and equity risk were the main drivers.

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk and other[1]	884	71	780	62			1,664	133
Equity risk	239	19	119	10			358	29
Foreign exchange risk	266	21			605	48	871	70
Commodity risk			28	2			28	2
Settlement risk			0	0			0	0
Diversification effect	–557	–45					–557	–45
Stressed Value-at-Risk	950	76					950	76
Incremental Risk Measure	346	28					346	28
Comprehensive Risk Measure	814	65					814	65
Total	2,942	235	928	74	605	48	4,474	358

1) Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Table 5.2 Market risk for the banking book, 31 December 2016

The market risk for the Nordea banking book is presented in Table 5.2. Total banking book VaR was EUR 59m (EUR 77m) at the end of 2016. The total market risk in the banking book is primarily driven by interest rate risk. Interest rate VaR was EUR 58m (EUR 76m) as per December 2016.

EURm	Measure	31 Dec 2016	2016 high	2016 low	2016 avg	31 Dec 2015
Total risk	VaR	59	110	54	77	77
- Interest rate risk	VaR	58	104	48	70	76
- Equity risk	VaR	1	15	1	4	3
- Credit spread risk	VaR	2	6	1	3	3
- Foreign exchange risk	VaR	5	46	3	27	3
- Inflation risk	VaR	0	2	0	1	
Diversification effect	VaR	10.1%	38.1%	10.1%	31.9%	10.1%

Table 5.3 Equity holdings in the banking book, 31 December 2016

All equities in table 5.3 are carried at fair value. The portfolio of illiquid alternative investments is included with a fair value of EUR 517m (EUR 553m), of which private equity funds EUR 238m, hedge funds EUR 48m, credit funds EUR 168m and seedmoney investments EUR 63m. All four types of investments are spread over a number of funds.

EURm	Book value	Fair value	Unrealised gains/losses[3]	Realised gains/losses[3]	Capital requirement
Investment portfolio[1]	476	476	69	41	38
Other[2]	190	190	7	1	15
Total	666	666	76	42	53

1) Of which listed equity holdings, Book value EUR 2m.
2) Of which listed equity holdings, Book value EUR 147m.
3) Result for 2016.

Table 5.4 Interest rate VaR sensitivities for the banking book, instantaneous interest rate movements, 31 December 2016

At the end of the year, interest rate VaR in the banking book was EUR 58m (EUR 76m). Table 5.4 shows the net effect on a parallel shift in rates of up to 100bps. The totals are netted and include currencies not specified. In accordance with an analysis of account holder behaviour, a portion of non-maturing deposit accounts are assumed to be fixed term.

EURm	+100bp	+50bp	–50bp	–100bp
DKK	–129	–63	61	117
EUR	81	39	–36	–71
SEK	–50	–25	25	51
NOK	–37	–18	18	37
CHF	6	3	–3	–6
USD	0	0	0	0
Total	–132	–66	67	131

Table 5.5 Net intrest income sensitivities for the banking book, instantaneous interest rate movements, 31 December 2016

At the end of the year, the Structural Interest Income Risk (SIIR) for increasing market rates was EUR 822m (EUR 384m) and the SIIR for decreasing market rates was EUR -762m (EUR 13m). Currency split for the SIIR figures is displayed in Table 5.5. Key driver behind the risk change is the removal of zero floor assumption on reference rates during 2016.

EURm	+100bp	-100bp
DKK	181	–215
EUR	437	–269
NOK	–19	–29
SEK	254	–251
USD	–29	11
OTH	–3	–8
Total	822	–762

The totals are netted and include currencies not specified. In accordance with an analysis of account holder behaviour, a portion of non-maturing deposit accounts are assumed to be fixed term.

Table 5.6 Market risk for the trading book, 31 December 2016

Table 5.6 shows the market risk in the trading book. Total VaR in trading book was EUR 16m (EUR 33m) at the end of 2016. The VaR reduction is primarily driven by the introduction of Local Scaling on the VaR calculation for interest rate risk. Interest rate VaR was EUR 12m (EUR 32m).

EURm	Measure	31 Dec 2016	2016 high	2016 low	2016 avg	31 Dec 2015
Total risk	VaR	16	56	12	29	33
- Interest rate risk	VaR	12	51	10	26	32
- Equity risk	VaR	5	11	2	5	7
- Credit spread risk	VaR	6	13	3	7	6
- Foreign exchange risk	VaR	4	16	3	7	4
Diversification effect		42.0%	57.0%	16.0%	36.0%	32.0%
Total stressed VaR	sVaR	21	42	14	25	21
Incremental Risk Measure		23	48	20	31	20
Comprehensive Risk Measure		65	108	9	43	25

Table 5.7 IMA values for trading portfolios (EU MR3), 31 December 2016

Table 5.7 shows the maximum, average, minimum, and period end values for the VaR, stressed VaR, incremental risk charge, and comprehensive risk charge respectively. The values have remained stable since the previous quarter apart from the comprehensive risk charge which increased at the end of the reporting period and was driven by expiring CDS contracts.

		a
VaR (10 day 99%) –		
1	Maximum value	28
2	Average value	18
3	Minimum value	12
4	Period end	16
Stressed VaR (10 day 99%)		
5	Maximum value	32
6	Average value	22
7	Minimum value	14
8	Period end	21
Incremental Risk Charge (99.9%)		
9	Maximum value	42
10	Average value	28
11	Minimum value	20
12	Period end	23
Comprehensive Risk capital charge (99.9%)		
13	Maximum value	92
14	Average value	38
15	Minimum value	9
16	Period end	65

Table 5.8 Market risk under standardised approach (EU MR1-B), 31 December 2016

Table 5.8 shows the market risk under the standardised approach where interest rate risk and foreign exchange risk comprises the vast majority of the total REA amount. Interest risk is primarily driven by exposures with maturities > 24 months while NOK, RUB, and DKK are the main drivers in the foreign exchange risk. The scenario approach has been deducted from equity and commodity risk and showed separately in the table.

		a	b
		REA	Capital requirements
	Outright products[1]		
1	Interest rate risk (general and specific)	780	62
2	Equity risk (general and specific)	74	6
3	Foreign exchange risk	605	48
4	Commodity risk	23	2
	Options		
5	Simplified approach		
6	Delta-plus method		
7	Scenario approach	50	4
8	Securitisation		
9	Total	1,532	123

[1] Outright products refer to positions in products that are not optional.

Table 5.9 Market risk under the internal models approach (EU MR2-A), 31 December 2016

VaR and sVaR are primarily driven by the interest rate risk and constitute more than half of the total REA under the internal model approach. REA for VaR and sVaR is determined by the maximum of previous days measure and the average of the preceding 60 business days scaled by a multiplication factor where the latter was the driver during the reporting period.

The most recent measure for the correlation trading portfolio was the primary driver behind the change in the comprehensive risk charge which in turn was driven by expiring CDS contracts.

		a	b
		REA	Capital requirements
1	VaR (higher of values a and b)	832	67
(a)	Previous day's VaR (Article 365 (1) (VaRt-1))	196	16
(b)	Average of daily VaR (article 365 (1)) on each of the preceding sixty business days (VaRavg) x multiplication factor ((mc) in accordance with article 366)	832	67
2	SVaR (higher of values a and b)	950	76
(a)	Latest SVaR (Article 365 (2) (sVARt-1)	265	21
(b)	Average of the SVaR (article 365 (2)) during the preceding 60 business days (sVaRavg) x multiplication factor (ms) (article 366)	950	76
3	Incremental risk charge - IRC (higher of values a and b)	346	28
(a)	Most recent IRC value (incremental default and migration risks section 3 calculated in accordance with Section 3 articles 370/371)	282	23
(b)	Average of the IRC number over the preceding 12 weeks	346	28
4	Comprehensive risk method (higher of values a, b and c)	814	65
(a)	Most recent risk number for the correlation trading portfolio (article 377)	814	65
(b)	Average of the risk numbers for the correlation trading portfolio over the preceding 12-weeks	501	40
(c)	8% of the own funds requirement in SA on most recent risk number for the correlation trading portfolio (Article 338 (4))	474	38
5	Total	2,942	235

Table 5.10 REA flow statements of market risk exposures under an IMA (EU MR2-B), 31 December 2016

Total REA decreased EUR 0.7bn year on year and was driven by VaR and sVaR. The decrease in VaR and sVaR was due to a combination of movements in interest rate risk levels and a model enhancement, where the latter had the larger impact. The model enhancement provided a more accurate reflection of interest rate risk in a low rate environment. The Comprehensive Risk Measure (CRM) increased year-on-year as a result of normal business flow.

		a	b	c	d	e	f	g
	EURm	VaR	SVaR	IRM	CRM	Other	Total REA	Total capital requirements
1	REA as at end of previous reporting period	1,483	1,190	365	571		3,609	289
1a	Regulatory adjustment	1,483	1,190	365	571		3,609	289
1b	REA at end of day previous quarter							
2	Movement in risk levels	–171	–240	–19	242		–188	–15
3	Model updates/changes	–480					–480	–38
4	Methodology and policy							
5	Aquisitions and disposals							
6	Foreign exchange movements							
7	Other							
8a	REA at end of day previous quarter				814		814	65
8b	Regulatory adjustment	832	950	346			2,128	170
8	REA as at end of current reporting period	832	950	346	814		2,942	235

Table 5.11 Repricing gap analysis, scenario of a one percentage point increase in all interest rates, 31 December 2016

Nordea's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios. Several interest rate scenarios are applied, but the basic measures for SIIR are the two scenarios (increasing rates and decreasing rates). These scenarios measure the effect on Nordea's net interest income for a 12 month period of a one percentage point change in all interest rates as shown in Table 5.11, which also covers repricing gaps over 12 months. The balance sheet is assumed to be constant over time, however main elements of customer behaviour and Nordea's decision-making process concerning own rates are taken into account. Key driver behind the risk change is the removal of zero floor assumption on reference rates during 2016.

		Interest rate fixing period							
EURm	Group balance sheet	Within 3 months	3–6 months	6–12 months	1–2 years	2–5 years	>5 years	Non-repricing	Total
Interest-bearing assets	418,927	285,346	22,015	23,663	29,002	37,733	21,167		418,927
Non-interest bearing assets	196,732							196,732	196,732
Total assets	615,659	285,346	22,015	23,663	29,002	37,733	21,167	196,732	615,659
Interest-bearing liabilities	320,407	181,953	15,760	11,884	21,001	54,175	35,633		320,407
Non-interest bearing liabilities	295,252							295,252	295,252
Total liabilities and equity	615,659	181,953	15,760	11,884	21,001	54,175	35,633	295,252	615,659
Off-balance sheet items, net		–4,459	–19,089	–5,723	–1,053	17,498	13,224		
Exposure		98,934	–12,834	6,055	6,948	1,056	–1,242	–98,520	
Cumulative exposure			86,100	92,155	99,103	100,160	98,918	398	

SIIR impact of increasing interest rates for the year 2016				
Impact[1]		866	–59	15
Cumulative SIIR impact		866	807	822

[1] Impact is calculated based on +100bps change on exposure.

Figure 5.1 Comparison of VaR estimates with gains/losses (EU MR4), EURm

Figure 5.1 shows the VaR back-test of the trading book for 2016. The VaR models are considered being of a satisfactory quality if less than five exceptions are recorded within the last 250 banking days. By the end of the year, both back-tests based on actual profit/loss and hypothetical profit/loss were in the green zone with only one exception during the last 250 days. The back-test deciding the capital multiplier is the one with the highest number of exceptions based on hypothetical profit/loss or actual profit/loss.

6. Operational risk

Operational risk is inherent in all activities performed in Nordea. Nordea's capital requirement for operational risk for 2016 amounted to EUR 1,350m (EUR 1,363m). The capital requirement for operational risk is calculated on a yearly basis.

Figure 6.1 Distribution of incidents reported, 2011-2016

Figure 6.1 shows incidents distributed according to Nordea's operational risk library. **Overall, incidents increased 16.5% in the most recent five-year** period of data compared to those captured in the 2010-2015 period. Most risk categories have remained relatively stable, but the greatest deviations occurred within the risk categories Clients Products & Business Practices and Execution Delivery & Process Management, where each category incurred increases of 56% (821 incidents) and 23% (1.874 incidents) respectively. The increase is partly due to increased awareness of operational risk reporting, a trend which is expected to continue.

7. Securitisation and credit derivatives

In 2016 Nordea entered into a synthetic securitisation as originator against a portfolio of corporate and SME loans in Sweden and Denmark.

Table 7.1 Summary of securitisation activities, 31 December 2016

The total exposure at default for securitisation activities is estimated to 8.5 EURbn by end 2016. Approximately 98,3% of the total exposure is stemming from the issuance of a synthetic transaction in late July 2016, amounting to 8.4 EURbn in exposure at default. The synthetic transaction is comprised of corporate exposures within Nordea's Wholesale Banking and Commercial and Business Banking divisions. The product types within this portfolio is characterized as loans, facilities or checking accounts. When it comes to securitisation transactions where Nordea acts as sponsor, Nordea's loans to Special Purpose Vehicles (SPEs) have increased by 142 EURm. These loans are stemming from the SPEs Viking ABCP Conduit and AR Finance 11 and represent an increase of approximately 14.7%.

	Banking book			
EURm	Traditional	Synthetic	Total banking book	Gain/loss on sale
Originator				
Loans to corporates or SMEs		8,400	8,400	
Total (Originator)		8,400	8,400	
Sponsor				
Loans to corporates or SMEs	142		142	
Total (Sponsor)	142			
Total	142	8,400	8,542	

Table 7.2 Total amount of outstanding exposures securitised where Nordea is originator – asset value and impairment charges, 31 December 2016

The total amount of outstanding securitisation exposures where Nordea stands as originator, measured as exposure at default after concentration adjustment, amounts to 8.4 EURbn as shown in table 7.2. Due to the fact that the transaction is newly established, none of the exposures in the transaction are characterized as past due and no losses have been recognized.

	Banking book					
EURm	Traditional	Synthetic	Total	of which past due	of which deducted from own funds or risk-weighted at 1250%	Recognised losses
Originator						
Loans to corporates or SMEs		8,400	8,400			
Total (Originator)		8,400	8,400			

Table 7.3 On-balance sheet securitisation positions retained or purchased, and off-balance sheet securitisation exposures, 31 December 2016

Nordea's entire securitisation position is on-balance, which also characterizes a synthetic securitisation transaction.

	Banking book
EURm	Originator
On-balance sheet	
Loans to corporates or SMEs	8,400
Total (On-balance sheet)	8,400
Off-balance sheet	
Loans to corporates or SMEs	
Total (Off-balance sheet)	
Total	8,400

Table 7.4 Securitisation positions retained or purchased - by capital approach, 31 December 2016

The REA of Nordea's securitisation position is fully calculated using the IRB approach, where a supervisory formula method is applied. Based on the estimated exposure value of 8.4 EURbn, the REA of the securitisation position is approximately 828 EURm.

	Banking book			
	Exposure values		REA	
EURm	Securitisation	Resecuritisation	Securitisation	Resecuritisation
IRB approach				
Supervisory formula method	8,400		828	
Total	8,400		828	

Table 7.5 Special purpose entities (SPEs) where Nordea is the sponsor, 31 December 2016

The Special purpose Vehicles (SPEs) in Table 7.5 are not consolidated for capital adequacy purposes. Instead, loans and loan commitments to the SPEs are included in the banking book and capital requirements are calculated in accordance with the rules described in Part 2 Section 2 of this document. Bonds and notes issued by the SPE and held by Nordea as well as credit derivative transactions between Nordea and the SPE are reported in the trading book. Nordea has been approved to calculate the general and specific market risk of these transactions under the VaR model. The counterparty credit risk of credit derivative transactions is calculated in accordance with the mark to market method.

EURm		Duration	Accounting treatment	Book	Nordea's loan to SPEs	Total Assets of SPEs
Viking ABCP Conduit	Receivables Securitisation	< 5 years	Consolidated	Banking	861	919
AR Finance 11	Receivables Securitisation	< 5 years	Consolidated	Banking	108	110
Total					969	1,029

[1] Includes all assets towards SPEs (such as bonds, subordinated loans and drawn credit facilities).

Table 7.6 Collateralised debt obligations (CDOs) – Exposure[1] (excl. NLP, 31 December 2016

Notionals EURm	Bought protection	Sold protection
CDOs, gross	842	2,190
Hedged exposures	806	805
CDOs, net[2]	25[3]	1,385[4]
Of which:		
– Equity	3	86
– Mezzanine	15	643
– Senior	18	656

[1] First-To-Default swaps are not classified as CDOs and are therefore not included in the table. Not bought protection amounts to EUR 7m (EUR 15m) and net sold protection to EUR 13m (EUR 64m).

[2] Net exposure disregards exposure where bought and sold tranches are completely identical in terms of reference pool attachment, detachment, maturity and currency.

[3] Of which investment grade EUR 0m (EUR 0m) and sub-investment grade EUR 36m (EUR 34m).

[4] Of which investment grade EUR 545m (EUR 538m), sub-investment grade EUR 840m (EUR 562m) and not rated EUR 0m (EUR 0m).

8. Liquidity risk and funding

Nordea's liquidity buffer is highly liquid, consisting only of securities eligible for pledging with the central bank.

Table 8.1 Funding sources, 31 December 2016

In Table 8.1 Nordea's funding sources are presented. At the end of the year, the total volume utilised under short-term programmes was EUR 36.9bn (EUR 49.3bn) with the average maturity being 0.3 (0.3) years. The total volume under long-term programmes was EUR 154.9bn (EUR 152.7bn) with the average maturity being 6.0 (6.0) years.

Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
– shorter than 3 months	Euribor, etc.	0.0	34,775
– longer than 3 months	Euribor, etc.	1.9	3,383
Deposits and borrowings from the public			
– Deposits on demand	Administrative	0.0	149,191
– Other deposits	Euribor, etc.	0.2	29,613
Debt securities in issue			
– Certificates of deposits	Euribor, etc.	0.3	19,089
– Commercial papers	Euribor, etc.	0.2	17,805
– Mortgage covered bond loans	Fixed rate, market-based	7.3	109,477
– Other bond loans	Fixed rate, market-based	2.9	45,379
Derivatives		n.a.	68,638
Other non-interest bearing items		n.a.	54,230
Subordinated debentures			
– Dated subordinated debenture loans	Fixed rate, market-based	6.1	7,085
– Undated and other subordinated debenture loans	Fixed rate, market-based	n.a.	3,374
Equity			32,411
Total			574,449
Liabilities to policyholders			41,210
Total, including life insurance operations			615,659

Table 8.2 Assets and liabilities split by currency, 31 December 2016

EURm	EUR	DKK	NOK	SEK	USD	Other	Not distributed	Total
Cash and balances with central banks	4,453	11,048	1,505	44	26,152	258		43,459
Loans to the public	84,723	81,157	49,384	86,229	21,294	3,233		326,020
Loans to credit institutions	3,319	146	375	1,009	541	3,640		9,030
Interest-bearing securities including treasury bills	15,909	18,584	7,460	16,433	13,888	360	20,232	92,866
Derivatives	39,727	5,225	2,815	5,303	14,485	2,407		69,962
Other assets							74,322	74,322
Total assets	148,131	116,159	61,540	109,017	76,361	9,898	94,554	615,660
Deposits and borrowings from the public	55,549	40,689	22,771	39,522	17,024	3,250		178,804
Deposits by credit institutions	7,414	3,393	2,228	4,018	17,583	3,522		38,158
Debt securities in issue	42,551	49,247	8,911	36,309	34,368	20,363		191,750
– of which CDs & CPs	4,933	47	31	671	19,860	11,353		36,894
– of which covered bonds	20,061	48,639	7,703	31,621	9	1,443		109,477
– of which other bonds	17,557	561	1,177	4,018	14,499	7,567		45,379
Subordinated liabilities	4,879		140	688	4,324	429		10,459
Derivatives	36,322	5,155	2,367	4,832	18,654	1,308		68,638
Other liabilities							95,451	95,451
Equity	14,829	6,088	7,141	3,722	25	596		32,401
Total liabilities and equity	161,542	104,572	43,558	89,090	91,979	29,468	95,451	615,660
Position not reported on the balance sheet	13,411	–11,350	–17,866	–19,928	15,456	19,924		
Net position, currencies		236.6	115.6	–0.1	–161.7	354.2		

Table 8.3 Maturity analysis for assets and liabilities, 31 December 2016

EURm	<1 month	1–3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Not specified	Total
Cash and balances with central banks	43,417	42							43,459
Loans to the public	48,272	9,767	24,000	24,108	64,869	43,983	111,020		326,020
– of which repos	16,315	1,617	1,239	4					19,176
Loans to credit institutions	3,245	582	867	319	3,984	33			9,030
– of which repos	2,037	522	85						2,644
Interest-bearing securities including treasury bills	72,634							20,232	92,866
Derivatives								69,962	69,962
Other assets								74,322	74,322
Total assets	167,568	10,391	24,868	24,427	68,853	44,017	111,020	164,516	615,660
Deposits and borrowings from the public	15,656	6,207	6,758	677	268	9		149,229	178,804
– of which repos	2,244	1,104	649						3,998
Deposits by credit institutions	30,481	4,294	1,921	53	1,409				38,158
– of which repos	5,407	2,293	188						7,888
Debt securities in issue	9,204	20,920	30,966	29,619	60,941	16,806	23,294		191,750
– of which CDs & CPs	6,468	17,072	12,450	629	275				36,894
– of which covered bonds	2,525		11,792	21,697	40,684	9,631	23,147		109,477
– of which other bonds	211	3,849	6,724	7,292	19,983	7,174	146		45,379
Subordinated liabilities					3,002	4,085		3,373	10,459
Derivatives								68,638	68,638
Other liabilities								95,451	95,451
Equity								32,401	32,401
Total liabilities and equity	55,342	31,421	39,645	30,348	65,620	20,899	23,294	349,091	615,660

Maturity analysis is based on both contractual and behavioural information of remaining maturity of items.
Amortisation are included in time bucket corresponding the estimated cash flow date.
Time bucket "Not specified" includes items which are lacking specific timing of cash flows.

Table 8.4 Net balance of stable funding, (NBSF) 31 December 2016

The CEO in GEM has set as a target that the NBSF should always be positive, which means that stable assets must be funded by stable liabilities. NBSF is shown in Table 8.4. The target of maintaining a positive NBSF was comfortably achieved throughout 2016 with a yearly average of EUR 69.3bn (EUR 55.0bn).

Stable liabilities and equity	EURm
Tier 1 and Tier 2 capital	31,542
Secured/unsecured borrowing > 1Y	133,923
Stable retail deposits	30,093
Less stable retail deposits	51,030
Wholesale deposits < 1Y	77,681
Total stable liabilities	324,270
Stable assets	
Wholesale and retail loans >1Y	237,093
Long-term lending to banks and financial companies	3,833
Other illiquid assets	11,216
Total stable assets	252,141
Off-balance sheet items	2,226
Net balance of stable funding (NBSF)	69,902

Table 8.5 Liquidity buffer split by type of asset and currency, 31 December 2016

Nordea's liquidity buffer is highly liquid, consisting only of securities eligible for pledging with the central bank as shown in Table 8.5.
The short-term liquidity risk remained at low/moderate levels throughout 2016. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR +21.6bn (EUR +20.4bn).

	Currency distribution, market values				
Type of asset, EURm	**SEK**	**EUR**	**USD**	**Other CCY**	**Total**
Cash and balances with central banks	44	4,453	26,152	12,811	43,459
Balances with other banks		1			1
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks[2]	1,575	5,133	10,832	3,831	21,371
Securities issued or guaranteed by municipalities or other public sector entities[2]	1,842	649	2,208	445	5,143
Covered bonds issued by other bank or financial institute[2]	7,075	3,162	1,018	11,469	22,724
Covered bonds issued by the own bank or related unit[2]		46		972	1,018
Securities issued by non-financial corporates[2]	2,827	204		2	3,032
Securities issued by financial corporates, excluding covered bonds[2]	79	101	81	25	287
All other eligible and unencumbered securities[3]					
Total liquidity buffer[1]	13,441	13,749	40,292	29,554	97,036
Adjustments to Nordeas official buffer: Eligible but encumbered securities (+), cash and balances with other banks/central banks (–), central banks haircuts (–)	–332	2,356	–26,645	–3,795	–28,416
Total liquidity buffer (Nordea definition)	13,109	16,106	13,647	25,759	68,620

[1] **According to Swedish Bankers' Association's definition 2011-10-07.**
[2] 0–20% risk weight.
[3] All other eligible and unencumbered securites held by Group Treasury.

Table 8.6 Historical quarterly development of the liquidity buffer

Table 8.6 shows the quarterly development of the liquidity buffer. Measured daily, the liquidity buffer ranged between EUR 54.4 – 68.6bn (EUR 54.6 – 82.3bn) throughout 2016, with an average buffer size of EUR 59.9bn (EUR 61.9bn).
Survival horizon was in the range of EUR 24.6 – 49.4bn (EUR 40.6 – 55.8bn) throughout the year with an average of EUR 32.3bn (EUR 48.4bn).

Type of asset, EURm	**Q4/16**	**Q3/16**	**Q2/16**	**Q1/16**	**Q4/15**	**Q3/15**
Cash and balances with central banks	43,459	60,249	56,941	59,761	48,723	58,816
Balances with other banks	1	22	25	44	100	38
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks[2]	21,371	19,329	21,628	21,180	20,846	18,863
Securities issued or guaranteed by municipalities or other public sector entities[2]	5,143	5,923	5,495	5,221	5,072	5,104
Covered bonds issued by other bank or financial institute[2]	22,724	21,386	23,685	25,256	25,617	27,262
Covered bonds issued by the own bank or related unit[2]	1,018	2,043	1,771	1,830	1,982	4,723
Securities issued by non-financial corporates[2]	3,032	1,734	1,814	1,849	199	200
Securities issued by financial corporates, excluding covered bonds[2]	287	364	442	2,403	1,664	2,804
All other eligible and unencumbered securities[3]						
Total liquidity buffer[1]	97,036	111,049	111,800	117,543	104,203	117,808
Adjustments to Nordeas official buffer: cash and balances with other banks/central banks (–), central banks haircuts (–)	–28,416	–46,384	–52,932	–58,056	–44,547	–53,182
Total liquidity buffer (Nordea definition)	68,620	64,665	58,868	59,488	59,656	64,626

[1] **According to Swedish Bankers' Association's definition 2011-10-07.**
[2] 0 – 20% risk weight.
[3] All other eligible and unencumbered securites held by Group Treasury.

Table 8.7 LCR sub-components, 31 December 2016

Table 8.7 shows that liquid assets exceed the net cash outflows during 30 days in stressed conditions for all currencies combined as well as in EUR and USD separately. At the end of the year 2016 , the Liquidity Coverage Ratio (LCR) for Nordea according to Swedish rules was 159% (201%) with a yearly average of 158%. Corresponding LCR in EUR was 334% (303%) and in USD 221% (188%), with yearly averages of 209% and 224%, respectively. The LCR according to EBA Delegated Act was 165% at the end of the year.

	Combined		USD		EUR	
EURm	After factors	Before factors	After factors	Before factors	After factors	Before factors
Liquid assets level 1	74,321	74,321	38,124	38,124	10,598	10,598
Liquid assets level 2	28,231	33,213	1,162	1,367	3,205	3,771
Cap on level 2						
A. Liquid assets total	102,552	107,534	39,286	39,491	13,803	14,369
Customer deposits	41,814	169,070	8,793	15,849	10,120	49,869
Market borrowing[1]	27,690	41,904	17,352	18,920	2,824	9,980
Other cash outflows[1]	31,395	70,116	984	7,384	3,565	16,080
B. Cash outflows total	100,898	281,090	27,129	42,153	16,509	75,929
Lending to non-financial customers	7,456	14,912	721	1,443	2,444	4,887
Other cash inflows	29,052	56,473	8,599	8,695	15,724	23,953
Limit on inflows					–5,786	
C. Cash inflows total	36,509	71,385	9,320	10,138	12,381	28,840
Liquidity Coverage Ratio [A/(B – C)]	159%		221%		334%	

[1] Corresponds to Chapter 4, Articles 10 – 13 in Swedish LCR regulation, containing e.g. portion of corporate deposits, market funding, repos and other secured funding.

[2] Corresponds to Chapter 4, Articles 14 – 25, containing e.g. unutilised credit and liquidity facilities, collateral need for derivatives and derivative outflows.

Figure 8.1 Maturity of assets and liabilities, split by currency, 31 December 2016, EURbn

9. Risk and capital in the life and pensions operation

The nature of life insurance leads Nordea Life & Pensions (NLP) to take risks that are quite different to those faced in the banking operation. The main risks in Nordea Group's life and pensions operation are market risks and life insurance risks.

Table 9.1 Assets and liabilities of NLP

Table 9.1 shows NLP's assets and liabilities at 31 December 2016 on an IFRS basis. The development of assets and liabilities is determined predominantly by in- and outflows of insurance premiums, claims, investment returns and holding of capital in NLP.

Assets	31 Dec 2016 EURm	31 Dec 2015 EURm
Investment properties	3,104	3,085
Shares	16,350	14,016
Alternative investments	3,170	3,217
Debt securities - At fair value	17,511	17,381
Debt securities - Held to maturity	2,721	2,092
Bonds pledged as collateral	3,702	3,971
Deposits and treasury bills	1,869	2,445
Financial assets backing investment contracts without risk and guarantees	19,240	16,794
Other financial assets	3,918	3,740
Other assets	1,180	934
Total assets	72,765	67,675

Liabilities and equity	31 Dec 2016 EURm	31 Dec 2015 EURm
Traditional provisions	19,124	19,081
Collective bonus potential	3,606	3,229
Unit-linked provisions	14,239	12,236
Investment contracts with guarantees	3,527	3,516
Investment contracts without risk and guarantees	19,240	16,794
Other insurance provisions	714	645
Other financial liabilities	8,156	8,127
Other liabilities	879	739
Shareholders' equity	1,955	1,803
Subordinated loans	1,325	1,505
Total liabilities and equity	72,765	67,675

Assets backing Unit link investment contracts without insurance risk and without investment guarantees as well as Investment contracts without insurance risk and investment guarantees have in 2016 been reclassified to separate lines in the balance sheet. Comparison figures from 2015 have been revised accordingly

Table 9.2 Effect of market risk on NLP

Table 9.2 shows the sensitivity of the financial accounts from changes in market risks with the impact split between the effect on policyholders and Nordea Group's own account.

	31 Dec 2016		31 Dec 2015	
Sensitivites, EURm	Effect on policyholders	Effect on Nordea Group's account	Effect on policyholders	Effect on Nordea Group's account
50 bp increase in interest rates	–713	–3	–621	0
50 bp decrease in interest rates	702	3	676	–1
12% decrease in all share prices	–1,275	–3	–984	–3
8% decrease in property value	–205	–1	–229	–2
8% loss on counterparts	–8		–25	0

"+" means that policyholders' liabilities or Nordea Group's account (profit/equity) increase. "–" means that policyholders' liabilities or Nordea Group's account (profit/equity) decrease.

Unit link investment contracts without insurance risk and without investment guarantees as well as Investment contracts without insurance risk and investment guarantees have previously been included in the table. These contracts are not included in 2016 (comparison figures have been revised accordingly)

Table 9.3 Effect of life and health insurance risks

Table 9.3 shows the sensitivity of the financial accounts from changes in life insurance risk with the impact split between the effect on policyholders and Nordea Group's own account. Increases in mortality and disability rates have a small negative impact on Nordea Group's own account due to the contract type and buffer.

	31 Dec 2016		31 Dec 2015	
Sensitivites, EURm	Effect on policyholders	Effect on Nordea Group's account	Effect on policyholders	Effect on Nordea Group's account
Mortality – increased living with 1 year	28	–22	28	–21
Mortality – decreased living with 1 year	–6	5	–7	5
Disability – 10% increase	12	–10	14	–11
Disability – 10% decrease	–9	7	–9	7

"+" means that policyholders' liabilities or Nordea Group's account (profit/equity) increase. "–" means that policyholders' liabilities or Nordea Group's account (profit/equity) decrease.

Table 9.4 Investment return, traditional life insurance

Table 9.4 shows investment return of the traditional business for the consolidated life companies. The assets under management (AUM) are affected by the investment return and the in- and outflows of business. Total investment return for 2016 reached 5.4% for the traditional business mainly due to increased returns in interest-bearing securities and equities.

	31 Dec 2016		31 Dec 2015	
EURm	AUM	Investment return	AUM	Investment return
Interest-bearing securities and deposits	16,515	5.7%	15,915	0,1%
Shares	7,008	5.8%	7,091	2,1%
Alternative investments	2,272	1.7%	2,716	9,0%
Investment property	2,794	6.2%	2,757	5,1%
Total return	28,589	5.4%	28,479	1,9%

Table 9.5 Insurance provisions (technical provisions) and provision on investment contracts divided into guarantee levels (technical interest rates)

Table 9.5 shows the insurance provisions and provisions on investment contracts divided into guarantee levels. For policies with a guarantee, the average embedded guarantee for 2016 is relatively unchanged at 2.1% (2.2% in 2015). Continuous sales of market return products (no guarantees) in 2016 increased technical provisions with 'no guarantees'.

EURm	none	0%	0–2%	2–3%	3–4%	>4%	Total liabilities
31 Dec 2016							
Technical provision	14,341	2,373	8,966	3,518	4,041	3,653	36,892
Investment contracts without insurance risk and investment guarantees	18,993						18,993
Total							55,885
31 Dec 2015							
Technical provision	12,328	2,340	7,666	4,820	3,996	3,684	34,834
Investment contracts without insurance risk and investment guarantees	16,028						16,028
Total							50,862

Unit link investment contracts without insurance risk and without investment guarantees as well as Investment contracts without insurance risk and investment guarantees are disclosed in a separate table in 2016 (comparison figures have been reclassified)

Table 9.6 Financial buffers

Table 9.6 shows the development in the financial buffers for NLP.

	Financial buffers		% of guaranteed liabilities	
EURm	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Denmark	1,327	1,142	10.7%	9.0%
Norway	275	235	5.5%	5.0%
Sweden	1,137	1,175	43.2%	42.7%
Finland	1,114	1,433	51.8%	66.1%
Total	3,853	3,984	17.3%	17.9%

Table 9.7 Solvency Position, 30 November 2016

Table 9.7 shows NLP's solvency position at the end of November 2016.

EURm	NLP
Required solvency	2,549
Actual Solvency	4,065
Solvency Buffer	1,516
Solvency in % of requirement	159%

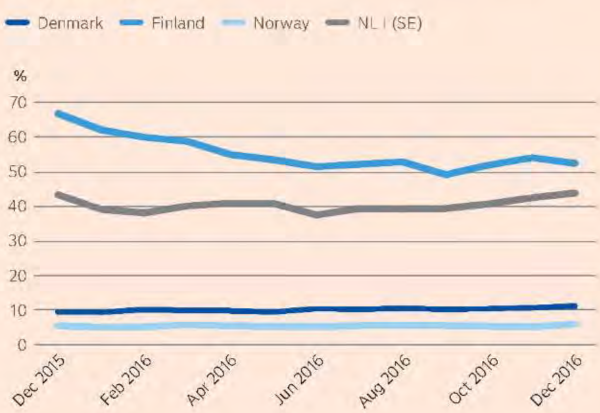
Table 9.8 Solvency Sensitivity, 30 November 2016

Table 9.8 shows the sensitivity of NLP's solvency position to the changes in market risks. NLP is most sensitive to interest rate movements due to the long term nature of the business.

Percentage	NLP
Solvency in % of requirement	159%
Equity drops 12%	164%
Interest rates down 50bp	164%
Interest rates up 50bp	162%

Figure 9.1 Financial buffers compared to insurance provisions, rolling 12 mths

Figure 9.1. shows the development of the financial buffers during 2016. The financial buffer in Finland have declined due to profit sharing during the year. For other units, there have been slight changes in the level of **financial buffers.**



10. Other tables

Table 10.1 Mapping of own funds to the balance sheet, 31 December 2016

The table shows the connection between the Balance sheet and Own Funds template.
Intangible assets in the banking group has increased by 569m during the year. Retirement benefit assets has decreased by 71m (of which net of tax 56m). A new Tier 2 loan of EUR 1bn was issued by Nordea Bank AB during the period.

EURm	Nordea Group[1]	Non-CRR companies	Nordea consolidated situation[2]	Row in disclosure template
Assets				
Intangible assets	3,792	357	3,435	
- of which: Goodwill and other intangible assets	–3,792	–357	–3,435	8
Deferred tax assets	62	13	49	
- of which: Deferred tax assets that rely on future profitability excluding those arising from temporary differences	12	12		10[3]
Retirement benefit assets	306		306	
- of which: Retirement benefit assets net of tax	–240		–240	15
Liabilities				
Deferred tax liabilities	850	130	720	
- of which: Deductible deferred tax liabilities associated with deferred tax assets that rely on future profitability and do not arise from temporary differences	21		21	10[3]
Subordinated liabilities	10,459	119	10,340	
- of which: AT1 Capital instruments and the related share premium accounts	2,304		2,304	30
- of which: Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	743		743	33
- of which: Direct and indirect holdings by an institution of own AT1 Instruments	–30		–30	37
- of which: T2 Capital instruments and the related share premium accounts	6,467		6,467	46
- of which: Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	81		81	47
- of which: Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–72		–72	52
Equity				
Share capital	4,050	0	4,050	1
Share premium reserve	1,080	0	1,080	
- of which: Capital instruments and the related share premium accounts	1,080		1,080	1
- of which: Retained earnings	0	0	0	2
Other reserves	–1,023	–15	–1,008	
- of which: Retained earnings	–914	–2	–912	2
- of which: Accumulated other comprehensive income	–109	–13	–97	3
- of which: Fair value reserves related to gains or losses on cash flow hedges	–37		–37	11
Retained earnings net of proposed dividend	25,681	891	24,790	
- of which: Profit/loss for the year	1,140	–241	1,381	5a
- of which: Retained earnings	24,563	1,131	23,431	2
- of which: Direct holdings by an institution of own CET1 instruments (negative amount)	–22		–22	16

[1] Nordea Group is the accounting group as disclosed in the Annual Report
[2] Nordea consolidated situation in accortdance to CRR
[3] Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities.

Table 10.2 Transitional own funds as of 31 December 2016, EURm

Own funds as of end 2016 was EUR 32.9bn (30.9bn), of which CET1 capital constituted EUR 24.5bn (23.6bn), Additional Tier 1 capital EUR 3.0bn (2.9bn) and Tier 2 capital EUR 5.3bn (4.4bn). Nordea's CET1 capital increased by EUR 1,0bn during 2016. The increase was due to strong profit generation net dividend as well as a decrease of IRB provision shortfall deduction and decrease of pension deductions. The increase was partly offset by increased deductions of intangible assets and prudential filters. A new Tier 2 loan of EUR 1bn was issued by Nordea Bank AB during the period which mainly explains the increase of Tier 2 capital.

		(A) amount at disclosure date	(B) regulation (EU) no 575/2013 article reference	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	5,130	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Share capital	4,050	EBA list 26 (3)	
2	Retained earnings	22,519	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–97	26 (1)	
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
	Public sector capital injections grandfathered until 1 January 2018		483 (2)	
5	Minority interests (amount allowed in colsolidated CET1)		84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,381	26 (2)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	28,934		
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	–316	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	–3,435	36 (1) (b), 37, 472 (4)	
9	Empty Set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in article 38 (3) are met) (negative amount)		36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges	–37	33 (a)	
12	Negative amounts resulting from the calculation of expected loss amounts	–212	36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that result from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–133	33 (b)	
15	Defined-benefit pension fund assets (negative amount)	–240	36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–22	36 (1) (f), 42, 472 (8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where th institution has a significatn investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	
20	Empty Set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifing holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	
20c	of which: securitisation positions (negative amounts)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	

Table 10.2, cont

		(A) amount at disclosure date	(B) regulation (EU) no 575/2013 article reference	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
24	Empty Set in the EU			
25	of which: deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468		467	
	Of which: ...filter for unrealised loss 1		467	35
	Of which: ...filter for unrealised loss 2			
	Of which: ...filter for unrealised gain 1		468	256
	Of which: ...filter for unrealised gain 2			
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR		481	
	Of which: ...		481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	–4,396		
29	Common Equity Tier 1 (CET1) capital	24,538		
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	2,304	51, 52	
31	of which: classifies as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards	2,304		
33	Amount of qualifying items referred to in article 484 (4) and the related share premium accounts subject to phase out from AT1	743	486 (3)	
	Public sector capital injections grandfathered until 1 January 2018		486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase out		486 (3)	

Table 10.2, cont

		(A) amount at disclosure date	(B) regulation (EU) no 575/2013 article reference	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
36	Additional Tier 1 (AT1) capital before regulatory adjustments	3,048		
	Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
41	Regulatory adjustments applied to additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc			
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477,477 (3), 477 (4) (a)	
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc			
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
	Of which: ...possible filter for unrealised losses		467	
	Of which: ...possible filter for unrealised gains		468	
	Of which: ...		481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	–30		
44	Additional Tier 1 (AT1) capital	3,017		
45	Tier 1 capital (T1 = CET1 + AT1)	27,555		
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	6,467		
47	Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase out from T2	81	486 (4)	
	Public sector capital injections grandfathered until 1 January 2018		483 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)	
50	Credit risk adjustments	78	62 (c) & (d)	
51	Tier 2 (T2) capital before regulatory adjustments	6,626		
	Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–72	63 (b) (i), 66 (a), 67, 477 (2)	

Table 10.2, cont

		(A) amount at disclosure date	(B) regulation (EU) no 575/2013 article reference	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,205	66 (d), 69, 79, 477 (4)	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc			
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc			
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481	
	Of which: ...possible filter for unrealised losses		467	
	Of which: ...possible filter for unrealised gains		468	
	Of which: ...		481	
57	Total regulatory adjustments to Tier 2 (T2) capital	–1,277		
58	Tier 2 (T2) capital	5,349		
59	Total capital (TC = T1 + T2)	32,904		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)			
	Of which: ...items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liablity, indirect holdings of own CET1, etc)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	
	Of which: ...items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)		475, 475 (2) (b), 475 (2) (c), 275 (4) (b)	
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
60	Total risk weighted assets	133,157		

Table 10.2, cont

		(A) amount at disclosure date	(B) regulation (EU) no 575/2013 article reference	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.4%	92 (2) (a), 465	
62	Tier 1 (as a percentage of risk exposure amount)	20.7%	92 (2) (b), 465	
63	Total capital (as a percentage of risk exposure amount)	24.7%	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	8.0%	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	2.5%		
66	of which: countercyclical buffer requirement	0.5%		
67	of which: systemic risk buffer requirement	3.0%		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.0%	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13.9%	CRD 128	
69	[non relevant in EU regulation]			
70	[non relevant in EU regulation]			
71	[non relevant in EU regulation]			
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	362	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4) 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,027	36 (1) (i), 45, 48, 470, 472 (11)	
74	Empty Set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	93,958	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	564	62	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) & (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82	Current cap on AT1 instruments subject to phase out arrangements	1,182	484 (4), 486 (3) & (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84	Current cap on T2 instruments subject to phase out arrangements	573	484 (5), 486 (4) & (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

Table 10.3 Leverage Ratio – Disclosure Template

Nordea has policies and processes in place for the identification, management and monitoring of the risk of excessive leverage. The leverage ratio is also part of Nordea's risk appetite framework.

The leverage ratio has increased from 4.6% in Q4 2015 to 5.0% in Q4 2016. During the period, the leverage ratio benefitted from a decrease in on balance exposures as well as decreased SFT exposures. An increase in Tier 1 capital, mainly driven by continued profit generation, further contributed to the improvement in the leverage ratio.

EURm		
LRSum: Summary reconciliation of accounting assets and leverage ratio exposures, applicable amounts		
1	Total assets as per published financial statements	615,659
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–57,124
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	–37,374
5	Adjustments for securities financing transactions "SFTs"	–3,217
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	42,188
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	–4,444
8	Total leverage ratio exposure	555,688
LRCom: Leverage ratio common disclosure, CRR leverage ratio exposures		
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	458,025
2	(Asset amounts deducted in determining Tier 1 capital)	–4,426
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	453,599
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	13,441
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	26,737
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–10,531
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	35,676
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–31,550
11	Total derivative exposures (sum of lines 4 to 10)	33,773
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	39,336
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–13,599
14	Counterparty credit risk exposure for SFT assets	390
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	26,127
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	109,032
18	(Adjustments for conversion to credit equivalent amounts)	–66,844

Table 10.3, cont

EURm		
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	42,188
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	**(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))**	
	Capital and total exposures	
20	Tier 1 capital	27,555
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	555,688
	Leverage ratio	
22	Leverage ratio	5.0%
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	**Choice on transitional arrangements for the definition of the capital measure**	
EU-24	**Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013**	

LRSpl: Split-up of on balance sheet exposures(excluding derivatives, SFTs and exempted exposures), CRR leverage ratio exposures		
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	458,025
EU-2	Trading book exposures	48,064
EU-3	Banking book exposures, of which:	409,961
EU-4	Covered bonds	24,816
EU-5	Exposures treated as sovereigns	68,785
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	7,610
EU-7	Institutions	6,501
EU-8	Secured by mortgages of immovable properties	141,720
EU-9	Retail exposures	28,587
EU-10	Corporate	114,699
EU-11	Exposures in default	4,705
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	12,538

Table 10.4 Disclosure on asset encumbrance, as of 31 December 2016

Table 10.4 presents encumbered assets as well as received collateral. According to EBA definition, an asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

Template A-Assets

EURm		Carrying amount of encumbered assets 010	Fair value of encumbered assets 040	Carrying amount of unencumbered assets 060	Fair value of unencumbered assets 090
010	Assets	153,332		405,203	
030	Equity instruments	1,593	1,593	410	410
040	Debt securities	9,498	9,498	61,945	61,946
120	Other assets	28,888		82,406	

Template B-Collateral received

		Fair value of encumbered collateral received or own debt securities issued 010	Fair value of collateral received or own debt securities issued available for encumbrance 040
130	Collateral received by the reporting institution	10,678	42,276
150	Equity instruments		637
160	Debt securities	10,678	16,550
230	Other collateral received		7,600
240	Own debt securities issued other than own covered bonds or ABSs		12

Template C-Encumbered assets/collateral received and associated liabilities

		Matching liabilities, contingent liabilities or securities lent 010	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered 030
010	Carrying amount of selected financial liabilities	158,597	162,489

D – Information on importance of encumbrance

The main source of encumbrance for Nordea is covered bond issuance programs where the required overcollateralization levels are defined according to the relevant statutory regimes. Other contributors to encumbrance are derivatives and repos where the activity is concentrated to Finland. Historically, the evolution of asset encumbrance for Nordea has been stable over time which illustrates the fact that the asset encumbrance for Nordea is a reflection of a structural phenomenon of the Scandinavian financial markets and savings behavior. Major part of the unencumbered assets are loans and the rest are equity instruments, debt securities and other assets.

Table 10.5 IRB Exposure at Default, split by geography and industry, 31 December 2016

Table 10.5 provides Exposure at Default for each industry split by geographic regions. The table shows that "Real estate management and investment" was the largest industry type in the corporate IRB portfolio in terms of exposure, comprising approximately EUR 44bn or 12% of the total IRB portfolio. **IRB retail exposures amount to approximately EUR 177bn or 47% of the total IRB portfolio and is well diversified among the Nordic regions. Over the year,** the largest changes were seen in the "Other, public and organisations" and "Other Materials" which declined EUR 2.1bn and EUR 1.9bn respectively.

EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Russia	United States	Other	Total 2016	Total 2015
IRB Corporate	40,415	27,572	29,097	33,485	4,368	2,319	2,299	23,630	163,184	172 702
Construction and engineering	688	855	2,904	1,055	265	1	19	76	5,862	5 155
Consumer durables (cars, appliances, etc.)	306	545	814	769	62		379	239	3,115	4 471
Consumer staples (food, agriculture etc.)	7,723	1,115	1,651	485	176	7	62	521	11,740	13 201
Energy (oil, gas, etc.)	365	122	543	46	41	543	164	2,363	4,186	4 334
Health care and pharmaceuticals	555	401	157	132	18	7	80	166	1,517	1 899
Industrial capital goods	928	1,253	229	923	27	2	486	696	4,543	4 885
Industrial commercial services	4,238	1,923	2,403	3,662	314	2	105	999	13,646	15 478
IT software, hardware and services	308	376	195	406	1	7	322	88	1,704	1 756
Media and leisure	562	540	437	681	41	2	31	113	2,406	2 492
Metals and mining materials	29	213	143	325	14	243	1	163	1,133	1 050
Other financial institutions	4,933	3,004	1,221	3,665	339		141	4,220	17,523	16 027
Other materials (chemical, building materials, etc.)	516	1,759	671	1,250	124	771	133	806	6,030	7 936
Other, public and organisations	2,207	799	350	299	45	24	3	71	3,798	5 918
Paper and forest materials	215	1,380	9	446	64		95	256	2,465	2 389
Real estate management and investment	10,234	7,343	9,773	14,448	1,411	69	45	971	44,295	45 389
Retail trade	3,413	2,161	1,255	2,431	579	58	160	1,983	12,040	12 292
Shipping and offshore	732	205	2,941	251	88		12	8,342	12,570	13 045
Telecommunication equipment	6	132	2	106			0	3	249	282
Telecommunication operators	147	275	512	392	8	32	42	304	1,712	1 633
Transportation	597	1,032	890	702	321	167	0	272	3,980	4 042
Utilities (distribution and production)	1,658	2,129	1,996	1,011	430	377	17	679	8,297	8 527
Other	56	10	1	0	0	7	0	300	375	502
IRB Institutions	11,693	133	5,008	8,967	3	86	685	11,287	37,861	43 787
Banks	9,018	48	559	3,922	2	86	524	9,734	23,893	27 947
Other	2,675	85	4,449	5,044	0		161	1,553	13,968	15 840
IRB Retail	51,526	40,129	30,524	55,135	1	1	2	32	177,349	172 406
SME	355	1,789	313	431	1	1	2	32	2,925	2 984
Secured by immovable property	41,522	27,724	26,279	48,689					144,215	138 642
Other Retail	9,649	10,615	3,932	6,014					30,210	30 780
IRB Other	424	177	347	845	30	6	10	3	1,841	2 300
Total 2016 - IRB approach[1]	104,058	68,010	64,976	98,431	4,402	2,411	2,996	34,952	380,236	391 195
- of which AIRB	35,008	23,107	25,491	26,873	263	559	2,265	19,811	133,378	142 810
Total 2015 - IRB approach	110 505	67 615	61 574	102 615	4 452	4 369	4 405	35 658		391 195
- of which AIRB	38 881	23 182	24 588	33 117	239	1 348	2 282	19 173		142 810

[1] Securitisation positions for 31 Dec 2016 are not included in the table.

Table 10.6 IRB REA, split by geography and industry, 31 December 2016

Table 10.6 represents the REA amount for each industry split by geographic regions. Different industries' capital consumption share remained stable to the total portfolio during 2016. Within the corporate portfolio under IRB approach, "Real estate management and investment" had the major proportion **by 20% and followed by "Shipping and offshore" had the second largest proportion by 11%.**

EURm	Denmark	Finland	Norway	Sweden	Baltic countries	Russia	United States	Other	Total 2016	Total 2015
IRB Corporate	14,638	9,420	11,806	10,271	1,608	1,164	869	12,435	62,212	70 371
Construction and engineering	372	431	1,111	467	103	1	9	46	2,541	2 338
Consumer durables (cars, appliances, etc.)	116	236	732	485	26		127	235	1,956	3 060
Consumer staples (food, agriculture etc.)	3,341	420	502	154	100	4	27	175	4,723	5 607
Energy (oil, gas, etc.)	93	30	439	26	26	196	65	2,022	2,898	2 079
Health care and pharmaceuticals	137	199	65	55	5	2	10	56	527	899
Industrial capital goods	270	489	124	353	16	1	167	349	1,769	1 959
Industrial commercial services	1,476	738	1,136	1,376	136	1	33	699	5,595	7 291
IT software, hardware and services	127	135	116	145	1	7	87	31	648	595
Media and leisure	210	178	165	240	15	1	22	50	881	962
Metals and mining materials	15	87	55	125	11	135	0	90	517	482
Other financial institutions	1,457	796	481	1,093	87		41	1,257	5,212	5 160
Other materials (chemical, building materials, etc.)	260	769	258	519	50	451	95	355	2,757	4 176
Other, public and organisations	767	334	212	72	4	32	2	13	1,436	3 210
Paper and forest materials	115	551	2	148	29		62	157	1,063	1 028
Real estate management and investment	3,362	1,958	3,013	3,028	461	78	26	628	12,553	13 007
Retail trade	1,379	953	549	1,066	264	43	53	991	5,298	5 750
Shipping and offshore	270	79	1,782	94	28		3	4,537	6,794	7 319
Telecommunication equipment	3	56	1	33			0	1	93	92
Telecommunication operators	57	71	227	108	6	17	38	134	658	596
Transportation	157	387	313	282	96	114	0	185	1,534	1 755
Utilities (distribution and production)	632	519	523	402	144	77	2	372	2,669	2 824
Other	25	3	1	0	0	8	0	52	89	180
IRB Institutions	1,151	37	338	908	1	82	271	4,356	7,144	8 526
Banks	853	20	67	356	1	82	207	3,940	5,526	6 391
Other	298	17	271	552	0		64	416	1,618	2 135
IRB Retail	8,671	6,307	3,683	3,254	1	0	1	16	21,933	22 520
SME	129	747	167	116	1	0	1	16	1,177	1 174
Secured by immovable property	5,266	2,459	2,808	1,696					12,229	12 421
Other Retail	3,276	3,101	707	1,442					8,527	8 925
IRB Other	424	177	347	845	30	6	10	3	1,841	2 300
Total 2016 - IRB approach[1]	24,884	15,940	16,174	15,278	1,640	1,253	1,150	16,811	93,130	103 717
- of which AIRB	12,617	7,523	9,938	7,326	88	265	850	9,977	48,585	56 211
Total 2015 - IRB approach	28 426	16 218	17 626	19 845	1 923	2 121	1 496	16 060		103 717
- of which AIRB	15 411	7 958	10 463	11 421	131	597	751	9 479		56 211

1) Securitisation positions for 31 Dec 2016 are not included in the table.

Table 10.7 Probability of Default, split by geography and industry, 31 December 2016

Table 10.7 represents the PD for each industry split by geographic regions. Different industries' average PD remained fairly stable during 2016 except for "Energy (oil, gas, etc.)" which increased by 166 bps to reach 2,22% during 2016.

%	Denmark	Finland	Norway	Sweden	Baltic countries	Russia	United States	Other	Total 2016	Total 2015
IRB Corporate	0.59	0.64	0.71	0.35	0.38	0.50	0.38	1.05	0.63	0.58
Construction and engineering	0.66	1.34	0.59	0.54	0.33	0.28	0.51	0.32	0.68	0.72
Consumer durables (cars, appliances, etc.)	0.71	1.10	4.67	0.39	0.34		0.29	4.96	2.00	1.74
Consumer staples (food, agriculture etc.)	1.30	0.81	0.31	0.49	0.92	0.26	0.26	0.27	1.00	0.86
Energy (oil, gas, etc.)	0.07	0.12	0.57	0.33	0.61	0.28	0.17	3.74	2.22	0.57
Health care and pharmaceuticals	0.28	1.09	0.67	0.67	0.10	0.07	0.06	0.24	0.55	0.66
Industrial capital goods	0.46	0.61	0.67	0.36	0.89	0.17	0.31	0.31	0.45	0.39
Industrial commercial services	0.41	0.85	1.00	0.61	0.38	0.44	0.29	1.20	0.68	0.62
IT software, hardware and services	0.47	1.04	0.69	0.38	0.44	0.81	0.19	0.35	0.53	0.47
Media and leisure	0.49	1.03	0.53	0.46	0.27	0.25	0.55	0.43	0.60	0.77
Metals and mining materials	2.47	0.55	1.00	0.28	1.88	0.48	0.10	0.35	0.54	0.69
Other financial institutions	0.34	0.28	0.41	0.25	0.15		0.14	0.26	0.29	0.29
Other materials (chemical, building materials, etc.)	1.21	1.07	0.49	0.78	0.43	0.43	1.58	0.42	0.78	0.76
Other, public and organisations	0.37	0.43	0.43	0.39	0.05	2.50	0.55	0.53	0.33	0.72
Paper and forest materials	1.66	0.27	0.43	0.24	0.30		1.15	0.48	0.44	0.41
Real estate management and investment	0.41	0.59	0.58	0.21	0.51	6.66	0.52	1.16	0.44	0.44
Retail trade	0.61	1.09	0.89	0.65	0.33	0.48	0.26	0.41	0.68	0.77
Shipping and offshore	0.78	0.39	0.89	0.30	0.20		0.30	1.11	1.00	0.72
Telecommunication equipment	1.57	0.27	0.25	0.13			0.19	0.32	0.24	0.26
Telecommunication operators	0.25	0.19	0.88	0.14	0.63	0.24	1.16	0.34	0.44	0.35
Transportation	0.26	0.77	0.41	0.53	0.21	0.46	2.50	0.55	0.50	0.55
Utilities (distribution and production)	0.15	0.11	0.12	0.28	0.20	0.05	0.05	0.56	0.18	0.21
Other	1.14	0.80	0.62	2.18	2.50	2.08	2.50	0.05	0.26	0.49
IRB Institutions	0.09	0.21	0.04	0.05	0.25	0.55	0.11	0.18	0.10	0.11
Banks	0.08	0.18	0.10	0.05	0.26	0.55	0.11	0.19	0.12	0.12
Other	0.13	0.22	0.04	0.06	0.08		0.09	0.13	0.07	0.09
IRB Retail	0.70	1.58	0.52	0.26	2.88	2.61	2.02	2.24	0.73	0.79
SME	2.14	3.19	2.59	1.96	2.88	2.61	2.02	2.24	2.80	2.77
Secured by immovable property	0.58	0.63	0.45	0.18					0.43	0.47
Other Retail	1.16	3.84	0.82	0.81					1.98	2.07
IRB Other	2.18	2.27	1.97	2.36	2.50	2.50	2.50	2.50	2.24	2.30
Total 2016 - IRB approach[1]	0.59	1.20	0.58	0.29	0.39	0.51	0.33	0.77	0.63	0.63
Total 2016 - of which AIRB	0.62	0.63	0.71	0.34	0.27	0.41	0.38	1.11	0.65	
Total 2015 - IRB approach	0.62	1.21	0.64	0.36	0.45	0.41	0.20	0.44		0.63
Total 2015 - of which AIRB	0.61	0.71	0.71	0.43	0.32	0.55	0.30	0.63		0.60

[1] Securitisation positions for 31 Dec 2016 are not included in the table.

Table 10.8 Loss Given Default, split by geography and industry, 31 December 2016

Table 10.8 represents the LGD for each industry split by geographic regions. LGD on a total level remained broadly stable during 2016. Notable exceptions were the "Shipping and offshore" industry which saw average LGD improve from 33.5% in 2015 to 29%. "Telecommunication operators" on the other hand, saw average LGD increase from 30.4% in 2015 to 34.6% at year end 2016.

%	Denmark	Finland	Norway	Sweden	Baltic countries	Russia	United States	Other	Total 2016	Total 2015
IRB Corporate	29.1	30.7	29.5	30.4	39.4	43.7	34.2	32.7	30.8	30.8
Construction and engineering	30.2	33.9	29.5	37.9	40.5	44.7	40.6	40.3	32.4	32.4
Consumer durables (cars, appliances, etc.)	30.9	31.6	33.9	36.0	41.9		34.4	33.9	33.9	33.7
Consumer staples (food, agriculture etc.)	24.8	29.7	29.7	33.6	39.6	45.0	29.5	31.7	27.1	27.7
Energy (oil, gas, etc.)	43.2	41.2	39.3	41.2	42.1	43.5	41.3	32.3	36.5	36.6
Health care and pharmaceuticals	34.7	30.9	28.3	33.0	41.3	45.0	35.5	35.6	33.1	34.6
Industrial capital goods	30.5	31.7	32.8	35.2	42.2	36.5	33.1	36.4	33.2	34.5
Industrial commercial services	28.7	27.9	29.2	30.0	40.4	38.5	28.2	29.7	29.3	31.6
IT software, hardware and services	32.6	33.1	33.5	35.0	44.2	45.0	33.6	33.6	33.7	30.8
Media and leisure	25.4	27.9	29.6	32.4	36.9	45.0	33.8	34.0	29.4	27.6
Metals and mining materials	35.7	38.4	34.6	40.7	43.4	42.3	45.0	42.6	40.2	37.1
Other financial institutions	36.5	30.8	34.5	36.2	36.6		33.2	33.9	34.6	33.1
Other materials (chemical, building materials, etc.)	31.3	32.0	33.6	32.0	40.3	43.4	33.0	34.5	34.2	36.7
Other, public and organisations	29.7	38.7	40.7	35.1	44.9	45.0	45.0	43.4	33.6	34.1
Paper and forest materials	27.4	40.7	39.4	33.2	41.8		40.0	40.8	38.3	35.8
Real estate management and investment	24.9	23.9	24.6	25.7	37.3	41.9	32.9	35.8	25.5	24.5
Retail trade	31.7	30.5	31.2	31.9	42.3	41.2	33.0	37.6	33.0	32.4
Shipping and offshore	35.1	29.4	29.0	30.5	29.1		29.5	28.4	29.0	33.5
Telecommunication equipment	32.3	34.0	33.8	35.1			33.8	34.4	34.5	31.6
Telecommunication operators	37.3	30.0	33.5	35.4	42.9	42.8	33.8	37.5	34.6	30.4
Transportation	35.0	37.9	33.1	34.9	40.9	45.0	36.8	32.1	36.0	36.5
Utilities (distribution and production)	32.7	39.8	39.8	40.7	41.8	45.0	41.2	42.1	39.1	36.9
Other	26.5	34.4	43.0	38.5	45.0	45.0	35.0	45.0	42.1	40.6
IRB Institutions	11.9	26.9	13.8	16.5	45.0	45.0	45.0	41.6	22.8	23.7
Banks	11.8	45.0	18.3	17.0	45.0	45.0	45.0	42.8	26.4	27.3
Other	11.9	16.7	13.3	16.0	45.0		45.0	34.6	16.8	17.3
IRB Retail	21.2	14.6	21.0	13.3	41.4	36.6	36.2	36.7	17.2	17.1
SME	26.8	26.8	38.3	25.2	41.4	36.6	36.2	36.7	27.9	27.9
Secured by immovable property	16.9	10.8	19.5	10.6					14.1	13.8
Other Retail	40.0	22.4	30.1	34.5					31.4	31.3
IRB Other	43.7	42.0	39.9	44.7	45.0	45.0	45.0	44.8	43.3	43.6
Total 2016 - IRB approach[1]	23.2	21.2	24.3	19.6	39.5	43.7	36.7	35.6	23.7	24.0
- of which AIRB	26.5	28.4	27.5	27.1	31.3	39.4	34.0	30.5	27.9	
Total 2015 - IRB approach	22.6	20.8	25.3	20.4	40.6	42.0	38.7	36.6		24.0
- of which AIRB	26.8	27.7	28.1	27.2	34.7	35.8	32.8	32.0		28.2

1) Securitisation positions for 31 Dec 2016 are not included in the table.

Table 10.9 Standardised exposure split by exposure class and by geography, 31 December 2016

Nordea is geographically well diversified with its standardised exposures, with the largest market being the US markets by a share of 32% of the total standardised exposures (mostly sovereign account exposures). The exposures in Denmark and Sweden represent 15% and 13% of the total standardised exposure in Nordea respectively, while Finland accounts for 11% and Norway 5%.

EURm	Nordic countries	of which Denmark	of which Finland	of which Norway	of which Sweden	Baltic countries	Russia	USA	Other[1]	Total	Total 2015
Central governments and central banks	32,789	13,672	9,179	3,240	6,698	178	138	35,292	8,303	76,701	73,499
Regional governments and local authorities	8,395	1,525	1,407	925	4,537	98	18			8,511	9,326
Institution	1,055		0	0	1,055	5	159	0	4,934	6,153	4,644
Corporate	176	69	50	6	50	1,039	21	2	922	2,160	2,111
Retail	3,223	875	1	1,006	1,342	960	11	2	197	4,393	4,288
Exposures secured by real estate	0				0	2,514	229		2,204	4,948	4,849
Other	3,559	625	1,178	669	1,087	147	85	136	3,742	7,668	7,965
Total standardised approach 2016	49,196	16,765	11,815	5,846	14,769	4,941	661	35,431	20,303	110,533	
Total standardised approach 2015	47,025	13,358	13,308	4,516	15,843	4,749	669	34,163	20,077		106,683

[1] Includes exposure classes public sector entities, multilateral development banks, international organisations, exposures in default, exposures associated with particularly high risk, equity and other items.

Table 10.10 Exposure towards IRB institution, distributed by rating grade

Table 10.10 shows the exposure towards IRB institutions distributed by the rating grades. The largest exposure increase is seen in rating grade 6 where the exposure increase is EUR 3bn. Whereas the largest decrease was seen in rating grade 5+ where the exposure decreased by EUR 4.9bn. The exposure-weighted PD decreased to 0.10% at end of year 2016.

	31 December 2016					31 December 2015				
EURm Rating grade	PD scale	Original exposure	Exposure	Exposure (%)	Average risk weight	PD scale	Original exposure	Exposure	Exposure (%)	Average risk weight
6+	0.03%	5,860	5,829	99.5	6%	0.03%	5,054	5,064	100.2	6%
6	0.03%	4,437	4,548	102.5	7%	0.03%	1,631	1,563	95.8	10%
6–	0.05%	4,264	4,067	95.4	12%	0.05%	7,729	7,691	99.5	12%
5+	0.07%	13,012	12,750	98.0	14%	0.07%	17,969	17,693	98.5	14%
5	0.10%	3,816	3,506	91.9	25%	0.10%	3,217	3,062	95.2	26%
5–	0.16%	5,312	5,179	97.5	38%	0.16%	6,657	6,537	98.2	36%
4+	0.25%	1,018	704	69.2	32%	0.25%	1,665	1,17	70.2	40%
4	0.35%	795	691	86.8	73%	0.35%	245	126	51.6	70%
4–	0.55%	419	261	62.4	80%	0.55%	594	429	72.2	93%
3+	0.81%	166	84	50.6	113%	0.81%	329	217	65.8	108%
3	1.25%	115	51	44.7	131%	1.25%	44	29	66.8	114%
3–	2.31%	171	70	40.9	156%	2.31%	75	45	59.7	131%
2+	6.40%	17	12	73.3	173%	6.40%	47	13	27.4	177%
2	8.38%	30	11	37.1	228%	7.06%	92	50	54.3	182%
2–	9.86%	37	12	32.3	239%	9.86%	42	6	15.1	204%
1+	14.79%	3	1	47.4	269%	14.79%	7	4	52.2	235%
1	20.71%	0	0	44.9	271%	20.71%	0	0	62.0	254%
1–	26.93%	0	0	20.0	294%	26.93%	1	0	44.7	293%
Defaulted	100.00%	1	0	20.0	0%[1]	100.00%	4	4	100.0	0%[1]
	0.10%[2]	39,475	37,778	95.7	19%	0,11%[2]	45,403	43,704	96.3	19%

[1] FIRB exposures are assigned a risk weight of zero when in default, in accordance with the CRR.

[2] Exposure-weighted PD.

Table 10.11 Exposure towards IRB corporate distributed by rating grade

Table 10.11 shows the Exposure and Average risk weight distributed by rating grade for Corporate portfolio. The exposure-weighted PD increased by 3bp to 3.42%. The change is mainly driven by decrease in share of exposure in rating grades 4, 3+ and 3 as well as slight increase in share of exposure allocated to better rating grades such as 6+ and 6-. The average risk weight decreased to 38% (40%).

	31 December 2016						31 December 2015					
EURm Rating grade	PD scale	Original exposure	Exposure	- of which AIRB	Exposure (%)	Average risk weight	PD scale	Original exposure	Exposure	- of which AIRB	Exposure (%)	Average risk weight
6+	0.03%	12,073	10,291	8,582	85.2	9%	0.03%	10,440	8,130	6,849	77.9	9%
6	0.03%	6,624	6,046	4,269	91.3	10%	0.03%	6,694	6,045	4,475	90.3	10%
6–	0.05%	8,104	6,487	4,039	80.0	14%	0.05%	6,118	5,107	3,575	83.5	13%
5+	0.07%	12,768	9,942	7,343	77.9	18%	0.07%	13,098	9,930	7,297	75.8	19%
5	0.10%	19,748	15,630	13,087	79.1	22%	0.10%	20,369	15,377	12,634	75.5	22%
5–	0.16%	26,338	20,982	17,576	79.7	28%	0.16%	28,816	21,931	18,014	76.1	29%
4+	0.25%	31,312	26,110	21,946	83.4	34%	0.25%	34,217	27,563	22,822	80.6	36%
4	0.35%	29,041	23,548	19,866	81.1	39%	0.35%	35,649	28,552	24,182	80.1	42%
4–	0.55%	23,040	18,395	15,144	79.8	50%	0.55%	23,633	19,740	17,339	83.5	49%
3+	0.81%	9,551	7,586	6,106	79.4	57%	0.81%	12,537	10,353	8,840	82.6	59%
3	1.25%	4,828	3,755	3,109	77.8	60%	1.25%	6,503	5,447	4,473	83.8	66%
3–	2.31%	3,936	3,306	2,794	84.0	72%	2.31%	3,834	3,158	2,716	82.4	70%
2+	6.40%	3,406	3,085	2,748	90.6	105%	6.40%	3,232	2,478	1,965	76.7	114%
2	8.38%	1,156	894	703	77.3	112%	7.06%	1,267	867	769	68.4	105%
2–	9.86%	787	668	590	84.9	113%	9.86%	593	489	420	82.4	115%
1+	14.79%	698	519	480	74.3	148%	14.79%	302	253	231	83.6	130%
1	20.71%	150	113	91	75.5	123%	20.71%	179	149	138	83.6	144%
1–	26.93%	135	105	88	77.5	138%	26.93%	105	70	52	66.5	125%
Defaulted	100.00%	5,387	4,491	3,855	83.4	121%	100.00%	5,615	4,760	4,115	84.8	124%
	3.37%[1]	199,083	161,952	132,416	81.3	38%	3.33%[1]	213,201	170,398	140,907	79.9	40%

[1] Exposure-weighted PD.

Table 10.12 Exposure towards IRB Retail, distributed by risk grade

Table 10.12 shows the split of Exposure and Average risk weight per rating grade for Retail portfolio. The exposure-weighted PD decreased by 19bp to 2.04% mainly driven by increase in share of exposure in rating grade A+ and decrease in exposure in lower rating grade B-. Average risk weight decreased by 69bp to 12%.

	31 December 2016					31 December 2015				
EURm Risk grade	PD scale	Original exposure	Exposure	Exposure (%)	Average risk weight	PD scale	Original exposure	Exposure	Exposure (%)	Average risk weight
A+	0.08%	72,589	69,507	95.8	3%	0.08%	60,721	58,643	96.6	3%
A	0.11%	21,444	20,254	94.5	5%	0.11%	21,818	20,811	95.4	5%
A–	0.16%	18,907	17,971	95.1	6%	0.16%	19,887	19,164	96.4	6%
B+	0.22%	14,764	14,085	95.4	8%	0.22%	16,192	15,598	96.3	8%
B	0.31%	16,174	15,533	96.0	11%	0.31%	13,416	12,907	96.2	11%
B–	0.43%	7,985	7,533	94.3	13%	0.43%	11,183	10,748	96.1	13%
C+	0.60%	7,728	7,331	94.9	17%	0.60%	8,113	7,773	95.8	17%
C	0.84%	5,124	4,817	94.0	21%	0.84%	5,083	4,802	94.5	21%
C–	1.17%	4,863	4,560	93.8	25%	1.17%	5,271	4,99	94.7	25%
D+	1.64%	2,792	2,559	91.6	30%	1.64%	3,144	2,934	93.3	30%
D	2.30%	2,380	2,184	91.8	35%	2.30%	2,366	2,204	93.1	35%
D–	3.20%	2,148	1,977	92.1	37%	3.20%	2,112	1,963	92.9	38%
E+	4.47%	1,821	1,675	92.0	45%	4.47%	2,043	1,932	94.5	47%
E	6.30%	1,925	1,852	96.2	55%	6.30%	2,17	2,105	97.0	53%
E–	8.79%	564	524	92.9	42%	8.79%	561	526	93.8	44%
F+	12.29%	438	405	92.5	47%	12.28%	443	414	93.6	48%
F	17.20%	1,101	1,058	96.1	74%	17.19%	1,189	1,152	96.8	71%
F–	27.80%	1,112	1,046	94.0	64%	28.02%	1,127	1,069	94.8	65%
Defaulted	100.00%	2,414	2,335	96.7	188%	100.00%	2,574	2,491	96.8	179%
	2.04%[1]	186,273	177,206	95.1	12%	2.23%[1]	179,415	172,227	96.0	13%

[1] Exposure-weighted PD.

Table 10.13 Exposure towards IRB Retail sub-exposure classes, distributed by risk grade

Table 10.13 shows the split of IRB retail sub exposure classes per risk grade. The share of exposure Secured by immovable property in total exposure increased by 89bp to 81% while the shares of Other retail and SME decreased by 81bp and 8bp respectively. The increase in Secured by immovable property mainly comes from an increase in share of exposure allocated to risk grade A+ by 4,81% to 36%.

	31 December 2016				31 December 2015			
EURm Risk grade	PD scale	Secured by immovable property	Other retail	SME	PD scale	Secured by immovable property	Other retail	SME
A+	0.08%	63,372	6,121	14	0.08%	53,306	5,321	15
A	0.11%	17,478	2,765	10	0.11%	18,089	2,666	56
A–	0.16%	15,106	2,654	211	0.16%	16,074	2,84	251
B+	0.22%	11,505	2,401	179	0.22%	12,74	2,743	115
B	0.31%	12,286	3,133	113	0.31%	10,096	2,728	83
B–	0.43%	5,515	1,893	125	0.43%	8,172	2,495	81
C+	0.60%	5,358	1,791	182	0.60%	5,697	1,886	190
C	0.84%	3,344	1,226	246	0.84%	3,19	1,262	350
C–	1.17%	3,182	1,021	357	1.17%	3,475	1,111	405
D+	1.64%	1,537	729	293	1.64%	1,792	827	315
D	2.30%	1,293	617	274	2.30%	1,313	651	240
D–	3.20%	585	1,168	224	3.20%	622	1,151	190
E+	4.47%	545	952	177	4.47%	697	1,076	159
E	6.30%	835	899	118	6.30%	946	1,039	120
E–	8.79%	62	378	84	8.79%	81	368	77
F+	12.29%	49	310	46	12.28%	57	309	49
F	17.20%	382	635	41	17.19%	390	719	43
F–	27.80%	338	661	46	24.04%	360	657	52
Defaulted	100.00%	1,416	799	120	100.00%	1,503	855	133
		144,188	30,156	2,862		138,601	30,702	2,924

Table 10.14 Specification of undertakings, 31 December 2016

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
Nordea Bank AB (publ)	Nordea Bank Finland Plc	100	Finland	Purchase method
Nordea Bank Finland Plc	Nordea Finance Finland Ltd	100	Finland	Purchase method
	Automatia Pankkiautomaatit Oy	33	Finland	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Finland	Purchase method
	Nordea Finance Estonia Ltd	100	Estonia	Purchase method
	Nordea Finance Latvia Ltd	100	Latvia	Purchase method
	Nordea Finance Lithuania Ltd	100	Lithuania	Purchase method
	Kiinteistö Oy Tampereen Kirkkokatu 7	100	Finland	Purchase method
Nordea Finance Estonia Ltd	ALD Automotive Eesti AS	25	Estonia	Equity method
Nordea Finance Latvia Ltd	ALD Automotive SIA	25	Latvia	Equity method
Nordea Finance Lithuania Ltd	UAB ALD Automotive	25	Lithuania	Equity method
Nordea Bank AB (publ)	Nordea Bank Norge ASA	100	Norway	Purchase method
Nordea Bank Norge ASA	Nordea Eiendomskreditt AS	100	Norway	Purchase method
	Nordea Finans Norge AS	100	Norway	Purchase method
	Eksportfinans ASA	23	Norway	Equity method
	Nordea Utvikling AS	100	Norway	Purchase method
Nordea Utvikling AS	Tomteutvikling Norge AS	100	Norway	Purchase method
Nordea Bank AB (publ)	Nordea Bank Danmark A/S	100	Denmark	Purchase method
Nordea Bank Danmark A/S	Nordea Finans Danmark A/S	100	Denmark	Purchase method
	Nordea Kredit Realkreditaktieselskab	100	Denmark	Purchase method
	LR-Realkredit A/S	39	Denmark	Equity method
	Fionia Asset Company A/S	100	Denmark	Purchase method
Nordea Finans Danmark A/S	BH Finance K/S	100	Denmark	Purchase method
	LB12 K/S	100	Denmark	Purchase method
	NAMIT 10 K/S	100	Denmark	Purchase method
	UL Transfer Aps	100	Denmark	Purchase method
	UL International ApS	100	Denmark	Purchase method
	DT Finance K/S	100	Denmark	Purchase method
	Tide Leasing 2012 K/S	100	Denmark	Purchase method
	BAAS 2012 K/S	100	Denmark	Purchase method
Fiona Asset Company A/S	Ejendomsselskabet Vestre Stationsvej 7, Odense A/S	100	Denmark	Purchase method
Nordea Bank AB (publ)	LLC Promyshlennaya Kompaniya Vestkon	100	Russia	Purchase method
LLC Promyshlennaya Companiya Vestkon / Nordea Bank AB (publ)	Join Stock Company Nordea Bank	100	Russia	Purchase method
Join Stock Company Nordea Bank	Nordea Leasing LLC	100	Russia	Purchase method
Nordea Bank AB (publ)	Nordea Hypotek AB (publ)	100	Sweden	Purchase method

Table 10.14, cont.

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
	Nordea Finans Sverige AB (publ)	100	Sweden	Purchase method
	Nordea Investment Management AB	100	Sweden	Purchase method
	Bankomat AB	20	Sweden	Equity method
	Getswish AB	20	Sweden	Equity method
	Nordea Funds Ltd	100	Finland	Purchase method
	Nordea Mortgage Bank Plc	100	Finland	Purchase method
	Nordea Ejendomsinvestering A/S	100	Denmark	Purchase method
	SIA Promano Lat	100	Latvia	Purchase method
	Promano LIT, UAB	100	Lithuania	Purchase method
	Promano Est Oü	100	Estonia	Purchase method
	SIA Realm	100	Latvia	Purchase method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	USA	Purchase method
	Nordea Investment Management AG	100	Germany	Purchase method
Nordea Ejendomsinvestering A/S	Nordea Ejendomsforvaltning A/S	100	Denmark	Purchase method
Nordea Finans Sweden, Finland, Norway and Denmark	NF Techfleet AB	20	Sweden	Equity method
Nordea Bank AB (publ) / Nordea Investment Management AB	Nordea Bank S.A.	100	Luxembourg	Purchase method
Nordea Bank S.A.	Nordea Investment Funds S.A.	100	Luxembourg	Purchase method
Nordea Investment Funds S.A.	Nordea Funds Service Germany Gmbh	100	Germany	Purchase method

Entities not included in the consolidation

Nordea Life Holding AB including related subsidiaries and participations
Agro & Ferm A/S
Axcel IKU Invest A/S
Bankomatcentralen AB
Danbolig A/S
Ejendomsselskabet Axelborg I/S
E-nettet Holding A/S
First Card AS
Fleggaard Busleasing
Kiinteistö Oy Kaarenritva
Kiinteistö Oy Kellokosken Tehtaat
Koy Levytie 6
Koy Raahen Tiiranpesä
Koy Tulppatie 7
Lanvin
Matis
Myyrmäen Autopaikoitus Oy
NF Fleet AB
NF Fleet Oy
NF Fleet AS
NF Fleet A/S
Nordea Do Brasil Representações LTDA
Nordea Essendropsgate Eiendomsforvaltning AS
Nordea Funds Service Germany Gmbh
Nordea Global Trade Services Limited
Nordea Limited
Nordea Hästen Fastighetsförvaltning AB
Nordea Private Equity Holding A/S
Nordea Private Equity I A/S
Nordea Private Equity II - EU Mezz A/S
Nordea Private Equity II - EU MM Buyout A/S
Nordea Private Equity II - Global A/S
Nordea Private Equity III - GLOBAL A/S
Nordea Putten Fastighetsförvaltning AB
Nordea Vallila Fastighetsförvaltning Ab
Nordic Baltic Holding (NBH) AB
Porin Sokos Koy
Privatmegleren AS
PWM Global PE III ApS
Relacom Management AB
Securus Oy
SIA Baltik Īpašums
SIA Lidosta RE
SIA TRIOLETA
Siniheinä Kiinteistö Oy
Storfjordsambandet ASA
Structured Finance Servicer A/S
Suomen Luotto-osuuskunta
Suomen Sviittiasunnot Oy
Svenska e-fakturabolaget AB
Swipp Holding APS
Sysisara Kiinteistö Oy
UAB Recurso
Upplysningscentralen UC AB
Uus-Sadama 11 OÜ

Table 10.15 Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Table 10.15 details the institution specific countercyclical buffer as of 31 December 2016. During 2016, the countercyclical buffer rates were increased in both Sweden and Norway, from 1.0% to 1.5%. Additionally, a countercyclical buffer rate of 0.6% was introduced in Hong Kong. Following these changes, the institution specific countercyclical capital buffer rate for Nordea Group increased by 0.1 percentage points (from 0.4% to 0.5%); the Group's total institution specific countercyclical capital buffer requirement increased by 30.3% (from 545 to 711).

	General credit exposures		Trading book exposures		Securitization exposures		Own Funds Requirements					
	Exposure value for SA	Exposure Value for IRB	Sum of long and short positions of trading book exposures for SA	Value of Trading book exposures for internal models	Exposure value SA	Exposure value IRB	of which: credit exposures	of which: trading book exposures	of which: securitization exposures	Total	Own funds requirements weights, %	Countercyclical Capital Buffer rate, %
EURm	010	020	030	040	050	060	070	080	090	100	110	120
AD	0						0			0	0.0	
AE	0	68					3			3	0.0	
AL		0					0			0	0.0	
AN	0						0			0	0.0	
AO		0					0			0	0.0	
AR		0					0			0	0.0	
AT		86	279	281			3	0		3	0.0	
AU	0	28	1	3			1	1		2	0.0	
AZ												
BA		10					0			0	0.0	
BB	0						0			0	0.0	
BD		0					0			0	0.0	
BE	9	650	434	418			28	0		28	0.3	
BG	0	7					0			0	0.0	
BH												
BM	0	2,881		40			156	0		157	1.9	
BO												
BR		119	0	0			5	0		5	0.1	
BS	0	32					3			3	0.0	
BY		0					0			0	0.0	
CA	22	248	0	9			11	0		11	0.1	
CH	19	531	2	43			18	1		19	0.2	
CI												
CL	0	82					9			9	0.1	
CN	2	267	4				10	0		10	0.1	
CO	0	0					0			0	0.0	
CR	0	7					0			0	0.0	
CU												
CY	0	1,433					101			101	1.2	
CZ		26		0			2	0		2	0.0	
DE	8	2,004	1,533	1,691			81	4		85	1.0	
DJ		0					0			0	0.0	
DK	1,515	92,365	7,156	9,849			1,973	62		2,035	24.6	
DM		0					0			0	0.0	
DO		0					0			0	0.0	
DZ		0					0			0	0.0	
EC		0					0			0	0.0	
EE	1,853	1,917		12			139	0		139	1.7	
EG												

Table 10.15, cont.

	General credit exposures		Trading book exposures		Securitization exposures		Own Funds Requirements					
	Exposure value for SA	Exposure Value for IRB	Sum of long and short positions of trading book exposures for SA	Value of Trading book exposures for internal models	Exposure value SA	Exposure value IRB	of which: credit exposures	of which: trading book exposures	of which: securitization exposures	Total	Own funds requirements weights, %	Countercyclical Capital Buffer rate, %
EURm	010	020	030	040	050	060	070	080	090	100	110	120
ER		0					0			0	0.0	
ES	0	41	5	21			1	2		3	0.0	
ET		0					0			0	0.0	
FI	618	67,877	1,501	1,815			1,291	8		1,298	15.7	
FO		101					2			2	0.0	
FR	2	365	1,506	1,519			14	2		16	0.2	
GA		0					0			0	0.0	
GB	95	2,308	7	101			82	53		135	1.6	
GG		0		1			0	0		0	0.0	
GH		0					0			0	0.0	
GI	0	0					0			0	0.0	
GL	0	4					0			0	0.0	
GM												
GN		0					0			0	0.0	
GR	5	165	0	0			5	0		6	0.1	
GT		0					0			0	0.0	
HK	2	191	1	8			8	0		9	0.1	0.6
HN		0					0			0	0.0	
HR	0	0					0			0	0.0	
HU		45					3			3	0.0	
ID	1	1					0			0	0.0	
IE	0	245	1	1			6	1		7	0.1	
IL	0	1					0			0	0.0	
IM		88					3			3	0.0	
IN	0	71	0	1			4	0		4	0.0	
IQ												
IR		0					0			0	0.0	
IS	0	71		29			1	1		2	0.0	
IT	1	99	3	23			3	1		4	0.0	
JE	67	2,149	0	0			49	0		49	0.6	
JO		0					0			0	0.0	
JP	1	6	3	12			0	0		1	0.0	
KE		0					0			0	0.0	
KP			1					0		0	0.0	
KR	1	16					0			0	0.0	
KW		0					0			0	0.0	
KY	48	554		1			24	0		24	0.3	
KZ		0					0			0	0.0	
LB		1					0			0	0.0	
LI		0					0			0	0.0	
LK		7					1			1	0.0	
LR		1,803					74			74	0.9	

Table 10.15, cont.

	General credit exposures		Trading book exposures		Securitization exposures		Own Funds Requirements					
	Exposure value for SA	Exposure Value for IRB	Sum of long and short positions of trading book exposures for SA	Value of Trading book exposures for internal models	Exposure value SA	Exposure value IRB	of which: credit exposures	of which: trading book exposures	of which: securi-tization exposures	Total	Own funds require-ments weights, %	Counter-cyclical Capital Buffer rate, %
EURm	010	020	030	040	050	060	070	080	090	100	110	120
LT	1,465	894					102			102	1.2	
LU	1,617	967		345			135	1		136	1.6	
LV	1,307	1,589	1				107	0		107	1.3	
MA		0					0			0	0.0	
MC	0	0					0			0	0.0	
ME	0						0			0	0.0	
MH	0	2,325		23			101	0		101	1.2	
MN	0						0			0	0.0	
MO												
MT	0	36					1			1	0.0	
MU	0	33					1			1	0.0	
MV	0	0					0			0	0.0	
MX	0	79		0			5	0		5	0.1	
MY	1	1	0				0	0		0	0.0	
MZ												
NC		0					0			0	0.0	
NE		0					0			0	0.0	
NG		0					0			0	0.0	
NI		0					0			0	0.0	
NL	65	1,500	1,247	1,278			82	5		87	1.1	
NO	1,677	59,968	1,212	1,979			1,389	25		1,413	17.1	1.5
NP												
NZ	0	29					1			1	0.0	
OC			22									
OM												
PA	0	90					3			3	0.0	
PE		0					0			0	0.0	
PF		0					0			0	0.0	
PH		2					0			0	0.0	
PK		0					0			0	0.0	
PL	1,752	78	3				142	0		142	1.7	
PR		0					0			0	0.0	
PS												
PT	0	17	0	0			1	0		1	0.0	
PY		2					0			0	0.0	
QA		98					4			4	0.1	
RO	0	0					0			0	0.0	
RS		0					0			0	0.0	
RU	346	2,325	1	3			104	0		104	1.3	
SA	0	11					0			0	0.0	
SE	2,480	89,465	4,456	103,508		8,400	1,473	79	1,553	1,618	19.6	1.5

Table 10.15, cont.

	General credit exposures		Trading book exposures		Securitization exposures		Own Funds Requirements					
	Exposure value for SA	Exposure Value for IRB	Sum of long and short positions of trading book exposures for SA	Value of Trading book exposures for internal models	Exposure value SA	Exposure value IRB	of which: credit exposures	of which: trading book exposures	of which: securi-tization exposures	Total	Own funds require-ments weights, %	Counter-cyclical Capital Buffer rate, %
EURm	010	020	030	040	050	060	070	080	090	100	110	120
SG	3	1,197	0				62	0	0	62	0.8	
SI		15					1			1	0.0	
SK		22					1			1	0.0	
SL		0					0			0	0.0	
SV		0					0			0	0.0	
SY		0					0			0	0.0	
TC	0						0			0	0.0	
TF		0					0			0	0.0	
TH	0	1					0			0	0.0	
TN		0					0			0	0.0	
TR	1	4		0			0	0		0	0.0	
TT		1					0			0	0.0	
TW	0	6	0				0	0		0	0.0	
TZ		1					0			0	0.0	
UA		0					0			0	0.0	
UG												
US	118	2,311	98	276			84	10		94	1.1	
UY		11					1			1	0.0	
UZ		1					0			0	0.0	
VC		0					0			0	0.0	
VG	0	322					19			19	0.2	
VI		0										
VN	0	0					0			0	0.0	
XK		0					0			0	0.0	
ZA	0	3	0	0			0	0		0	0.0	
ZM		2					0			0	0.0	
Total	15,102	342,375	19,475	123,292		8,400	7,937	256	66	8,260	100.0	

11. Navigation

Table 11.1 Capital and risk information navigation guide

Reference	Capital and Risk Management report	Annual report	www.nordea.com
Quantification			
End of year results			
Minimum capital requirements	Part 1, table 2.2	Pages 54 and note G38	
Business area results	Part 1, table 1.1	Page 40-42	Nordea.com > Latest interim results > Factbook
Development of REA	Part 1, table 2.3	Page 54 and note G38	
Development of Own funds	Part 1, table 2.5	Page 55	
Capital ratios	**Part 1, figure 2.1–2** and table 10.2	Page 136	
Leverage ratio	Part 1, table 10.3	Page 139	
Capital requirements parameters			
Credit Risk	Part 1, section 3	Pages 45-49, note G46	
Counterparty Credit Risk	Part 1, section 4	Page 49, note G46 page 170	
Market Risk	Part 1, section 5	Pages 50 and page 137	
Operational Risk	Part 1, section 6	Page 50 and note G38 page 137 and note G46-G47	
Liquidity Risk		Page 52–53	
Securitisation	Part 2, section 7	Page 54 and 137	
Frameworks			
Governance, measurement, management and mitigation of risks			Nordea.com > About Nordea > Corporate Governance >
Credit Risk	Part 2, section 2	Pages 45–49	
Counterparty Credit Risk	Part 2, section 2.6	Pages 49	
Market Risk	Part 2, section 3	Pages 50	
Operational Risk	Part 2, section 4	Page 50	
Liquidity Risk	Part 2, section 6	Page 52–53	
Compliance risk	Part 1, section 4	Page 51	
Securitisations	Part 2, section 7	Pages 39, 54 and note G47	
Life and pensions operation	Part 2 section 9	Page 51	
Capital	Part 2	Pages 53–55 and note G38	
Indicators of global systemic importance			Nordea.com > Investor relations > Reports and presentations > Other regulatory disclosures > G-SIB/G-SII
Capital instruments			Nordea.com > Investor relations > Reports and presentations > Capital instruments
New regulations	Part 2, section 10	Page 57	
Remuneration	Part 2, section 5	Pages 59–62 and 66-68	nordea.com > About Nordea > Corporate Governance > Remuneration > Nordea's Remuneration Policy

Table 11.2 CRR Reference table

CRR ref.	High level summary	Reference
Title I: General Principles		
Article 431	Scope of disclosure requirement	
(1)	General disclosure requirements.	This report and disclosures at nordea.com addresses the requirement.
(2)	Requirement to disclose operational risk information.	Part 1. Section 6 and part 2. section 4.
(3)	Requirement to have a formal policy to comply with the disclosure requirements.	Nordea Bank AB and its subsidiaries have adopted a formal policy to assure compliance with the disclosure requirements and has established policies for assessing the appropriateness of these disclosures, including their verification and frequency.
(4)	On request, an explanation of rating decisions to the loan applicants.	Could be provided upon request.
Article 432	Non-material, proprietary or confidential information	
(1) - (4)	Institutions may, under certain conditions, omit information that is not material, proprietary or confidential.	Part 1. Table 11.3
Article 433	Frequency of disclosure	
	Requirements on frequency of Pillar 3 disclosures.	The disclosures are made annually in conjunction with the date of publication of Nordea Group's financial statements. For items where more frequent disclosures are assessed needed, information is given in the interim financial reports or on the Investor Relations pages on www.nordea.com.
Article 434	Means of disclosures	
(1)	Medium for Pillar 3 disclosures and cross-reference for synonymous information.	This table, table 11.1 and throughout the text where applicable.
(2)	Indicate location of equivalent dislosures that could satisfy both CRR and accounting or similar requirements.	Table 11.1.
Title II: Technical criteria on transparency and disclosure		
Article 435	Risk management objectives and policies	
(1) (a)	Risk management strategies.	Part 2, sections 1.1, 2.1, 3.1, 4.1, 4.2, 6.1, 7.1 and 9.1
(1) (b)	Organisation and governance.	Part 2, Sections 1, 2.1.2, 3.1, 3.2 , 4, 6.1.3, 7 and figures 1.1, 1.2, 2.1
(1) (c)	Reporting systems.	Section 1.2.3, 1.4, 1.5, 2.1, 3.2, 4.1, 4.2, 4.3, 4.4, 6.1.4, 7.2 and 8
(1) (d)	Hedging policies	Section 2.1.5, 2.6.3, 3.1 and 3.3.9
(1) (e)	Management declaration on risk adequacy.	Part 1. Executive Summary, footer in the end.
(1) (f)	Risk profile.	Part 1, section 1
(2) (a) - (e)	Disclosures regarding governance arrangements.	Nordea.com > About Nordea > Corporate Governance >
Article 436	Scope of application	
(a)	Name of the institution.	Part 1. Executive Summary, footer in the end.
(b) (i)-(iv)	Outline of the differences in the basis of consolidation for accounting and prudential purposes.	Part 1, table 10.14
(c)	"Practical or legal impediments to transfer funds between parent and subsidiaries."	Part 2, section 8.1.1.1
(d)	Capital shortfalls in subsidiaries outside the scope of consolidation.	N/A
(e)	Making use of articles on derogations from a) prudential requirements (Article 7) and b) liquidity requirements for individual subsidiaries/entities (Article 9).	N/A
Article 437	Own funds	
(1) (a)	General disclosure requirements regarding own funds.	Part 1, table 10.1
(1) (b)		Nordea.com > Investor relations > Reports and presentations > Capital instruments
(1) (c)		Nordea.com > Investor relations > Reports and presentations > Capital instruments
(1) (d) (i)-(iii)		Part 1, table 10.2
(1) (e)		Part 1, table 10.2

Table 11.2, cont.

CRR ref.	High level summary	Reference
(1) (f)		N/A
Article 438	Capital requirements	
(a)	Summary of the approach to assessing adequacy of capital to its activities.	Part 2, section 8
(b)	Upon demand from the authorities, result of the ICAAP.	ICAAP results are presented on a voluntary basis in Part 1, figures 2.1 and 2.2
(c) - (f)	Own funds requirements for credit risk (Standardised and IRB approach), market and operational risk.	Part 1, table 2.2
Article 439	Exposure to counterparty credit risk	
(a)	Methodology for credit limits and internal capital allocation for counterparty credit risk.	Part 2, sections 2.6.4 and 8.2
(b)	Policies for securing collateral and establishing credit reserves.	Part 2, sections 2.4 and 2.6.3
(c)	Policies for wrong-way risk exposures.	Part 2, sections 2.6.1 and 2.6.4
(d)	Impact of any collateral postings upon credit rating downgrade.	Part 2, section 2.6.3
(e)	Net derivative credit exposure built-up.	Part 1, tables 4.2 and 4.7-4.10
(f)	Methods for exposure value measurement.	Part 1, tables 4.1 and 4.9-4.10
(g)	Notional value of credit derivatives hedges and distribution of current credit exposure by type of exposure.	Part 1, table 4.6
(h)	Notional amounts of credit derivatie transactions and distribution of credit derivatives products.	Part 1, table 4.6
(i)	Estimate of alfa if the institution has received permission of the competent authorities to estimate alfa.	N/A
Article 440	Capital buffers	
(1) - (2)	Geographical distribution and amount of institution-specific countercyclical capital buffer.	Part 1, table 2.4 and 10.15
Article 441	Indicators of global systemic importance	
(1) - (2)	Indicator values used for determing the score of the institution.	Nordea.com > Investor relations > Reports and presentations > Other regulatory disclosures > G-SIB/G-SII
Article 442	Credit risk adjustments	
(a)	Definitions of 'past due' and 'impaired'.	Part 2, section 2.7
(b)	Methodology used for determining specific and general credit risk adjustments.	Part 2, section 2.7
(c)	The total amount of original exposures and the average amount of the exposures over the period per exposure class.	Part 1, tables 3.4-3.5
(d)	Exposures distributed by exposure class and geography.	Part 1, table 3.25, 10.5 and 10.9
(e)	Distribution of exposures by industry broken down by exposure classes.	Part 1, table 3.6
(f)	The residual maturity breakdown of all the exposures, broken down by exposure classes.	Part 1, table 3.8
(g) (i) - (iii)	Breakdown of impaired exposures and past due exposures, specific and general credit risk adjustments, charges for the period, by significant in dustry or counterparty type.	Part 1, tables 3.18-3.24,
(h)	Impaired and past due exposures broken down by geographical areas.	Part 1, table 3.21
(i) (i) - (v)	Reconciliation of changes in the specific and general credit risk adjustments for impaired exposures covering description of the type of adjusments, the opening balances, the amounts taken against the credit risk adjustments and the amounts that have ben set aside for estimated probable losses on the exposures.	Part 1, table 3.22-3.23, Nordea has no general credit risk adjustments.
Article 443	Unencumbered assets	
	Disclosure on unencumbered assets according to EBA Guidelines EBA/GL/2014/03	Part 1, table 10.4
Article 444	Use of ECAIs	
(a)	Names of nominated ECAIs.	Part 2, section 2.3.2
(b)	The Exposure classes for which each ECAI is used.	Part 2, section 2.3.2
(c)	Description of the process for translating external ratings into credit quality steps.	Part 2, section 2.3.2

Table 11.2, cont.

CRR ref.	High level summary	Reference
(d)	Mapping of external ratings from each nominated ECAI to the credit quality steps.	Part 2, figure 2.2
(e)	The exposure values before and after credit risk mitigation associated with each credit quality step.	Part 1, tables 3.30 and 4.4
Article 445	Exposure to market risk	
	Own Funds requirements for market risk.	Part 1, table 2.2
Article 446	Operational risk	
	Approach used to calculate Own Funds requirements for operational risk.	Part 1, figure 6.1 and part 2, section 4
Article 447	Exposures in equities not included in the trading book	
(a)	Differentiation between exposures based on their objectives.	Part 1, table 5.3
(b)	The balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value.	Part 1, table 5.3
(c)	The types, nature and amounts of equity exposures.	Part 1, table 5.3
(d)	Cumulative realised gains or losses arising from sales and liquidations in the period.	Part 1, table 5.3
(e)	Total unrealised gains or losses.	Part 1, table 5.3
Article 448	Exposure to interest rate risk on positions not included in the trading book	
(a)	Nature, key assumptions and frequency of measurement of the interest rate risk.	Part 1, tables 5.1, 5.2, 5.4, 5.5, 5.11 and part 2, 3.3.8 and 3.3.10
(b)	The variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks, broken down by currency.	Part 1 tables 5.4-5.5
Article 449	Exposure to securitisation positions	
(a)	Objectives in relation to securitisation activity.	Part 2, section 7
(b)	Nature of other risks including liquidity risk inherent in securitised assets.	Part 2, section 7
(c)	Type of risks in terms of seniority of underlying securitisation positions and in terms of assets underlying those latter securitisation positions assumed and retained with re- securitisation activity.	Part 1, tables 7.1-7.6
(d) -(e)	Different roles played by the institution in the securitisation process and the extent of its involvement	Part 1 tables 7.1-7.6 and part 2., section 7
(f)	Description of the processes in place to monitor changes in the credit and market risk of securitisation exposures.	Part 2, sections 1.2, 2, and 3.2
(g)	Description of the institution's policy governing the use of hedging and unfunded protection to mitigate the risks of retained securitisation and re-securitisation exposures.	N/A
(h)	Approaches used to calculate REA for its securitisation activities.	Part 2, section 7
(I)	Types of SSPE that the institution, as sponsor, uses to securitise third-party exposures.	Part 1 table 7.6 and part 2, section 7
(j) (i) - (vi)	Summary of the institutions accounting policies for securitisations activities.	Part 2, section 7
(k)	Names of ECAIs used for securitisations.	Part 2. section 2.3.2
(l)	Description of Internal Assessment Approach.	Part 2, section 7
(m)	Explanation of changes to any of the quantitative disclosures.	N/A
(n) (i) - (vi)	Information on banking and trading book securitisation exposures broken down by exposure type.	Part 1, tables 7.1-7.6, Nordea does not have any securitisation exposures in the trading book
(o) (i) - (ii)	Additional information on banking book and trading book securitisation exposures.	Part 1, tables 7.1-7.6, Nordea does not have any securitisation exposures in the trading book
(p)	Amount of impaired/past due assets securitised and the losses recognised related to banking book securitisations, by exposure type.	N/A
(q)	Outstanding exposures securitised by the institution and subject to a capital requirement for market risk, broken down into traditional/synthetic and by exposure type.	N/A
(r)	Whether the institution has provided support to securitisation vehicles and the impact on own funds.	N/A
Article 450	Remuneration policy	

Table 11.2, cont.

CRR ref.	High level summary	Reference
(1)	Remuneration policy and practices:	Part 2, section 5, Nordea annual report pages 59-62, 66-68 and note G7 and Nordea.com > About Nordea > Corporate Governance > Remuneration > Nordea's Remuneration Policy
(1) (a)	- decision making of remuneration committee	See references above
(1) (b)	- link between pay and performance	See references above
(1) (c) - (f)	- criteria for performance measurement, variable components parameters	See references above
(1) (g) - (i)	- aggregate quantitative information including necessary splits	See references above
(1) (j)	- total remuneration for each member of the management body, upon request	Annual report, note G7
(2)	- quantitative information per member of the management body for **significant institutions**	Annual report, note G7
Article 451	Leverage	
(1) (a) - (e)	Leverage ratio and its components	Part 2, table 10.3

Title III: Qualifying requirements for the use of particular instruments or methodologies

CRR ref.	High level summary	Reference
Article 452	Use of the IRB Approach to credit risk	
(a)	Permission from the authority to use IRB approach.	Part 2, section 2
(b)	An explanation of:	
(b) (i)	Internal ratings and relation to external ratings.	Part 2, section 2.3.2
(b) (ii)	Use of internal ratings other than for calculating REA.	Part 2. section 2.1.5
(b) (iii)	The process for managing and recognising credit risk mitigation.	Part 2, section 2.1.5
(b) (iv)	Control mechanisms for rating systems.	Part 2. section 2.5
(c) (i) - (v)	Description of the internal ratings process, separately for each IRB exposure class.	Part 2, section 2.1.4
(d)	Exposure values, separately for each IRB exposure class.	Part 1, tables 3.2, 3.4-3.8, 3.10-3.11 and 3.25
(e) (i) - (iii)	For exposures towards IRB corporate and institutions, split of total exposure, 'Exposure-weighted average risk weight and Undrawn commitments per risk grade.	Part 1, table 3.25 and 10.11-10.13
(f)	Information on Retail exposures under the IRB approach.	Part 1, tables 3.25 and 10.12
(g)	**Actual specific credit risk adjustments during the period.**	Part 1, tables 3.22-3.23
(h)	The factors that impacted on the loan losses during the period.	Part 1, executive summary and table 3.21
(i)	Historical comparison of parameter estimates against the realised outcomes.	Part 1, tables 3.27.1-3
(j) (i) - (ii)	PD and LGD for all IRB exposure classes, split down on relevant geographical locations.	Part 1, table 3.26
Article 453	Use of credit risk mitigation techniques	
(a)	**Policies and processes for the use of on- and off-balance sheet netting.**	Part 2, section 2.1.5
(b)	Policies and processes for collateral valuation and management.	Part 2, section 2.4
(c)	Main types of collateral.	Part 1, tables 3.9, 3.12-3.13 and 4.8
(d)	Types of guarantor and credit derivative counterparty and their creditworthiness.	Part 2, section 2.4
(e)	Information about market or credit risk concentrations within the credit mitigation taken.	Part 2, section 2.4
(f)	The exposure value covered by eligible collateral for exposures under the Standardised or Foundation IRB approach.	Part 1, table 3.10
(g)	Exposures covered by guarantees or credit derivatives.	Part 1, tables 3.9-3.10
Article 454	Use of the Advanced Measurement Approaches to operational risk	
	Description of the use of risk transfer mechanisms for the purpose of mitigation of operational risk.	Part 2, section 4.1
Article 455	Use of Internal Market Risk Models	
(a) (i)	Characteristics of the models used.	Part 2, section 3.3
(a) (ii)	The methodologies used for the internal models for incremental default and migration risk and for correlation trading.	Part 2, section 3.3.4 and 3.3.5

Table 11.2, cont.

CRR ref.	High level summary	Reference
(a) (iii)	Description of stress testing applied to the sub-portfolio.	Part 2, section 3.3.6
(a) (iv)	Approaches used for back-testing and validating the accuracy and consistency of the internal models.	Part 2, section 3.3.7
(b)	Scope of permission by the competent authority.	Part 2, table 3.1
(c)	Description of the extent and methodologies for inclusion in the trading book, comply with prudential valuation requirements.	Part 2, section 3.4
(d) (i) - (iii)	The highest, lowest and average of VaR, sVaR, Incremental risk charge and Comprehensive Risk Charge.	Part 1, table 5.7
(e)	The elements of the own fund requirements for market risk.	Part 1, table 5.1
(f)	Weighted average liquidity horizon for each sub-portfolio covered by the internal models.	Part 1, section 3.3.4 and 3.3.5
(g)	Comparison of the daily end-of-day VaR measures to the one-day changes of the portfolio's value.	Figure 5.1

Table 11.3 Information not disclosed due to non-material-, proprietary- or confidential nature

Article reference	Reason for not including	Detailed reasons for not including	Reference to information provided as compliment to the information not included
EU GL OVA CRR 435 (1) (b) "The approved limits of risks to which the institutions is exposed to."	Risk Appetite limits are strictly **confidential.**	Thresholds for Risk Appetite limits are not disclosed, since the **thresholds are of a confidential** strategic nature. The relevant supervisory authorities have access to the full report including limits.	The metrics, to which Risk Appetite limits apply, are stated in the report.

PART 2 Risk Management, Methodologies and Governance

Information on common processes, methods and assumptions for assessing capital adequacy in the Nordea Group.

1. Governance of risk and capital management

This chapter gives an overview of Nordea's governance structure as defined by Nordea's internal rules contained within Nordea's Group Directives, approved by either the Board of Directors of Nordea Bank AB or the CEO in Group Executive Management (GEM). The Group Directives are reviewed at least annually and are applicable for the entire Nordea Group, including all subsidiaries under supervision, unless local regulations specify otherwise.

1.1 Risk and capital management

The key principle for the management of risk in Nordea is the three lines of defence (LoD), as illustrated in Figure 1.1. The 1st LoD is represented by Business Areas and Group Functions responsible for their own daily risk management and for operating their business within applicable limits and in accordance with the framework for internal control.

Group Risk Management & Control (GRMC) and Group Compliance (GC) represent the 2nd LoD responsible for activities such as independent monitoring, control and reporting of issues related to key risks, including compliance with internal and external regulations.

Group Internal Audit (GIA) is an independent and objective assurance function, which supports the Board of Directors and GEM in protecting the assets, reputation and sustainability of the organisation. GIA does this by assessing whether all significant risks are identified and appropriately reported by management and the risk functions to the Board of Directors, its committees and GEM. GIA assesses whether all significant risks are adequately controlled, and by challenging GEM to improve the effectiveness of governance, risk management and internal controls.

1.2 Risk and capital management principles and control

Risk and capital management in Nordea are governed by principles and procedures stated in charters, policies, instructions and guidelines in effect throughout the organisation. The Board of Director's and the Chief Executive Officer's (CEO's) principal policies and instructions that define authorities and key responsibilities for themselves and other units are outlined as Group Directives. The Group Directives form part of the internal control framework.

All legal entities within Nordea are subject to the same internal control and risk management environment throughout the organisation of the business.

Nordea monitors aggregated risks via specific committees, as well as through reporting to GEM, and the Board of Directors. More specifically, Nordea's risks and capital are monitored by the Risk Committee and the Asset and Liability Committee (ALCO) respectively.

1.2.1 Board of Directors and Board Risk Committee

The Board of Directors has ultimate responsibility for limiting and monitoring Nordea's risk exposures as well as for defining target capital ratios and deciding on the risk appetite. Risk is measured and reported according to common principles and policies approved by the Board of Directors. The Board of Directors also decide on Group Directives for credit risk, counterparty credit risk, market risk, liquidity risk, life insurance risk, operational risk, model risk and compliance risk as well as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP).

In defining credit instructions, the Board of Directors decide on powers-to-act for major credit committees at different levels within the Business Areas. These authorisations vary for different decision-making levels, mainly in terms of the size of limits but also depending on the internal risk categorisation of customers. The Board of Directors furthermore decides on the limits for market and liquidity risk within Nordea.

The Board Risk Committee (BRIC) assists the Board of Directors in fulfilling its oversight responsibilities concerning the management and control of risk, risk frameworks and controls and processes associated with Nordea's operations. BRIC met on 6 occasions during 2016.

Figure 1.1 Business Model and Internal Control Framework: Three Lines of Defence (LoD)

1st LoD	2nd LoD	3rd LoD
The Business Areas (BAs) and Group Functions (GFs) not in 2nd or 3rd Line of Defence (LoD) constitute the 1st LoD.	Group Compliance Group Risk Management & Control	Group Internal Audit
BAs and GFs are responsible for their own risk management and for operating their business in accordance with adopted framework for internal control and risk management and within the set limits for risk exposure. This covers identifying, assessing, performing quality assurance and reporting of issues related to all material financial and non-financial risks.	Group Compliance and Group Risk Management & Control are independent control and risk functions with the purpose and authority to support and challenge 1st LoD in identifying and managing risk and compliance. The internal control framework covers: • Control environment • Risk assessment • Control activity • Information and communication • Monitoring	Group Internal Audit (GIA) is an independent unit. GIA assesses the internal control framework, i.e. whether all significant risks are identified, appropriately reported and controlled. GIA supports the Group Board and GEM in protecting the assets, reputation and sustainability of the organisation.

1.2.2 Responsibility of CEO and GEM and its committees

The CEO has overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control of Nordea.

The CEO and GEM regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management.

ALCO, chaired by the Chief Operating Officer (COO), prepares issues of major importance concerning Nordea's financial operations and balance sheet either for decision by the CEO in GEM or for recommendation by the CEO in GEM for decision by the Board of Directors. Within their given mandate, ALCO also decides on certain issuances and capital injections for all wholly-owned legal entities within Nordea. ALCO has established sub-committees for its work and decision-making within specific risk areas. ALCO met on 13 occasions during 2016.

The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of Nordea's risks on an aggregate level and evaluates the sufficiency of the frameworks, controls and processes associated with the various risks. The Risk Committee furthermore decides, within the scope of resolutions adopted by the Board of Directors, the allocation of credit risk limits, market risk limits as well as liquidity risk limits to the risk-taking units. Unit heads allocate respective limits within their units and may introduce more detailed limits and require other risk mitigation techniques, such as stop-loss rules. The Risk Committee has established sub-committees for its work and for decision-making within specific risk areas. The Risk Committee met on 16 occasions during 2016.

Figure 1.2 Risk, liquidity and capital management governance structure

GEM Credit Committee is chaired by the CEO. As of January 2017, the Executive Credit Committee is chaired by the Head of Group Credit Risk Management (GCRM), while the Group Credit Committee Commercial and Business Banking and the Group Credit Committee Wholesale Banking are chaired by the Chief Credit Officer (CCO). These credit committees approve major internal credit risk limits constituting the maximum credit risk appetite on the customer in question. Individual credit decisions within approved internal credit risk limits are taken within the customer responsible units. Internal credit risk limits are granted as individual limits for customers or consolidated customer groups as well as industry limits for certain defined industries.

1.2.3 Governance of Risk Management and Compliance

Group Risk Management & Control and Group Compliance are the 2nd LoD. The flow of risk related information from the Business Areas and the Group Functions to the Board of Directors passes through Risk Committee and BRIC. Reporting from Group Compliance is presented directly to the Board of Directors as well as discussed in the Board Audit Committee (BAC).

As of January 1st 2017, Group Risk Management & Control is organised in the following divisions: Group Credit Risk & Control, Group Market and Counterparty Credit Risk, Group Operational Risk, Balance Sheet Risk Controls, Chief Operating Officer Function, and the CRO Office. The flow of information starts with the divisions that monitor and analyse information on each respective risk type. Risks are presented to, and discussed in the Risk Committee and its sub committees. Information on risk is then brought to BRIC, where risk issues are discussed and prepared before being presented to the Board of Directors.

The other second line function, Group Compliance, consists of central units as well as business area specific divisions, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance adds value to the Group and its stakeholders by providing an independent view on compliance with applicable rules and regulations, based to a great extent on monitoring activities conducted. Furthermore, Group Compliance advises and supports the 1st LoD on ways to effectively and efficiently manage compliance obligations.

Figure 1.2 illustrates Nordea's governance structure of risk management.

1.3 Subsidiary governance

At a legal entity level, subsidiary Boards of Directors are responsible for approving risk limits and capital injections, following proposals put forward by applicable committees in Nordea.

Each subsidiary's Board of Directors has oversight responsibilities concerning the management and control of risk, risk frameworks as well as the controls and processes associated with the subsidiary's operations. In addition, there are risk management functions responsible for the risk management framework and processes within the relevant subsidiaries.

The CEO in the Executive Management for each subsidiary is part of the decision-making process for the legal level and is responsible for the daily operations.

1.4 Risk appetite

The risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in pursuit of its articulated strategy on behalf of the shareholders. Risk appetite is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

The Board of Directors is ultimately responsible for the overall risk appetite of Nordea and for deciding on principles for how risk appetite should be managed. BRIC assists the Board of Directors in fulfilling these responsibilities by reviewing the development of the risk profile in relation to the risk appetite and making recommendations for changes to Nordea's risk appetite.

Nordea's risk appetite framework is based on explicit top-down risk appetite statements covering all key risks faced by Nordea. These statements, approved by the Board of Directors, collectively define the boundaries for Nordea's risk-taking activities, help identify areas with scope for additional risk taking, and set the basis for the risk reporting structure. Moreover, the framework supports management decision processes such as planning and target setting. This is achieved through a limit scale with three levels:

- Green: Risk level is well within the defined risk appetite
- Amber: A threshold set as a trigger level for further monitoring, investigation, or analysis
- Red: The limit of the bank's risk appetite

The starting point for defining Nordea's Risk Appetite is available own funds and the overall business strategy. The risk appetite framework considers key risks relevant to Nordea's business activities and is on an aggregate level represented in terms of credit risk, market risk, liquidity risk, operational risk, solvency and compliance/non-negotiable risks. Figure 1.3 presents an overview of Nordea risk appetite measures.

Connected to each metric in the framework is a statement defining the threshold for the bank's risk appetite. Exposures and risk levels are monitored and reported to the Board of Directors on a quarterly basis. Credit concentration metrics cover industries and geographic regions of particular size or importance. Stress test metrics are applied for credit and market risk metrics to ensure a forward-looking approach to risk management. These metrics combine quantitave limits and qualitative assessments of the risk levels.

For each risk type, the overall group limit is cascaded and split to relevant Business Areas in terms of allocated risk level and operational risk limits, e.g. market risk is cascaded to Group Treasury and ALM, Wholesale Banking and Wealth Management. For both Nordea Group and each Business Area Risk Appetite limits are supported by sub-limits. These sub-limits ensure day-to-day management and control of the Risk Appetite; e.g. through limits on Value-at-Risk to ensure there is no breach of the market risk stress loss Risk Appetite.

The Risk Appetite Framework is reviewed and updated at least annually to ensure the adequacy and effectiveness of the risk management strategies.

Stress testing is an integral component within the framework. Stress tests ensure alignment of the scenarios used in the regulatory capital framework and the risk appetite framework, and thereby it also ensures alignment between the planning and target setting process.

During 2016, and prior to the mergers of subsidiary banks, separate risk appetite frameworks were in place for the subgroups in Nordea Bank Danmark (NBD), Nordea Bank Finland (NBF) and Nordea Bank Norge (NBN).

Risk appetite reporting is presented quarterly to the Risk Committee, GEM, BRIC and the Board of Directors.

Figure 1.3 Overview of the risk appetite measures

Risk type	Metric
Credit risk	Single customer concentration
	Industry concentration
	Geographic concentration
	Expected loss
	Stressed loan loss
Market risk	Market risk stress loss
	Structural market risk
	Regulatory market risk requirements
Liquidity risk	Liquidity balance post stress
Operational risk	Chief Operational Risk Officer Assessment
	Top Risk Development
	Operational risk loss
	Reputation, Non-Financial impact
Solvency	Common Equity Tier 1 capital ratio
	Leverage ratio
Compliance	Regulatory requirements
	Internal policy and external regulatory breaches

1.5 Monitoring and reporting

The "Policy for Internal Control in the Nordea Group" states the components of the internal control framework as: Control environment, risk assessment, control activities, information and communication, and monitoring (including reporting of finding and deficiencies). It creates the necessary preconditions for the whole organisation to contribute to the effectiveness and the high quality of internal control. It is based on clear definitions, assignments of roles and responsibilities, common tools and procedures and is expressed in a common language.

Management of risks includes all activities aiming at identifying, measuring, assessing, monitoring and controlling risks as well as measures to limit and mitigate the consequences of the risks. Management of risk is proactive, emphasising training and risk awareness. Nordea maintains a high standard of risk management by means of applying available techniques and methodologies to its needs. In order to support all employees in managing risks, Nordea has gathered relevant e-learnings, policies and guidelines – internally defined as Licence to work. Licence to Work is a set of stepwise requirements for learning about risk and compliance and is renewed every year.

The control environment is, among other things, based on the principles of segregation of duties and independence. Monitoring and reporting of risk is conducted on a daily basis for market risk, counterparty credit risk, liquidity risk and on a monthly and quarterly basis for credit risk, operational risk, IT risk and overall capital adequacy.

Detailed risk information, covering all risks as well as capital adequacy, is regularly reported to the Risk Committee, GEM and the Board of Directors. In addition to this Nordea's compliance with regulatory requirements is reported to GEM and Board of Directors. The Board of Directors and CEO in each legal entity regularly receives local risk reporting.

2. Credit risk

Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet their obligations to clear a debt in accordance with agreed terms and conditions The potential for loss is lowered by credit risk mitigation techniques. It stems mainly from various forms of lending, but also from issued guarantees and documentary credits. Credit risk also includes counterparty credit risk, transfer risk and settlement risk. This chapter discusses the governance, management and measurement of credit risk in broad terms.

2.1 Management of credit risk

Credits granted within Nordea are conformed to established common principles. The fundamental principles are outlined in the Credit Policy and Strategy and the Credit Instructions for Nordea Group.

Nordea has specific Industry Credit Policies in place to monitor the distribution of the credit portfolio and to limit credit risk. Concentration risk in specific industries is monitored by industry monitoring groups. Industry Credit Policies are established for industries where at least two of the following criteria's are fulfilled:

- Significant weight in the Nordea loan portfolio
- High cyclicality and/or volatility of the industry
- Special skills and knowledge required

Nordea currently has implemented Industry Credit Policies for the following industries:

- Shipping, Oil and Offshore
- Energy
- Leveraged lending
- Financial institutions
- Commercial real estate

All Industry Credit Policies are approved annually by the Risk Committee and confirmed by BRIC.

Nordea integrates risk parameters in to the risk management and decision-making process, and in the credit approval, internal capital allocation and the corporate governance functions of the institution.

The internal rating, driven by the probability of default (PD), is used for a variety of credit and business processes:

- Provides an initial assessment of the risk, prior to the full individual credit assessment.
- Determines the level of decision making and necessary documentation needed for the decision.
- As an early warning factor, indicating required actions on high risk customers.
- In the present collective impairment model used in Nordea the loss event is identified as a rating downgrade compared to the original rating when entering the portfolio.
- In addition, the PD is the main driver of Economic Capital, which is used in the Risk Adjusted Return calculations to make business decisions at a customer and transaction level. Further, RAROCAR, return on capital at risk, is used to measure the performance of Customer Responsible Units (CRU).

Internal credit risk limits for customers and customer groups are approved by decision-making bodies at various levels within Nordea, constituting the maximum credit risk appetite on the customer in question. Individual credit decisions within approved internal credit risk limits are taken within CRUs.

From 1/1 2017 representatives from the 1st LoD credit organisation will independently approve the rating. The CRU continuously assesses customers' ability to fulfil their obligations and identifies deviations from agreed conditions and weaknesses in the customers' performance. In addition to building strong customer relationships and understanding each customer's financial position, monitoring of credit risk is based on available information about the customer and macroeconomic factors. Information such as late payments data, behavioural scoring and rating migration are important parameters in the internal monitoring process. If new information indicates the need, the CRU must assess whether the customer's repayment ability is threatened and reassess the rating. If it is considered unlikely that the customer will be able to repay their debt obligations in full and the situation cannot be satisfactorily remedied, the exposure must be tested for impairment.

If credit weakness is identified in relation to a customer exposure, the exposure is assigned special attention in terms of more frequent review. In addition to continuous monitoring, an action plan is established outlining as to how to minimise the potential credit loss. If necessary, a special work-out team is set up to support the CRU. Nordea has a project organisation approach for handling work-out credits for corporate customers and individual work-out teams are established for larger work-out cases. The credit organisation and other specialist units support CRUs in handling smaller work-out customers.

The follow-up of individual work-out cases forms part of the quarterly credit risk review process. In this process, the impairment of individual customers and the collective impairment of customer groups is also assessed and actions related to the handling of work-out customers are reviewed and followed up.

The environmental risks of corporate customers are taken into account in the overall risk assessment through the Environmental Risk Assessment Tool. Social and political risks are taken into account by the Social and Political Risk Assessment Tool. Environmental Social Governance (ESG) risk assessment tools are moving towards a risk based approach to identify and focus on potential higher risk cases. For larger project finance transactions, Nordea has adopted the Equator Principles, a financial industry benchmark for determining, assessing and managing social and environmental risk in project financing. The Equator Principles are based on the policies and guidelines of the World Bank and the International Finance Corporation.

2.1.1 Credit risk appetite

Nordea's risk appetite framework sets risk tolerances that enable the bank to fulfull strategic targets. It also forms the basis for a holistic risk reporting structure that supports key decision processes such as strategy, planning and target setting.

Credit risk appetite statements are defined in terms of credit risk concentration (limits for single names, specific industries and geographies), long-term credit quality (expected loss) and short-term forward-looking credit quality (loan losses under plausible stress scenarios).

2.1.2 Governance of credit risk

The main principle of Credit Risk Management in Nordea is having a framework approved independent of business decision-making and financial performance. This framework is approved by senior management and aligns the risk appetite to the credit risk strategy of the bank.

Organisationally, this translates into the three lines of defense for credit risk management.

The 1st LoD is represented by the Business Areas and those Group Functions not included in the 2nd and 3rd LoD, and constitutes customer operational management of credit risk with the following responsibilities:

- Full customer responsibility, including maintaining the customer relationship and profitability, including any loan losses resulting from that relationship.
- Managing and monitoring granted customer credit limits by continuously assessing both quantitative and qualitative customer factors, as well as macroeconomic and market trends.
- Operational implementation of Group Directives , internal policies and guidelines through adequate management supervision, staff education and clearly understandable processes.
- As the ultimate risk owner, developing and maintaining a set of effective internal controls to ensure credit risks are managed prudently within the risk appetite, internal policies and guidelines and in accordance with the applicable laws and regulations.
- Implementing and maintaining system support that enables fulfillment of 1st line responsibilities.

The 2nd line of defense is an independent oversight and control function represented by Group Credit Risk and Control and has the following responsibilities:

- Develop and maintain the credit risk framework, including counterparty credit risk and Nordea's IRB approach, in compliance with external regulations.
- Continuously monitor, analyze and control the short and long term quality of the loan portfolio and ensure that these are properly managed by the relevant Business Areas and Group Functions.
- Monitor that 1st line of defense units adhere to the content of the credit assessment, credit approval and internal rating processes as defined through the credit risk framework.
- Implementing and maintaining IRB credit risk models according to external regulatory guidance.
- Assess independently and report on Nordea's overall credit risk profile, rule and process compliance and provide advice to support in implementing the credit risk framework or challenge if needed.

The 2nd line of defense shall not perform tasks they are to monitor and control and are, therefore, organisationally separate from 1st LoD units. The 2nd LoD shall not be measured on business performance or receive remuneration that could jeopardize the objectivity of the staff. However, the 2nd LoD actively communicate with the 1st LoD units to secure adequate business input into the structure and tolerances of the credit risk framework, as well as to ensure that the credit risk framework is adequately understood and implemented.

As the 3rd LoD, Group Internal Audit provide assurance on the 1st and 2nd line on behalf of the Board of Directors. Its main responsibilities include:

- Assessing whether all significant risks are identified and appropriately reported by management and the risk functions to the GEM, BAC, BRIC and Board of Directors.
- Assessing whether they are adequately controlled.
- Challenging GEM to improve the effectiveness of governance, risk management and internal controls.

Credit Risk Management in the 1st LoD is responsible for the credit process framework and Group Risk Management and Control (2nd LoD) is responsible for the credit risk management framework, consisting of policies, instructions and guidelines. Group Risk Management and Control is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process, and ensuring that all incurred losses are covered by adequate allowances. Each division/unit is primarily responsible for managing 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 bodies on different levels in the organisation constituting the maximum credit risk appetite on the customer in question. Individual credit decisions within approved internal credit risk limits are taken by the CRU. The internal risk categorisation and internal credit risk limit of the customer determine at which level the decision will be made. The Group Executive Management Credit Committee decides on proposals for the largest exposures and proposals related to major principle issues. Responsibility for credit risk lies within each CRU.

2.1.3 Measurement of credit risk

Credit risk is measured, monitored and segmented in several dimensions. On-balance sheet lending constitutes the major part of the credit portfolio and the basis for impaired loans and loan losses. Credit risk in lending is measured and presented as on-balance sheet loans as well as off-balance sheet potential claims on customers and counterparts net after allowances. Credit risk exposures also includes counterparty credit risk such as the risk related to derivative contracts and securities financing. Nordea's loan portfolio is broken down by customer segment, industry and geography.

One way of assessing credit quality is through analysis of the distribution across rating grades for rated corporate customers and institutions, as well as the distribution across risk grades for scored retail customers.

2.1.4 Credit risk in the capital adequacy framework

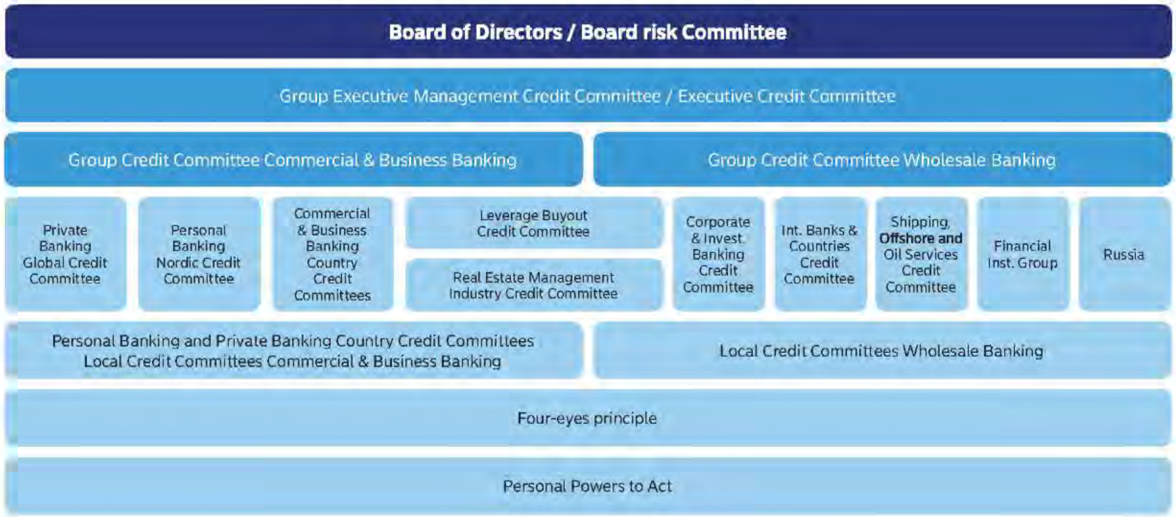
2.1.4.1 Central governments and central banks

Nordea uses the standardised approach to calculate risk-weighted exposure amounts (REA) for exposures to central governments and central banks.

2.1.4.2 Institutions

Nordea uses the Foundation IRB approach to estimate and validate PDs for exposures to institutional customers. The PD is based on internal data and validated annually. The validation includes both a quantitative and a qualitative assess-

Figure 2.1 Credit decision-making structure for main operations



ment. The quantitative validation includes statistical tests to ensure that estimates remain valid when new data is added. and a qualitative validation.

Estimates are based on the long term default experience and adjusted by adding a margin of conservatism between the average PD and the average default frequency (ADF). This margin consists of two parts, one that compensates for statistical uncertainty and one constituting a business cycle adjustment of the rating models.

2.1.4.3 Corporate

Nordea uses the Advanced IRB approach to estimate and validate PD, Loss Given Default (LGD) and Credit Conversion Factor (CCF) parameters for exposures corporate customers in the Nordic countries and in the International units. This includes exposures towards SMEs and specialised lending. The Foundation IRB approach is used to estimate and validate PD for exposures in the Nordic Finance companies, Nordea Bank Russia and the Baltic branches, as well as derivative and securities lending exposures.

The PD is based on internal data and validated annually. The validation includes both a quantitative and a qualitative assessment. The quantitative validation includes statistical tests to ensure that estimates still remain valid when new data is added.

Estimates are based on the long term default experience and adjusted by adding a margin of conservatism between the average PD and the average ADF. This margin consists of two parts, one that compensates for statistical uncertainty and one constituting a business cycle adjustment of the rating models.

LGD estimates are based on historical loss experiences, measuring the net present value of the nominal loss including costs incurred by a customer's default. CCF estimates are based on historical internal data regarding drawings prior to default.

2.1.4.4 Retail

Nordea uses the Retail IRB (RIRB) approach to estimate and validate PD, LGD and CCF parameters for exposures to retail customers for NBAB nordic customers and mortgage companies, as well as the Finnish finance company. Other entities use the standardised approach to calculate REA for retail exposures.

The PD is based on internal data and validated annually. The validation includes both a quantitative and a qualitative validation. The quantitative validation includes statistical tests to ensure that estimates remain valid when new data is added. The PD and ADF for the Retail portfolio is based on the last validation year only, due to the Point-in-Time (PIT) methodology used for model calibration.

LGD estimates are based on historical loss experience, measuring the net present value of the nominal loss including costs incurred by a customer's default. CCF estimates are based on historical internal data regarding drawings prior to default.

2.1.4.5 Equities

Nordea uses the standardised approach to calculate REA for exposures to equities in the banking book.

2.1.5 Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collateral is considered as well as the adequacy of covenants and other risk mitigation.

Pledging of collateral is the main credit risk mitigation technique. For corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong. Limit decisions are taken independently from collateral coverage.

With respect to large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation through the use of 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.

With respect to regulatory defined credit risk mitigation tools, Nordea uses techniques related to real estate, vessels, financial collateral, cash collateral and floating charges. Nordea has permission to use the defined credit risk mitigation tools for AIRB and RIRB approaches that fulfil the minimum requirements at both the time of application and on an ongoing basis. Additional use of collateral within these approaches for capital adequacy purposes must be notified or applied for.

2.2 Link between the balance sheet and credit risk exposure

This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in the Capital Requirement Regulation (CRR). The main differences are outlined in this section to illustrate the link between the different reporting methods.

Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach, while exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure (unless otherwise stated). In accordance with the CRR, credit risk exposure is divided into exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items.
- Off-balance sheet items (e.g. guarantees, credit commitments and unutilised lines of credit).
- Securities financing (e.g. reversed repurchase agreements and securities lending).
- Derivatives.

Items presented in the Annual Report are divided as follows (in accordance with accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

2.2.1 On-balance sheet items

The following items are excluded from the balance sheet, when on-balance sheet exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances and intangible assets.

2.2.2 Off-balance sheet items

The following off-balance sheet items specified in the Annual Report are excluded when off-balance sheet exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Assets pledged as security for own liabilities and Other assets pledged (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives.

2.2.3 Derivatives and securities financing

The fair value of derivatives is recognised on the balance sheet, while the nominal amount on derivatives are reported off-balance sheet in accordance with accounting standards. However, in the CRR, derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are included in the balance sheet calculated based on nominal value. In the CRR, calculation of these exposure types are performed net of collateral.

2.3 Rating and scoring

2.3.1 Rating and scoring definition

The common denominator of rating and scoring is the aim to predict defaults and rank customers according to their default risk. Rating and scoring are used as integrated parts of the credit risk management and decision-making process, including (but not limited to):

- The credit approval process.
- Calculation of REA.
- Calculation of Economic Capital (EC) and expected loss (EL).
- Monitoring and reporting of credit risk.
- Performance measurement using the economic profit (EP) framework.
- Collective impairment assessment.

While rating is used for corporate and institution exposure, scoring is used for retail exposure.

2.3.2 Rating

A rating is an estimate that reflects the risk of customer default. The rating scale in Nordea consists of 18 grades; from 6+ to 1– for non-defaulted customers and three grades from 0+ to 0– for defaulted customers. The default risk of each rating grade is quantified as a one-year PD. Rating grades 4– and better are comparable to investment grade as defined by rating agencies such as Moody's and Standard & Poor's (S&P). Rating grades 2+ and lower are considered as weak or critical, and require special attention.

The mapping of internal ratings to S&P's rating scale is based on a predefined set of criteria, such as comparison of default and risk definitions. The mapping does not intend to indicate a fixed relationship between Nordea's internal rating grades and S&P's rating grades since the rating approaches differ.

Figure 2.2 Indicative mapping between internal ratings and the S&P rating scale

Rating

Internal	Standard & Poor's
6+, 6, 6–	AAA to AA–
5+, 5, 5–	A+ to A–
4+, 4, 4–	BBB+ to BBB–
3+, 3, 3–	BB+ to BB–
2+, 2, 2–,1+	B+ to B–
1, 1–	CCC
0+, 0, 0–	D

Ratings are assigned in conjunction with credit proposals, reviews and the annual review of customers, and are from 1/1 2017 approved independently by Credit Risk Management representatives . However, a customer is down-graded as soon as new information indicates this is needed. The consistency and transparency of the ratings are ensured by the use of rating models. A rating model is a set of specified and distinct rating criteria which, given a set of customer characteristics, produces a rating. It is based on the predictability of customers' future performance based on their characteristics. The set of characteristics used in a rating model are called input factors, which together with the criteria for assigning a customer to a rating model, i.e. the rating model segmentation, are the fundamental parts of a rating model. Calculated rating is always based on the complete set of input factors required by the rating model. Typical input factors are:

- Financial factors
- Customer factors, and
- Qualitative factors.

If the calculated rating is assessed as failing to predict the risk of default, specified override arguments or exception rules can be used within the model to adjust the calculated rating.

Nordea has different rating models for different customer types to better reflect risk. Rating models have therefore been developed for several general as well as specific segments, such as real estate management, shipping, financial institutions and hedge funds. There are also risk rating frameworks for countries and project finance. Different methods ranging from statistical to purely expert-based, depending on the segment in question, have been used when developing rating models. The models are largely based on an overall framework, in which financial factors are combined with qualitative factors and customer factors.

2.3.3 Rating and scoring migration

The rating and risk grade distribution changes mainly due to three factors:

- Changes in rating/risk grade for existing customers (pure migration).
- Different rating/risk grade distribution of new customers and customers leaving Nordea, compared to the rating/risk grade distribution of existing customers during the comparison period.
- Increased or decreased exposure per rating/risk grade to existing customers.

Rating migration is affected by macroeconomic developments, industry sector developments, changes in business opportunities and changes to customers' financial situation and other company-specific factors. Risk grade migration is among other things affected by macroeconomic development and the customers' repayment capacity.

The REA changes due to rating/risk grade migration reflect the impact of pro-cyclicality in the Pillar I capital requirement calculations of the IRB approaches.

2.3.4 Scoring

Models used in the Household portfolio and in the Retail SME (Retail SMEs as defined by the capital requirements regulation, CRR.) portfolio are based on scoring, which is a statistical technique used to predict the probability of customer default. In order to represent the scores, the risk grade scale used for scored customers in the retail portfolio consists of 18 grades; A+ to F– for non-defaulted customers and three grades from 0+ to 0– for defaulted customers.

Credit scoring models are based on statistical analyses of internal Nordea data. To predict the future performance of customers, certain characteristics are defined on the basis of the customer's previous performance, the products held as well as behavioural information. The models also take, for example policy requirements and credit processes into account. The customers' credit risk behaviour scores and Risk Grades are recalculated on a monthly basis using the most recent data and customer information.

The models are used to support business processes, the credit approval process and the risk management process, including monitoring of various portfolio risks. As a supplement to the scoring models, e.g. credit bureau information is used in the credit process.

The Nordea business approach towards customers is a customer level approach as opposed to a product-oriented approach. Thus the customer's behaviour on all accounts/ products – including potential joint commitments – is taken into consideration in a credit approval assessment or in risk management. In Nordea the prediction of default results in a Risk Grade assigned at customer level. Thus only one score covers all the Nordea Group exposure with the customer, ensuring that the resulting Risk Grade is assigned across all of the customer's facilities in Nordea.

This scoring method ensures that the customer level design supports the business process and risk management practise in Nordea.

Scorecards are tailored to country specific variations, reflecting that product features, customer behaviour, country specific macro-economic development, debt collection process and national legislation all influence credit risk and thus the prediction of default. Different scorecards are used to score the Household and SME portfolios.

The split between Household and SME is based on differences in predictors, reflecting that these portfolios have different payment and behaviour patterns.To strengthen model performance further the Household portfolio is segmented into smaller sub-populations and a scorecard is developed for each segment. Selection of the sub-populations is based on the likelihood that the resulting sub-populations will be best served by different scorecards.

The common approach in Nordea for segmentation into sub-populations is based upon product combinations (products held by the customer). For each product certain characteristics are defined on the basis of the customer's previous performance, the products held, and behavioural information. The characteristics also take e.g. policy requirements and credit processes into account.

Nordea scorecards for customers in the retail portfolio are segmented according to below:

- Country
- Household / SME customers
- Product combination (mortgage, revolving credits, other retail exposure)
- Delinquency (depending on volumes)
- Delinquency concerns the customers that are not compliant with the product specific terms and conditions.

2.4 Collateral

Collateral management principles are governed through the Collateral Guideline owned by Group Credit Risk Management. There is a strong relationship between the data used for collateral management and the data used in calculating capital requirements. The resulting parameters combined with certain qualitative aspects reflect the level of risk as assessed by Nordea.

2.4.1 Valuation principles of collateral

A conservative approach, using long-term market values and taking volatility into account is used as the valuation principle for collateral when defining the maximum collateral ratio.

Valuation, and hence eligibility, of collaterals is based on the following principles:

- Market value is assessed; markets must be liquid, public prices must be available and the collateral is expected to be liquidated within a reasonable time frame.
- A reduction of the collateral value is to be considered if the type, location or character (such as deterioration and obsolescence) of the asset indicates uncertainty regarding the sustainability of the market value. Assessment of the collateral value also reflects previously experienced volatility in the market.
- Forced sale principle: assessment of market value or collateral value must reflect the realisation of collaterals in a distressed situation is initiated by Nordea.
- No collateral value is to be assigned if a pledge is not legally enforceable and/or if the underlying asset is not adequately insured against damage.

A common way to analyse the value of the collateral is to measure the loan-to-value (LTV) ratio, i.e. the credit extended, divided by the market value of the collateral pledged.

2.4.2 Collateral in the capital requirements calculation

2.4.2.1 Guarantees and credit derivatives

Guarantees used as credit risk mitigation are to a large extent issued by central and regional governments in the Nordic countries. Banks and insurance companies are also important guarantors of credit risk.

Only eligible providers of guarantees and credit derivatives can be recognised in the standardised and IRB approaches for credit risk. All central governments, regional governments and institutions are eligible as well as some multinational development banks and international organisations. Corporate guarantees that have a credit assessment by an external credit assessment institution, or cases where institutions calculate REA and EL under the IRB approach and are internally rated by the institutions are eligible.

2.5 Credit risk models validation and parameter estimation

Nordea's validation process aims at ensuring the performance of models, procedures and systems and the accuracy of the parameters.

Rating and scoring models are validated annually and the validation includes both a quantitative and a qualitative validation. The quantitative validation includes statistical tests of the models' discriminatory power, i.e. the models' ability to distinguish default risk on a relative basis, and absolute accuracy, i.e. the ability to predict default levels. The rating models Nordea uses for the Corporate and Institution exposure classes exhibits characteristics of both through-the-cycle (TTC) and point-in-time (PIT) rating philosophies, whereas the retail portfolio scoring models are closer to PIT. A PIT rating system uses all currently available obligor-specific and aggregate information to assign obligors to risk buckets. All obligors within a risk grade share roughly the same unstressed PD, and an obligor's rating is expected to change rapidly as its economic prospects change. A TTC rating system uses static and dynamic obligor characteristics but tends not to adjust ratings in response to changes in macroeconomic conditions. The distribution of ratings across obligors will not change significantly over the business cycle, and an obligor's rating is expected to change only when its own dynamic characteristics change.

The estimation process is linked to the validation since the estimates used for the PD scale are based on Nordea's actual default frequency (ADF). The PD estimation, and hence the validation, takes into account that the rating models used for corporate and institution customers have a higher degree of TTC than the scoring models used for retail customers.

PD, LGD and CCF parameters are validated annually and the validation includes both a quantitative and a qualitative assessment. Quantitative validation includes statistical tests to ensure that estimates remain valid when new data is added.

PD estimates are based on long-term default experience and adjusted by adding a margin of conservatism between average PD and average ADF. This margin consists of two parts, one that compensates for statistical uncertainty whereas the other constitutes a business cycle adjustment of the rating and scoring models.

Regarding LGD, the estimates are based on historical loss experience. LGD measures the net present value of the nominal loss including costs caused by a customer's default.

CCF is a statistical multiplier used to predict the Exposure at Default (EAD) by predicting the drawdown of the off-balance exposure. Nordea's CCF estimates are based on internal data regarding drawings prior to default. For corporate exposure class drawings after default are also taken into account in the CCF estimation.

2.6 Counterparty Credit risk

Counterparty credit risk is the risk that Nordea's counterpart in an FX, interest, equity, credit or commodity derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk also appears in repurchasing agreements and other securities financing contracts.

Derivative contracts are financial instruments, such as futures, forwards, swaps or options that derive their value from underlying interest rates, currencies, equities, credit spreads or commodity prices. Derivative contracts are often traded Over The Counter (OTC), which means the terms connected to a specific contract are individually defined and agreed on with the counterpart.

Nordea enters into derivative contracts based on customer demand, both directly and in order to hedge positions that arise through such activities. Interest rate swaps and other derivatives are used in hedging activities of asset and liability mismatches in the balance sheet. Furthermore, Nordea may, within clearly defined risk limits, use derivatives to take open positions in its operations. Derivatives affect counterparty credit risk, market risk as well as operational and liquidity risk.

Counterparty credit risk, including that towards Central Counterparties (CCPs), is subject to credit limits like other credit exposures and is treated accordingly. To assess the counterparty credit risk to CCP's, clearing limits are based on the potential size of the clearing related exposure on each CCP, taking regulatory requirements and the market development into account.

2.6.1 Capital Adequacy method Pillar 1 method for counterparty credit risk

Nordea has approval from the Financial Supervisory Authorities (FSAs) in Sweden and Finland to use the Internal Model Method (IMM) to calculate the regulatory counterparty credit risk exposures in accordance with the credit risk framework in the Capital Requirements Regulation (CRR). The method is used for standard FX and interest rate products which constitute the predominant share of the exposure.

The expected exposure is calculated for IMM approved contracts by simulating a large set of future scenarios for underlying price factors and then revaluing the contracts in each scenario at different time horizons. In these calculations, netting is done of the exposure on contracts within the same legally enforceable netting agreement. Nordea uses a stressed calibration of the IMM for calculation of the CCR exposures.

Moreover, automatic identification procedures are in place to identify potential specific wrong-way risk (SWWR) (i.e. situations where the future exposure to a specific counterparty is positively correlated with the counterparty's PD due to the nature of the contracts with the counterparty). Under the IMM approach, simulated exposure is subject to a regulatory multiplier of 1.4 to reflect the potential for correlation in risk across the portfolio.

For the non-IMM approved part of the portfolio, Nordea uses the Current Exposure Method (CEM) for calculating the regulatory exposure, which is essentially the sum of current net exposure and potential future exposure. The potential future exposure is an estimate reflecting possible changes in the future market value of the individual contract during the remaining life of the contract and is measured as the notional principal amount multiplied by an add-on factor. The size of the add-on factor, stipulated by the FSA, depends on contracts' underlying asset and time to maturity.

2.6.2 Credit Value Adjustment (CVA)

Credit Value Adjustment (CVA) represents the market cost of hedging counterparty credit risk and the capital requirement, CVA risk charge, reflects the variability in CVA. Calculation of the CVA risk charge is based on either IMM exposure amounts that are used in the advanced CVA risk charge calculation or CEM exposure amounts that are used in the standardised CVA risk charge calculation.

2.6.3 Mitigation of counterparty credit risk exposure

To reduce exposures towards single counterparties, Nordea employs risk mitigation techniques. The most significant is the use of legally enforceable closeout netting agreements, which allows Nordea to net positive and negative market values on contracts within the same agreement in the event of default of the counterparty. It is Nordea's policy to have legally enforceable closeout netting agreements in place with all trading counterparties, and thereby being able to fully account for netting.

Secondly, Nordea mitigates the exposure towards, primarily, banks, institutional counterparties and hedge funds through the use of financial collateral agreements, where collateral is ported or received to cover current net exposure. Collateral is mainly cash (EUR, USD, DKK, SEK and NOK), but also government bonds and to a lesser extent mortgage bonds. Separate credit guidelines are in place for handling financial collateral agreements.

Nordea's financial collateral agreements do not normally contain trigger dependent features, e.g. rating triggers. Some agreements though, still contain clauses that may require collateral postings in case of a Nordea downgrading; however, these would not impose any material impact on Nordea's liquidity and collateral preparedness. A three notch downgrade of Nordea would trigger a collateral increase equivalent to less than 2%.

In order to reduce bilateral counterparty credit risk, central counterparties (CCPs) are increasingly used for clearing of OTC derivatives. By the end of 2016 CCPs were mainly used by Nordea to clear interest rate derivatives and repo transactions. Nordea continues to assess the possibility to clear more derivative volumes through CCPs in order to further reduce bilateral counterparty credit risk and to comply with the clearing obligation. Also, in line with the Nordea CCP business strategy if there is a choice to be made between clearing or not Nordea will go for the clearing alternative.

As well as exposure risk mitigation methods described above, Nordea employs credit default swap protection to hedge CVA risk. Hedges that are deemed as eligible hedges under the Capital Requirements Regulation are used to offset exposure at default in the Standardized CVA method charge.

2.6.4 Counterparty credit risk for internal credit limit purposes

Counterparty credit risk for internal credit limit purposes is, for the main part of the portfolio calculated by using a simulation model, which is based on the IMM. Model parameters are based on data from a specific three-year period, including a one-year period identified to have the most significant increase in credit spreads in recent times.

The exposures included in IMM are subject to daily and periodic stress tests with the aim to identify adverse scenarios affecting exposures on counterparty, industry and country level. Thereby also general wrong way risk (GWWR) is taken into account in the counterparty credit risk management, and identified cases of GWWR are reported to senior management. The significance of the specific wrong way risk (SWWR) is determined through a number of checks assessing correlation and presence of mitigating parameters. Legal connection is decided based upon principles for Customer consolidation as defined in the Credit Guideline issued by Group Credit Risk Management. Transactions, that are assessed to have 1) significant degree of SWWR and 2) legal connection, are named 'Eligible SWWR transactions' and are subject to tightened monitoring and increased capital requirements as defined under the CRR.

2.6.5 Settlement risk

Settlement risk is a type of risk arising during the process of settling a contract or executing a payment.

The risk amount is the principal of the transaction, and a loss could occur if a counterpart were to default after Nordea has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of the corresponding payment or security.

The settlement risk on individual counterparts is restricted by settlement risk limits. Each counterpart is assessed in the credit process and clearing agents, correspondent banks and custodians are selected with a view to minimise settlement risk.

Nordea is a shareholder of, and participant in, the global FX clearing system CLS (Continuous Linked Settlement), which eliminates the settlement risk of FX trades in those currencies and with those counterparts (mainly banks) that are eligible for CLS clearing.

For those counterparts and FX trades that are not eligible for CLS clearing, it is Nordea's policy to settle via in-house accounts. Only with specific credit approval from appropriate credit committee external settlement is allowed, and in those situations Nordea make use of bilateral payment netting in order to reduce the exchanged amounts to the greatest extent possible.

2.7 Impairments

2.7.1 Definition and methodology of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea continuously reviews the quality of credit exposures. Weak and 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. A need for provisioning is recognised if there is objective evidence that 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) based on loss events and observable data. Non-significant customers can be treated as groups with a reserve belonging to a group of individually identified customers.

Exposures with individual provisions are considered as 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. Nordea recognises only specific credit risk adjustments (SCRA). SCRA comprise individually and collectively assessed provisions. SCRA during the year is referred to as loan losses, while SCRA in the balance sheet is referred to as allowances. Impaired exposures can be either servicing or non-servicing.

Exposures that are past due more than 90 days is automatically regarded as defaulted, and reported as non-servicing and impaired or not impaired depending on the deemed loss potential. 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 it is decisive that the recovery includes the customer's total liabilities in Nordea and elsewhere, that a satisfactory repayment plan is established and that the recovery is assessed as maintaining.

Forbearance is negotiated terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis and followed by impairment testing. Loan loss provisions are recognised if necessary. Forborne rated customers without impairment charges are fully covered by either collateral and/or the net present value of future cash flows.

The definition of a restructured exposure used for the implementation of CRR Article 178 in terms of default is considered as relating to distressed restructuring and debt forgiveness while the definition of forbearance can be related to both defaulted and non-defaulted customers "experiencing or about to experiencing financial difficulties".

Nordea's impairment testing is based on a two-step procedure with both individual and collective assessment to ensure that all incurred losses are accounted for up to and including each balance sheet day. Impairment losses recognised for a group of loans represent an interim step pending the identification of impairment losses for an individual customer.

Collective impairment testing is performed for groups of customers not identified individually as impaired. The purpose of collective loan loss reserves is to account for value reductions in the performing credit portfolio due to loss events that have occurred. Nordea's model for collective provisions uses a statistical model as a baseline for assessing the amount of provisions needed for the parts of Nordea's portfolios that are not individually assessed. The collective provisioning model is based on migration of rated and scored customers in the credit portfolio. The assessment of collective impairment is built on an incurred loss concept, where the credit quality of each exposure is related to its initial credit quality. If the credit quality has deteriorated, collective provisions corresponding to a true and fair assessment of the expected loss is calculated by the model. Moreover, defaulted customers without individual provisions are also collectively assessed. The output of the model is complemented with an expert based analysis process to ensure adequate provisioning. The model is executed quarterly and the output is a result of a bottom up calculation from sub-exposure level, taking the latest portfolio development into account. Collective impairments are assessed quarterly for each legal unit.

3. Market risk

Market risk is defined as the risk of value loss in Nordea's holdings and transactions as a result of changes in market rates and parameters that affect market value (i.e. changes to interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities).

3.1 Management of market risk

Nordea's market risk management operates under the three lines of defence principle as follows:

- The business areas are responsible for adhering to the market risk framework as set out by the 2nd LoD.
- Group Market and Counterparty Credit Risk (GMCCR) is responsible for setting out the market risk framework and measuring, monitoring, controlling and reporting the risk as the 2nd LoD.
- Group Internal Audit performs audits and provides additional assurances to stakeholders on the adequacy of internal controls and risk management processes, constituting the 3rd LoD.

Nordea Markets together with Group Treasury and ALM (TALM) are the key contributors to market risk in Nordea. Nordea Markets is responsible for customer-driven trading activities; TALM is responsible for long and short-term wholesale funding activities and investments for Nordea's own account, for asset and liability management, liquidity portfolios pledge/collateral account portfolios as well as all other banking activities. These Business Areas are responsible for managing the risk under the framework (principally through limits) as set by the Board of Directors and cascaded to the various Business Areas by Group Risk Management and Control (GRMC) through the Group Risk Committee.

GMCCR, a division of GRMC, is an independent unit which is responsible for the measurement, monitoring, control and reporting of market risk in Nordea. It ensures that only approved products are traded within set limits.

Nordea derives parts of its earnings by taking and managing market risks, and the aim is to adequately manage and control the market risk exposures in adherence with the market risk appetite of Nordea. To appropriately manage market risk in Nordea the following policies, processes and strategies are employed:

- There is a comprehensive policy framework, in which responsibilities and objectives are explicitly outlined and in which the risk appetite is clearly defined.
- There are clearly defined risk mandates, in terms of limits and restrictions on which instruments may be traded and by whom.
- There is a strategy to hedge risks (or use alternative methods of mitigation) as limit utilisation approaches a certain elevated level. All hedges are monitored within the market risk framework.
- There is a framework for approval of traded financial instruments and valuation methods that require an elaborate analysis and documentation of the instruments' features and risk factors.
- There is a proactive approach to information sharing between trading and risk control.
- There is a framework for timely reporting to senior management on market risk. The CRO receives reporting on Nordea's consolidated market risk daily, whereas GEM, the Board of Directors and associated risk committees receive reports monthly. In addition, the Board of Directors in each legal entity regularly receives local risk reporting.

3.1.1 Market risk appetite

The market risk appetite in Nordea is expressed through risk appetite statements issued by the Board of Directors. The market risk appetite statements are defined in terms of market risk share of ECl, maximum reported market risk loss per quarter and maximum economic market risk loss per quarter.

3.2 Governance of market risk

GMCCR has the responsibility for the development and maintenance of the Group-wide market risk framework. The framework defines common management principles and policies for market risk management within Nordea. These principles and policies are approved by the Board of Directors and have been approved by the Boards of Directors of the separate legal entities. The same reporting and control processes are applied for market risk exposures in both the trading and banking books, on Group level as well as in the separate legal entities.

On at least an annual basis, the market risk framework is reviewed from a top down and bottom up perspective. This review includes all governance documentation, the risk appetite framework and all risk management strategies for market risk. In addition, the framework is reviewed ad hoc as new regulation and business strategies require.

3.2.1 Capital requirement calculation for market risk

Market risk in a CRR context contains two categories: general risk and specific risk. General risk is related to changes in overall market prices and specific risk is related to price changes for specific issuers. When calculating capital requirements for market risk, using the internal model approach; general risk is based on Value-at-Risk (VaR) with an additional capital charge for stressed VaR; whereas specific risk is based on equity VaR and credit spread VaR, with an additional capital charge for incremental risk and comprehensive risk for interest rate risk-bearing positions.

Nordea uses the internal model approach to calculate market risk capital requirements for the predominant part of the trading book. However, for specific interest rate risk relating mainly to mortgage bonds, equity risk relating to structured equity derivatives, fund-linked derivatives and for commodity risk, market risk capital requirements are calculated using the standardised approach.

3.3 Measurement and reporting of market risk

As there is no single risk measure that captures all aspects of market risk, Nordea uses several risk measures including VaR, stressed VaR, stress testing, sensitivities, scenario simulation and other non-statistical risk measures such as basis point values, net open FX positions and option key risk sensitivities. In addition, simulation-based models are used to capture the default and migration risks from corporate debt, credit derivatives, and correlation products in the trading book. These models are the Incremental Risk Measure (IRM) and the Comprehensive Risk Measure. VaR and stressed VaR are reported to senior management on a daily basis while IRM and Comprehensive Risk Measure are reported weekly. Monthly reports of these figures along with stress test results are reported to the Board of Directors. In addition, the Board of Directors in each legal entity regularly receives local risk reporting.

Market risk reporting is provided by an in-house built central market risk system which calculates the Group's official market risk figures based on the position data delivered from middle and back office systems. The aim of market risk reporting is to quantify total market risk for the whole Nordea group, including individual business areas and legal entities.

Market risk systems serve as a tool to control processes in market risk management, with position and risk figures presented for validation and approval by the first and second lines of defence and followed by calculation of aggregated risk figures. The risk figures calculated by the market risk system are subject to limits set in market risk framework, daily and ad-hoc analysis and reporting of market risk KPIs, including sensitivities, VaR, stressed VaR, IRM and Comprehensive Risk Measurement.

Table 3.1 Methods for calculating minimum capital requirements for market risk (prior to merger of Nordea Bank Danmark, Nordea Bank Finland and Nordea Bank Norge into NBAB)

	Interest rate risk		Equity risk		
	General	Specific	General	Specific	FX risk
Nordea Group	IA	IA[1]	IA	IA[1]	IA
Nordea Bank Danmark	IA	SA	IA	SA	IA
Nordea Bank Finland	IA	IA[1]	IA	IA[1]	IA
Nordea Bank Norge	IA	SA	IA	SA	IA

IA:internal model approach, SA: standardised approach

1) For specific interest rate risk relating mainly to bonds, equity risk relating to structured equity derivatives and fund-linked derivatives and for commodity risk, the market risk capital requirements are calculated using the standardised approach.

3.3.2 Value-at-Risk

Nordea calculates VaR using historical simulation. The current portfolio is revaluated using daily changes in market prices and parameters observed during the last 500 trading days, thus generating a distribution of 499 returns based on empirical data. From this distribution, the expected shortfall method is used to calculate a VaR figure, meaning that the VaR figure is based on the average of the worst outcomes from the distribution. The historical observation period assumes equally weighted market prices. The one-day VaR figure is subsequently scaled to a 10-day figure. The 10-day VaR figure is used to limit and measure market risk both in the trading book and in the banking book.

Since customer-driven trading and treasury operations are the key contributors to market price risk in the Nordea Group, separate VaR figures are calculated for interest rate, credit spread, foreign exchange rate, equity and inflation risks. The total VaR includes all these risk categories and allows for diversification among them. The VaR figures include a combination of full revaluation and both linear positions and options. Linear products are calculated via a linear approach whereas options are calculated via full revaluation. When simulating potential movements in risk factors Nordea uses relative, absolute and mixed approaches depending on the risk factor. The model has been calibrated to generate a 99% VaR figure. This means that the 10-day VaR figure can be interpreted as the loss that will be exceeded in one of a hundred 10-day trading periods.

It is important to note that while every effort is made to make the VaR model as realistic as possible, all VaR models are based on assumptions and approximations that have a significant effect on the risk figures produced. While historical simulation has the advantage of not being dependent on a specific assumption regarding the distribution of returns, it should be noted that historical observations of the market variables that are used as input may not give an adequate description of the behaviour of these variables in the future. The choice of the time period used is also important. While using a longer time period may enhance the model's predictive properties and lead to reduced cyclicality, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. Nordea's choice to use the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons of using longer or shorter time series in the calculation of VaR.

Nordea has instituted an internal VaR measurement, Management VaR. The Management VaR includes risk factors which are scheduled for use in the Regulatory VaR upon FSA approval. In all other ways, the models are identical. Approval has been granted for the Nordea Group. Before the mergers on January 2nd 2017, approvals were granted to the subsidiaries Nordea Bank Finland Plc ("NBF"), Nordea Bank Norge ASA ("NBN"), Nordea Bank Danmark A/S ("NBD"), these approvals are not applicable after the merger.

3.3.3 Stressed VaR

Stressed VaR is calculated using a similar methodology as used for the calculation of the ordinary VaR measure. However, whereas the ordinary VaR model is based on data from the last 500 days, stressed VaR is based on a specific 250 day period with considerable stress in financial markets. In addition, stressed VaR is calculated as the average of the worst returns of the empirical distribution of market value changes. Since the relevant period with stressed markets will depend on the positions currently held in the portfolio, the level of stressed VaR in relation to the ordinary VaR is monitored continuously. Further analysis will be conducted if deemed necessary and could lead to a change in the period. The specific period to be used is, at least, evaluated once every year.

3.3.4 Incremental Risk Measure (IRM)

IRM measures the risk of losses due to credit migration or default of issuers of tradable corporate debt or credit derivatives held in the trading book. This measure captures credit risk for two separate type of issuers, namely corporation credit risk, including Nordea's own debt exposure and sovereign credit risk. Nordea's model translates migrations into credit spread changes for each issuer by defining a matrix of multiplication factors, and for each possible rating migration by multiplying this factor with the current level of the issuer's credit spread. A separate transition matrix is used for corporates and sovereigns respectively. The transition matrices contain the probabilities of migrations and default for each rating class where the rows state the current rating, and the columns state the new rating. This difference is crucial, since sovereign states tend to be more stable in credit ratings, the sovereign transition matrix is considerably more concentrated along the diagonal (which contains the probabilities of no rating migrations). The relation defining the value of the correlations is taken from the Internal Ratings Based Approach (IRB). Nordea's IRM model relies on Monte Carlo simulations and measures risk at a 99.9% probability level based on the predetermined regulatory one-year liquidity horizon. The validation of the model consists of a comparison of model outputs with historical data including crisis period default rates.

3.3.5 Comprehensive Risk Measure

The Comprehensive Risk Measurement model measures the total risk related to positions in credit correlation products, covering structured credit trading operations. This includes the risk of losses due to credit migration or default of issuers of tradable corporate debt and other risk factors specifically relevant for correlation products.

The Comprehensive Risk Measurement model considers single-name credit spreads as lognormal processes. Credit spread is positively correlated through a credit market factor, such that scenarios with many defaults tend to be associated with spread widenings.

The model also uses a stochastic ratio recovery rate/LGD which is correlated with the credit market factor driving the defaults. Nordea's Credit Risk Measurement model is also based on Monte Carlo simulations and measures risk at a 99.9% probability level based on the predetermined regulatory one-year liquidity horizon.

The one-year capital horizon is used in the calculation for each trade even though a trade may expire before this period. The validation of the model includes the re-assessment of key model assumptions and a review of the parameter estimation methodology. In addition, the validation includes a verification of the implementation of the standardised (floor) Credit Risk Measurement model.

3.3.6 Stress testing

Stress tests are important tools and are integrated into the market risk management framework. Stress tests are used to estimate the possible losses that may occur under extreme, but plausible, market conditions. The main types of stress tests utilised include:

- Subjective stress tests, where the portfolios are exposed to scenarios for financial developments that are deemed particularly relevant at a particular time. These scenarios are inspired by the financial, macroeconomic or geopolitical situation, or the current composition of the portfolio or a particular sub-portfolio.
- Sensitivity tests, where rates, spreads, prices, and/or volatilities are shifted markedly to emphasise exposure to situations where historical correlations fail to hold.
- A sensitivity measure, where the potential loss stemming from a sudden default of an issuer of a bond or the underlying in a credit default swap is measured.
- Reverse stress tests, which assess and try to identify the type of events that could lead to losses equal to or greater than a pre-defined level.
- Subjective stress tests and sensitivity tests are conducted monthly for the consolidated risk across the banking book and trading book across the different sub-portfolios. Reverse stress tests are conducted monthly for the trading book.

While these stress tests measure risk over a shorter time horizon, market risk is also a part of Nordea's comprehensive firm-wide ICAAP stress test, which measures risk over a three-year horizon.

3.3.7 Back-testing and validation of risk models

Back-testing of the VaR models is conducted daily. Back-tests are conducted using both hypothetical profit/loss and actual profit/loss (hypothetical profit/loss is the profit/loss that would have been realised if the positions in the portfolio had been held constant during the following trading day). The profit/loss is in the back-test compared to one-day VaR figures.

The models used in the calculation of the IRM and the Credit Risk Measurement are validated through an assessment of quantitative and qualitative reasonableness of the various data being modelled (distribution of defaults and credit migrations, dynamics of credit spreads, recovery rates and correlations, etc.). Input parameters are evaluated annually through a range of methods including sensitivity tests and scenario analysis.

3.3.8 Interest rate risk in the banking book

Interest rate risk in the banking book is monitored daily by measuring and monitoring VaR in the banking book and by controlling interest rate sensitivities, which measure the immediate effects of interest rate changes on the economic values of assets, liabilities and off-balance sheet items.

3.3.9 Structural market risks

Structural FX risk arises from translation risk on investments in subsidiaries and associated enterprises denominated in foreign currencies. Generally, Nordea hedges investments through matched funding, although exceptions may be made in markets where matched funding is impossible to obtain, or can be obtained only at an excessive cost.

Earnings and cost streams generated in foreign currencies or from foreign branches generate an FX exposure, which for individual Nordea legal entities is handled in each entity's FX position.

In addition to the immediate change in market value of Nordea's assets and liabilities that could be caused by a change in financial market variables, a change in interest rates could also affect net interest income over time. This is structural interest income risk (SIIR) discussed below.

3.3.10 Structural Interest Income Risk (SIIR)

SIIR is the amount by which Nordea's accumulated net interest income would change during the next 12 months if all interest rates were to change by one percentage point.

SIIR reflects mismatches in balance sheet items and off-balance sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly.

Nordea's SIIR management is based on policy statements resulting in different SIIR measures and organisational procedures. Policy statements focus on optimising financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information.

3.4 Compliance with requirements applicable to exposure in the trading book

Article 105 of the CRR outlines requirements for systems and controls to provide prudent and reliable valuations of financial instruments. Specific requirements for additional valuation adjustments (AVAs) to fair value assets have been further clarified in the Commission delegated regulation (EU) 2016/101. Nordea complies with these requirements and uses the core approach in order to calculate AVAs for market price uncertainty, close-out costs, model risk, unearned credit spreads, investing and funding costs, concentrated positions, future administrative costs, early termination costs and operational risk. In accordance with Article 34 of the CRR, AVAs are applied to all positions in Nordea accounted for at fair value, both in the trading book and banking book.

The CRR introduces requirements for clearly defined policies and procedures for determining which positions to include in the trading book for the purposes of calculating minimum capital requirements. With regards to article 104, Group Risk Executive Management has issued instructions on this topic which clearly define which positions to include in the trading book and specifies the monitoring and reporting principles for external capital adequacy purposes.

For further information on the valuation process, including the extent of mark-to-market and mark-to-model, a description of the independent price verification process and a description of valuation adjustments included in fair value see Note 40 of the annual report.

3.5 Other market risks in Nordea

Market risk on Nordea's account also arises partly from the Nordea-sponsored defined benefit pension plans for employees (pension risk) and from investment and insurance risks associated with Nordea Life & Pensions (NLP).

4. Operational and compliance risk

Group Compliance (GC) and Group Operational Risk (GOR) within Group Risk Management and Control (GRMC) jointly constitute the 2nd LoD with the independent control responsibility for managing compliance and operational risks. As these two risk types are closely linked, the two organisations work together in a collaborative manner to ensure that there are no gaps and minimal overlap. GOR and GC have recently established a set of delineation principles, which outlines an activity based approach. These delieations are based on a risk based delineation, and the establishement of primary and secondary control responsibilities.

Operational risk means the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, or from people, systems or external events. Regarding own funds requirements, operational risk also covers legal risk and compliance risk. Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

GOR is responsible for developing and maintaining the framework for managing operational risks and for supporting, challenging and controlling the line organisation in their implementation of the framework. GOR establishes and maintains adequate policies and procedures for operational risk. On Group level, the unit also independently monitors, assesses and reports the risks as well as the adequacy and effectiveness of the operational risk management framework on a regular basis and at least once a year. Reporting is done to the GEM and the Board of Director of Nordea Bank Group Board or relevant Group Board committee.

Compliance risk may be described as the risk to fail to comply with laws, regulations, rules and prescribed practises and ethical standards, governing Nordea's activities in any jurisdiction, which could result in material financial or reputational loss to the Group, regulatory remarks or sanctions.

Group Compliance (GC) is responsible for developing and maintaining the framework for managing compliance risks, and for guiding and advising the business in their implementation to ensure continuous adherence to the framework. Group Compliance activities are presented in the form of an Annual Compliance Plan to the CEO and the Board of Directors for their approval. The Annual Compliance Plan represents a comprehensive approach to the compliance activities of the Group, combining Group Compliance's overall approach to key risk areas with the activities of each part of Group Compliance. The Annual Compliance Plan is supported by granular plans in each business area, legal entity and risk dimensions. Group Compliance will in 2017 focus on the top compliance risks in two main categories: financial crime and conduct risk.

Alongside the focus on compliance risk in the Business Areas and Group functions, Group Compliance has had significant internal development over the last year, supported by a central change programme. The programme led, amongst under things to the establishment of necessary capabilities in a number of areas, including capital adequacy, to address the widened scope for Group Compliance.

In order to align with best practice, initiatives are targeted both towards strengthening Group Compliance to be able to act in its 2nd LoD role in accordance with internal expectations and regulatory requirements, as well as towards enhancing regulatory implementation capabilities in the business.

On the journey from separate Business Area compliance organisations to one common Group Compliance function, Group Compliance has established an overall operating model, and launched a number of initiatives that aim for improvement and further professionalisation of the processes in Group Compliance.

4.1 Management and measurement of operational risk

Nordea's Operational Risk Policy forms part of the risk management and internal control framework and sets out general principles for operational risk management. Management of operational risks is proactive, emphasising training and risk awareness.

Operational risks are monitored through regular risk assessment procedures and a systematic, quality and risk focused change management. The development of new products, services, activities as well as processes and systems are risk assessed. Identified risk elements and consequences of risk events are mitigated with, inter alia, business continuity plans as well as Group Crisis Management and Communication plans ensuring good contingency preparedness in all business plans and crisis management structures.

Nordea uses external risk transfer in the form of insurance to cover certain aspects of crime risk and professional liability, including the liability of directors and officers. Nordea furthermore uses insurance for travel, property and general liability purposes.

The operational risk appetite is defined through risk appetite statements issued by the Board of Directors. Operational risk appetite statements are defined in terms of the chief operational risk officers assessment of top risks as well as financial and non-financial consequences. Non-negotiable risks are defined as regulatory requirements as well as breaches of internal policy and external regulations.

4.2 Management and measurement of compliance risk

The Group Compliance charter forms parts of the risk management and internal control framework, and sets out the general principles for compliance risk management. Management of compliance risks is proactive, emphasising training and risk awareness.

Group Compliance's input to the Risk and Control Self-Assessment (RCSA) process consists of two main components; firstly, GC makes a Compliance Independent Risk Assessment (CIRA), where the Compliance Officers (COs) assess compliance risks and the effectiveness of the 1st LoD's controls to mitigate these risks. Secondly, GC participates in the RCSA workshops led by the 1st LoD. GC provide input from previous monitoring activities and challenges 1st LoD's own assessment in the workshops, in order to create an objective and fact based assessment.

The methodology which the 1st LoD uses in the RCSA process is also applied for the CIRA performed by the COs. The main objective for the CIRA processes is to verify adherence to the regulatory requirements regarding the identification of compliance risks, to provide an independent view on the level of compliance risks, and to provide input to a number of the other GC core processes.

Compliance has identified and assessed compliance risks within each business area and group function, and analysed those by aggregating from several independent risk assessments in all business areas and units.

4.3 Key processes for operational and compliance risk

4.3.1 Operational Risk Assessment process

The Operational Risk Assessment process includes the RCSA and scenario analysis, and puts focus both on risks on a divisional and unit level, threatening its daily activities, and on risks which could cause extreme financial losses or other significant impacts to Nordea as well as ensuring fulfilment of requirements specified in Group Directives. The results are used as inputs to the annual Group Operational and Compliance Risk Map.

Risks are identified both through top-down division management involvement and through bottom-up analysis of results obtained from control questions as well as existing information from operational risk processes, such as incident reporting, scenario analysis, quality and risk analyses as well as product approvals. Upon identification of risks, the estimated impact of risk materialisation is assessed and mitigating actions are identified.

The RCSA aims to verify whether Nordea adequately fulfils the legal and regulatory requirements as specified in the Nordea Group directives and that a sufficient level of internal control exists within Nordea.

The Group-wide scenario analysis puts focus on extreme operational risks; so called tail events. The objective is to challenge and extend Nordea's present understanding of its operational risk landscape by focusing on risks which could cause extreme financial losses or other significant impacts to Nordea.

4.3.2 Incident reporting

Incidents and security weaknesses are immediately handled to minimise damage. Upon detection of an incident, handling of the incident has first priority. Unit managers are responsible for the proper handling, documentation and reporting of incidents. Incident reporting is a Group-wide process which is performed in the operational and compliance risk system by risk officers and compliance officers to ensure consistent quality in the process. Nordea's operational risk library is used for categorising all incidents and the taxonomy reflects the Operational Risk data eXchange Association's (ORX) reporting requirements.

Aggregated incident information is included in regular risk reports to the Risk Committee, GEM, the BRIC and the Board of Directors. Key observations are included in the Group Operational and Compliance Risk Map.

4.3.3 Other operational risk processes

Nordea has developed more task-specific risk management processes in some key areas, as for example business continuity and crisis management. Business continuity management covers the broad scope from the procedures for handling incidents via escalation procedures to crisis management on Group level. As most service chains are supported by IT, applications, disaster recovery plans for technical infrastructure and IT systems are an essential part of business continuity management in Nordea.

The Change Approval process captures all material changes in a unified and disciplined manner. It is applicable to new or materially altered products, services, markets, processes, IT systems and major changes to the operations and organisation.

The Quality and Risk Analysis (QRA) is used to analyse risk and quality aspects related to material changes on a case by case basis, for example new programmes, significant changes to organisations, processes and systems. The QRA is performed to limit new risks and ensure disciplined change management. It aims at documented decision-making regarding risk and quality aspects connected to changes, explicit responsibility for decisions and actions taken, and a systematic follow up. Conducting a QRA is mandatory as part of the product approval process and mandatory to use when a change/development is run within a programme or project.

The Third Party Risk Management (TPRM) framework was launched as of 1st of July, the purpose being to ensure risk management and monitoring of Nordea's third parties. Relevant activities, e.g. acquiring IT hardware, cloud solutions, outsourcing are subject to a risk assessment. The assessment is carried out based on questionnaires, including Business Continuity & Crisis management, information security, sustainability and compliance. Also financial health is considered

A new Reputational Risk Framework is currently being developed, and this framework will be partly based on elements in the Compliance and Operational Risk Management frameworks that are already addressing reputational impact assessments, and partly consist of new methods and tools to identify reputational risk in current and future activities. The framework will provide the Nordea Group with a set of guiding principles for handling and managing reputational risks, reporting dashboards, and will include substantial training and awareness for the business to implement considerations on reputational risk in their business activities.

To ensure risk and compliance awareness in Nordea there are mandatory Group wide programmes in place, which aim at enhancing awareness and setting a high standard for the risk and compliance culture. The awareness of operational and compliance risk-related threats and challenges will be assessed annually throughout the organisation, and ensure a common set of behaviours. The all staff programs, including Senior Management have been restructured to better ensure awareness and alignment and will be continuously followed up in the step-wise program Nordea calls "Licence to Work". Board of Directors' targeted programmes are treated separately and aim at outlining the requirements and expectations on Nordea on an overall basis.

4.3.4 Key processes for compliance risk

Risk Identification and Assessment is a key process for many of the core compliance activities in relation to training, advice and monitoring, and for the overall principle of having a risk based approach. Moreover, in 2016, GC introduced a more structured way to evaluate and report compliance risks and independently challenge risks identified in the 1st LoD and the controls in place to mitigate the risks.

The process and working methods are constantly developing and improving, and future focus is to improve found weaknesses, as an example better utilisation of monitoring results, bring system support to use, target training to align the use of taxonomy etc.

4.4 Key Report – The Group Operational and Compliance Risk Map

The results from the RCSA, including the identification of Top Risks, represent the main input to the Group Operational and Compliance Risk Map. The report presents Nordea's overall risk picture, trends and challenges for operational and compliance risks and risk management frameworks. The report gives a risk overview for each of the Business Areas in Nordea together with more detailed information on individual Top Risks areas. The report is used as an input into Nordea's annual planning process to ensure adequate resource allocation to the planned mitigating actions. Mitigating actions and the Top Risk are followed up on a quarterly basis within the risk appetite framework with descriptions of the current status. The Group Operational and Compliance Risk Map is submitted to the Risk Committee, GEM, the BRIC and the Board of Directors on an annual basis.

4.5 Minimum own funds requirements for operational risk

Nordea's own funds requirements for operational risk are calculated according to the standardised approach. In this approach, the institution's activities are divided into eight standardised business lines and the gross income based indicator for each business line is multiplied by a pre-defined beta coefficient. The consolidated own funds requirement for operational risk is calculated as the average over three years of own funds requirements.

5. Remuneration

The Board Remuneration Committee (BRC) is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This includes proposals regarding the Nordea Remuneration Policy and supplementing instructions and guidelines for remuneration to the executive officers to be decided by the Annual General Meeting as well as the remuneration for the Group CEO, members of GEM, the Group Chief Audit Executive and Head of Group Credit & Financial Reporting Control. The BRC follows-up on the application of the Nordea Remuneration Policy and supplementing instructions, through an independent review by Group Internal Audit which is conducted at least annually.

5.1 Risk analysis

Nordea's remuneration components are evaluated annually to ensure compliance with both international and local remuneration regulations and guidelines. In addition to the evaluation of Nordea's remuneration components, the risk analysis addressing issues arising with respect to Nordea's Remuneration Policy was updated in March 2016. Key factors addressed include risks related to the governance and structure of the remuneration schemes, target-setting and measurement of results, as well as fraud and reputation. The main focus of the analysis is the variable components that potentially lead to total compensation that could be considered high. Remuneration risk in Nordea is managed within the operational risk framework.

Nordea mitigates these risks by regularly reviewing the structure of the remuneration components, including the participants and potential payout amounts, and by disclosing relevant information to the public. Furthermore, Nordea has established clear processes for target-setting, aligned with the Group's strategy, and predefined growth and development initiatives. The measurement of results is aligned with Nordea's overall performance measurement, and payout decisions are subject to separate processes and the Grandparent principle (approval by the manager's manager). Nordea also mitigates relevant risks by means of its internal control framework, which is based on the control environment and includes the following elements: Values and management culture, goal orientation and follow-up, a clear and transparent organisational structure, separation of duties, the four-eye principle, quality and efficiency of internal communication and an independent evaluation process.

The following principles are examples of what is further applied to ensure sound risk management:

- No employee in Nordea has a variable remuneration that exceeds 200% of the relevant person's fixed remuneration. The maximum ratio between the fixed and the variable remuneration for Identified Staff is currently 100%.
- Guaranteed variable remuneration can be offered only in exceptional cases and then only in the context of hiring new staff, limited to the first year of employment and where Nordea has a sound and strong capital base.
- Remuneration packages related to compensation for contracts in previous employments must be aligned with Nordea's Remuneration Policy.
- Payments related to the early termination of a contract should reflect performance achieved over time and should be designed in a way that does not reward failure or misconduct.
- Employees engaged in control functions are compensated independently of the performance of the business unit(s) they control.

Performance-related remuneration (excluding Profit Sharing) for employees in the risk analysis defined as Identified Staff is partially deferred in accordance with international guidelines and national regulations. This means that 40%-60% of variable remuneration is deferred for three to five years with pro rata disbursement during the deferral period. The first disbursement of deferred variable remuneration can take place one year into the deferral period at the earliest. 50% of the variable remuneration, 80% of EIP and GEM EIP, is indexed with Nordea's Total Shareholder Return.

Payment of variable remuneration to Identified Staff (excluding Profit Sharing), or to all employees if required according to national regulations, is conditional upon such payment is justified based on Nordea's, the relevant business unit's and the individuals results. An adjustment, partly or down to zero, can occur if the person in question e.g. has violated internal or external regulations, participated in or been responsible for an action that has caused Nordea significant losses, or in the event of a significant downturn in Nordea's or the relevant business unit's financial results.
Employees are required to undertake to not use personal hedging strategies to undermine or eliminate the effects of deferred variable remuneration being partly or fully removed

The Nordea Remuneration policy and other detail information on remuneration can be found at www.nordea.com.

6. Liquidity risk

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea is exposed to liquidity risk in its lending, investment, funding and other activities.

6.1 Management, governance and measurement of liquidity risk

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due.

6.1.1 Management of liquidity risk

Nordea's liquidity management and 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 stance 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 Nordea's domestic markets in the form of a strong and stable retail customer base and the variety of funding programmes. Funding programmes are both short-term (US commercial paper, European commercial paper, commercial paper, Certificates of Deposits) and long-term (covered bonds, European medium-term notes, medium-term notes) and cover a range of currencies. The stress testing framework also includes survival horizon metrics (see Part 2 Section 8.3), which represents a combined liquidity risk scenario (idiosyncratic and market-wide stress).

6.1.2 Liquidity risk appetite

The Board of Directors defines the liquidity risk appetite by setting limits for the liquidity risk measures applied by Nordea. The liquidity risk appetite is anchored to liquidity stress testing results over specified time horizons as well as regulatory requirements and has implications for nature and scope of activities undertaken by Nordea. In addition, the liquidity risk appetite wil determine the size of Nordea's liquidity buffers.

6.1.3 Governance of liquidity risk

TALM is responsible for pursuing Nordea's liquidity strategy, managing liquidity and for compliance with Groupwide liquidity risk limits set by the Board of Directors and the Risk Committee. TALM, as the 1st LoD, manages and executes liquidity risk management processes, which consist of policies, instructions and guidelines as well as defining the principles for pricing liquidity risk. Group Market and Counterparty Risk (GMCCR), as an independent 2nd LoD is responsible for the policies and frameworks and executes control over liquidity management.

6.1.4 Measurement of liquidity risk

Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for each currency and as a figure for all currencies combined. The limit for all currencies combined is set by the Board of Directors.

To ensure funding in situations where Nordea is in urgent need of cash and normal funding sources do not suffice, Nordea holds a liquidity buffer. The buffer minimum level is set by the Board of Directors. The liquidity buffer consists of central bank eligible high-grade liquid securities that can be readily sold or used as collateral in funding operations.

Since 2011, the survival horizon metric is being used. The metric is composed of the liquidity buffer and funding gap risk cash flows, and includes expected behavioural cash flows from contingent liquidity drivers. Survival horizon defines the short-term liquidity risk appetite of Nordea and until March 2016, expressed the excess liquidity after a 30-day period without access to market funding. In April 2016 the period was prolonged to 90 days. The Board of Directors has set the limit for minimum survival without access to market funding to 90 days.

Since 2013 the Liquidity Coverage Ratio (LCR) according to Swedish FSA rules is being used. The Board of Directors has set the limit for minimum LCR level. Nordea is LCR compliant in all currencies combined and separately in USD and EUR according to Swedish rules. Nordea is also compliant with EBA Delegated Act LCR, which came into force in October 2015.

The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the Net Balance of Stable Funding, which is defined as the difference between stable liabilities and stable assets. These liabilities primarily comprise retail deposits, bank deposits and bonds with a remaining term to maturity of more than 12 months, as well as shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 12 months and committed facilities.

7. Securitisation and credit derivatives

In Q3 2016 Nordea entered into a synthetic securitisation as originator of a portfolio with corporate and SME loans in Sweden and Denmark.

7.1 Introduction to securitisation and credit derivatives trading

The CRR defines securitisation as a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures and the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme. In a traditional securitisation, the ownership of the assets is transferred to a Special Purpose Entity (SPE), which in turn issues securities backed by these assets. In synthetic securitisation, ownership of these assets does not change, however the credit risk is still transferred to the investor through the use of credit derivatives or financial guarantees.

Banks can play several roles in securitisation. First, they can act as originators by having assets they themselves originated as underlying exposures. Second, they can act as sponsors in which role they establish and manage securitisations of assets from third party entities. Third, in their credit trading activity, banks can themselves invest in these securities or create these exposures in credit derivatives markets.

Nordea is also acting as an intermediary in the credit derivatives market, especially in Nordic names. In addition to becoming exposed to the credit risk of a single entity, credit derivatives trading often involves buying and selling protection for collateralised debt obligation (CDO) tranches. These can be characterised as credit risk-related financial products, the risk of which depends on the risk of a portfolio of single entities ('a reference portfolio') as well as the subordination. Subordination defines the level of defaults in the reference portfolio after which further defaults will create a credit loss for the investor. Because hedging always involves a view on how the correlation between the credit risk of single names evolves, it has been customary to talk about correlation trading in this context. The market risk created by Nordea's correlation trading is described in further detail in section 7.4.

7.2 Nordea as an originator

In 2016, Nordea Bank AB ("Nordea") entered into a synthetic risk transfer trade related to EUR 8.4bn of Nordea's loan portfolio. Under the transaction, investors have agreed to invest in credit linked notes (CLN), linked to the junior credit risk of the portfolio.

The risk transfer was performed through a collateralised CDS structure, and no assets will be derecognised from Nordea's balance sheet. The transaction was reported as a derivative as from the third quarter 2016 and improved Nordea's CET1 capital ratio by approximately 30bps. Under the agreement, the buyers of the notes are responsible for a pre-agreed amount of incurred credit losses of the reference portfolio. The size of this credit loss protection is sufficient to cover expected and unexpected losses, relieving Nordea from the associated risks and thus qualifying as achieving Significant Risk Transfer.

The selected reference portfolio consists of approximately EUR 8.4bn in corporate and SME loans from over 3,000 borrowers across Sweden and Denmark, spread across a wide range of industries and asset classes.

7.2.1 Relevant policies, regulation and associated risks

This section describes the risks associated with this transaction and the management of said risks. More broadly, Nordea's Significant Risk Transfer policy outlines the principles for the effective and robust assessment, monitoring and management of such transactions throughout the Nordea Group under relevant regulations. Furthermore, a risk mandate is articulated following discussions with the Swedish FSA (SFSA) outlining the Group's appetite in terms of associated REA in relation to the Group's total Credit Risk REA.

As defined in prudential regulations, the term securitisation refers to a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having the following characteristics:

- the transaction achieves Significant Risk Transfer, in case of origination;
- payments in the transaction or scheme are contingent on the performance of the exposure or pool of exposures;
- the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or risk transfer scheme.

Securitisation positions are subject to the regulatory accounting treatment defined in 3rd Part – Title 2 – Chapter 5 of the CRR. Such positions held in the regulatory banking book or trading book are currently given weightings ranging from 7% to 1,250% depending on their credit quality and subordination rank. In its role as originator, Nordea applies the Supervisory Formula Method when calculating the capital requirements for its positions. The securitisation regulation framework is evolving and Nordea follows this development continuously to ensure strict adherence to regulation and, as appropriate, guidance.

7.2.2 Accounting policies related to securitisation transactions

Financial assets are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterparty has performed by e.g. repaying a loan to Nordea. Gains and losses are recognised when the assets are derecognised by comparing the carrying amount to the proceeds received.

Synthetic securitisations are generally defined as transactions where an institution buys protection using financial guarantees or credit derivatives where the exposures are not derecognised from the balance sheet. Nordea's general accounting policies for financial guarantees and derivatives applies in such cases.

Provisions are recognised when it is probable (more likely than not) that Nordea will be required to provide financial support for securitised assets.

7.2.3 Accounting methods

Synthetic securitisations in the form of Credit Default Swaps, as in the case of Nordea's Q3 2016 transaction, follow accounting recognition rules specific to trading derivatives. The securitisation transactions are derecognised when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to the ownership of the asset. Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and, where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised entirely, a gain or loss on disposal is recorded in the income statement for an amount equal to the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealised profit or loss previously recognised directly in equity.

7.2.4 Monitoring of securitisation risks

Securitisation risks are monitored according to the overall framework rules established by the Nordea Group as per assets are recorded in the regulatory banking book (via credit risk and counterparty risk).

Structural risks and foreign exchange risk associated with securitisation activities are monitored in the same way as for other Group assets.

The associated liquidity risk linked to securitisation activities is reflected centrally through the measure of the impact of these activities on the Group's liquidity ratios, stress tests and liquidity gaps.

Securitisation operational risks follow-up are taken into account in the Group operational risks framework.

7.3 Traditional securitisations where Nordea acts as sponsor

Nordea sponsors a limited number of SPEs. These SPEs have been established to facilitate or secure customer transactions, either to enable investments in structured credit products or with the purpose of supporting trade receivable or account payable securitisation for Nordea corporate customers.

7.4 Credit derivatives trading

Nordea acts as an intermediary in the credit derivatives market, especially in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and synthetic CDOs.

When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

It is Nordea's policy that CDO positions are held in the trading book and booked at fair value in accordance with IFRS 13, meaning that they are either marked to market or marked to model depending on the availability of external prices. Model prices are derived based on standard industry methods. Inputs are available market prices and assumptions primarily relates to correlation.

Credit derivative transactions create counterparty credit risk in a similar manner to other derivative transactions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements.

8. ICAAP and internal capital requirement

The Internal Capital Adequacy Assessment Process (ICAAP) aims to ensure that Nordea keeps sufficient available capital to cover all risks, both Pillar I and Pillar II, taken over a foreseeable future, including during periods of stress. The level of capital needs to be adequate from an internal and a regulatory perspective, as well as for market participants.

8.1 ICAAP

The purpose of the ICAAP is to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirement reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the Business Area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

The capital ratios, capital forecasts and capital requirement for the Nordea Group and its legal entities are regularly monitored by TALM. The current capital position and forecasts are reported to ALCO, Risk Committee, GEM and the Board of Directors. Capital requirements and capital adequacy are thoroughly reviewed and documented annually in Nordea's ICAAP report, which is ultimately decided and signed off by the Board of Directors.

8.1.1 Capital planning and capital policy

The capital planning process is intended to ensure that Nordea and its legal entities have sufficient capital to meet minimum regulatory requirements, support its credit rating, growth and strategic options. The process includes forecasts of capital requirements, available capital as well as the impact of new regulations. Capital planning is based on key components of Nordea's Rolling Financial Forecast (RFF), which includes lending volume growth by customer segment and country as well as forecasts of net profit, including assumptions of future loan losses. The capital planning process also considers forecasts of the state of the economy to reflect the future impact of credit risk migration on the capital situation of the Nordea Group and its legal entities. An active capital planning process ensures that Nordea is prepared to make necessary capital arrangements regardless of the state of the economy, the introduction of new capital adequacy regulations and to accommodate strategic and business objectives.

Nordea's capital policy determines target capitalisation levels in Nordea. The current capital position and target capitalisation are described in Part 1 section 2.

The capital policy states that Nordea Group, under normal business conditions should have capital ratios for CET1, Tier 1 and total capital that exceed the capital requirement as communicated by the Swedish FSA. The policy states that Nordea will maintain a management buffer of 50–150bps above the CET1 requirement.

8.1.1.1 Capital transferability and restrictions

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of Nordea's entities.

8.1.2 Internal capital requirement (ICR) methodology

The internal capital requirement is calculated based on a Pillar I plus Pillar II approach. This methodology uses the Pillar I capital requirements for credit risk, CVA risk, market risk and operational risk as outlined in the CRR as the starting point for its risk assessment.

In Pillar II, risks not included in the CRR are considered, specifically concentration risk, interest rate risk in the banking book, market risk in internal defined benefit pension plans and real estate risk.

The following risk types are included under Pillar II:

- *Interest rate risk in the banking book* consists of exposures deriving from the balance sheet (mainly lending to public and deposits from public) and from TALM's investment and liquidity portfolios. Interest rate risk is measured and monitored in several ways on a daily basis and in accordance with the FSAs requirements. Monitoring is performed by controlling interest rate sensitivities, which measure the immediate effects of interest rate changes on the fair values of assets, liabilities and off-balance sheet items. The Pillar II charge for interest rate risk in the banking book is calculated based on daily VaR figures.
- *Pension risk* includes equity risk, interest rate risk and FX risk in the Nordea-sponsored defined benefit pension plans. The risk is incorporated into market risk by including both the asset and liability sides of the pension plans in the Group's VaR calculations and is reported separately within the Pillar II market risk.
- *Real estate risk* in Pillar II is market risk associated with Nordea's own real estate buildings.
- *Concentration risk* represents the credit risk related to the degree of diversification in the credit portfolio, i.e. the risk inherent in doing business with large customers or not being equally exposed across industries and regions. Pillar I credit risk calculations assume a well diversified international bank. Nordea's exposures are well diversified but not to the same extent as a benchmark fully diversified international bank. The purpose of the concentration risk capital requirement add-on is to capture this difference.
- Temporary capital add-ons: As part of the ICAAP Nordea identifies risks not previously captured in Pillar I or Pillar II on an ongoing basis. When new risks are identified a temporary capital buffer within Pillar II is included in the inter-

nal capital requirement. The temporary capital add-ons may later be incorporated into Pillar I, permanently into Pillar II or discontinued depending on nature of the risk.

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

The rationales for using the chosen Pillar I plus Pillar II approach are the following:

- The risk-based nature in the approach, with 80% of the Pillar I capital requirements calculated by internal models, capture the inherent risks within Nordea's different asset classes.
- The approach combines models specified in the regulation with Nordea specific parameters and data in internal models assessed and approved by the supervisors. Hence, it allows Nordea to use scrutinised models based on best regulatory practice yet tailored with the specific risk profiles known for the individual Nordea portfolios.
- In addition to the assessment of Pillar I risks Nordea assesses risks not captured by the Pillar I framework.
- In parallel to the risk based Pillar I plus Pillar II, approach, Nordea use other analysis measures such as Basel I floor, large exposures and leverage ratio to understand and compare the nature of the risks within Nordea.

8.1.3 FSA capital add-ons under Pillar II

In addition to the regulatory minimum capital requirements, the SFSA requires Nordea to hold capital under Pillar II to cover additional risks, not covered in Pillar I.

Included in Pillar II are the risk weight floors in Sweden and Norway. Nordea is required to hold CET1 capital under Pillar II amounting to approximately EUR 1.8bn for its Swedish and Norwegian mortgage portfolios. This corresponds to a CET1 capital ratio impact of approximately 1.4%.

Nordea furthermore is required to hold additional CET1 capital equivalent to 2% of REA due to systemic risk.

The capital requirement for the Pillar II risks covering concentration risk, interest rate risk in the banking book and risks in defined benefit pension plans is calculated according to the standardised models developed by the Swedish FSA. In addition, as part of the Supervisory Review and Evaluation Process (SREP), Nordea received increased requirements mainly related to inadequate 2nd LoD and its involvement in the governance of the IRB system and modelling including additional capital requirement for Nordea's PD estimates. During 2016 the Swedish FSA also communicated its new methods for banks' risk weights and capital requirement for exposures under the IRB approach. These methods require that banks should treat every fifth year as a downturn year when estimating PD and that a maturity floor of 2.5 years should be applied for corporate exposures. The maturity floor will be part of Pillar II while the metod to estimate PDs should be incorporated into the IRB models of banks. Until implemented in Pillar I also the method to estimate PDs is part of Pillar II.

The Swedish FSA has stated that, under normal circumstances, there will be no formal decision on Pillar II capital requirements. The Pillar II requirement will thus not affect the level where the automatic restrictions on distribution will come into effect (the MDA level).

8.2 Economic capital (EC)

Economic Capital (EC) is a method for allocating the cost of holding capital as a result of risk taking and is a central component in the Value Creation Framework (VCF). The VCF supports the operational decision making process in Nordea to enhance performance management and ensure shareholder value creation.

Nordea's EC model is based on the capital requirement as assessed and published by the SFSA. In addition the EC framework also includes the following items:

- Legal equity contribution of the insurance business (EC is thus calculated for the legal group whereas the regulatory minimum capital requirement covers only Nordea Bank AB on the basis of its consolidated situation).
- Certain capital deductions where allocation keys have been agreed upon.

For distribution of EC across risk types and business areas see table 1.1

Going forward, changes to EC will mainly be driven by changes to the risk types featured in the capital requirements and continuous efforts to reduce the gap between legal equity and EC, i.e. the inclusion of further capital deductions.

8.3 Stress testing

Stress testing governance and framework are important due to the vital role of capital for Nordea's management and profitability. Thus an adequate governance structure is required for the stress testing process. Key responsibilities include GEM and the legal entity boards' engagement in the ICAAP stress testing. In addition ALCO/Risk Committee review in details the stress test performed and potential implications for future capital.

Capital adequacy stress testing is carried out at least annually during the first quarter, using end-of-year data. Ad hoc stress testing can be carried out throughout the year when necessary. In order to determine the adequacy of capital for the Nordea Group throughout the scenarios, key financial targets, which are stated in Nordea's capital policy, are also considered.

The key measure for determining the stress test impact is the CET1 ratio and how it develops during the scenarios. The stress test capital impact is defined as the percentage drop in the CET1 ratio in the most stressed year. In addition, the stress test capital add-on, defined as the CET1 capital needed to compensate for the increase in REA and reduction in capital due to negative net profit in the stress scenarios, is included as a capital buffer in the bank's internal capital requirement. The impact is then analysed in relation to capital policy, regulatory buffers and internal capital requirements.

8.3.1 Stress tests performed

During 2016, Nordea performed internal stress tests to evaluate the general effects of an economic downturn scenario as well as effects for specifically identified segments or high risk areas. The Nordea Group has also been subject to stress tests and capital review exercises performed by financial supervisors and central banks. In 2016, Nordea also participated in the EU-wide stress test led by the European Banking Authority (EBA). The results of these stress tests did not change the assessment of Nordea's strong position and capacity to withstand financial stress.

As part of the ICAAP and the capital planning process, firm-wide stress tests are used as an important risk management tool to determine how severe unexpected changes in the business and macro environment will affect the capital need. The stress tests reveal how the capital need varies during a stress scenario, where the income statements, balance sheet, regulatory capital requirements, and capital ratios are impacted.

Nordea carries out reverse stress tests of various recovery environments in relation to the development of the recovery and resolution plan. Several stand-alone stress tests for each risk type such as market risk and liquidity risk are also carried out (see Part 2 sections 3 and 6 for further details).

Nordea continuously refines its stress testing methodologies and practises to ensure a forward-looking element.

The general stress test process can be divided into the following three steps:

- Scenario development and translation,
- Calculation, and
- Analysis and reporting.

The capital adequacy stress test covers all credit exposures to corporates, retail, institutions and sovereigns. Credit exposures data is sourced on transaction level from the same database as used for the regular reporting of REA and capital adequacy. The calculation of stressed loan losses and stressed REA is carried out bottom up based on granular portfolio data from this data source.

8.3.2 Scenario development and translation

The annual ICAAP stress test is based on three-year macroeconomic scenarios for the Nordic and Baltic countries, Russia and other major economies. The scenarios are designed to replicate shocks that are particularly relevant in the current macroeconomic environment. Stress scenarios are designed by economists in the Nordea Economic Research division in each Nordic country. Nordea also uses its RFF for complementary assumptions of the baseline scenario.

While the annual stress test is based on comprehensive macroeconomic scenarios that involve estimates of several macroeconomic factors, the ad hoc stress tests are based on direct estimates of risk parameter changes or on changes of a few selected macroeconomic variables. This enables senior management to define scenarios and evaluate the effect of them in capital planning.

After a scenario is developed, the effects on risk drivers are translated and new financial parameters are simulated. Advanced models in combination with expert judgment from Business Areas are used to determine the effect of the scenario.

As an example, in the annual stress test, the scenario is translated into impacts on the parameters listed in Table 8.1.

Table 8.1 Parameters in the annual stress test

Parameter	Impact
Volumes	Lending volumes are dependent on lending growth specified in the scenario and on inflow to default and loss provisions. Deposit volumes are given directly by the RFF.
Margins	Corporate lending margins are country and rating specific and therefore sensitive to rating migrations. Retail margins are country specific and split by mortgage lending and other lending. Defaulted (but performing) customers are assigned a lower margin. Deposit margins are given by the RFF.
Net interest income	Net interest income figures are adjusted according to the change in volume and margins for deposits and lending, as well as increased funding cost (see below).
Funding cost	Changes in funding costs are derived from the assumption of Nordea being down-rated. The increases funding cost, due to a lower rating, reduces net interest income.
Net fee and commission income	Net fee and commission income is calculated according to product mix. Commission income is assumed to follow market movements and is adjusted according to changes in the stock index, whereas other items are adjusted according to changes in GDP.
Operating expenses	Operating expenses are assumed to be constant except for variable salary expenses, which are adjusted according to changes in net profit the previous year.
Loan losses	Loan losses are calculated based on a bottom-up, EL-based model. The EL-calculations are carried out on stressed rating distributions, stressed point in time PD curves and stressed LGD values (see below). The model covers both collective and specific provisions. The loan loss model consists of two components that cover losses related to (i) a general macroeconomic scenario and (ii) industry specific and idiosyncratic loss events.
P/L effect of Operational- and Market Risk	Stressed losses related to operational risk and market risk are calculated using assumed loss distributions and correlations between the risk types.
Rating/ Scoring migration	For corporate customers, rating migrations are calculated on customer level based on stressing their financial statements for each year and scenario. For retail and bank customers, rating/scoring migrations are calculated based on central macro-economic variables per year and scenario.
Probability of default	Stressed PD values are calculated on customer level based on the stressed rating/scoring migrations (see above). For loan loss calculations point in time PDs are used. The point in time PDs are dependent on the severity of the macroeconomic scenario. In addition the PDs contain an add-on factor to reflect industry specific and idiosyncratic risk.
Collateral values	The collateral coverage is stressed by moving parts of the exposure from secured to unsecured, resulting in an increase in average weighted LGD.
Risk exposure amount (REA)	Credit risk REA is calculated on customer/exposure level based on stressed PDs and LGDs. REA is also dependent on changes in volumes (EAD) which are a function of lending growth and inflow to default.

8.3.3 Calculation

The stressed figures and parameters from the scenario are used to calculate the effects on the regulatory capital requirements and the financial statements. Regulatory minimum capital requirement are calculated for the credit risk, market risk and operational risk according to the CRR with regards to the IRB approaches used. The calculations for each risk type are aggregated into total minimum capital requirement figures.

Stressed figures for loan losses are calculated bottom-up, based on stressed rating migrations and collateral values. Stressed point-in-time PDs that are functions of the downturn scenarios, are used in the calculation of loan losses. The loan loss calculation also covers idiosyncratic losses related to the exposure to single customers and industries. The loan loss model covers both specific and collective provisions. The stressed impact on other main items on the income statement, like net interest income and net fee and commission income, are also calculated. The resulting impact on net profit after dividend are used to calculate the effect on the own funds components. Own funds are set in relation to the stressed REA in order to calculate the effect on capital ratios during a stress scenario. Figure 8.1 shows the calculation process used in the stress test framework.

8.3.4 Analysis and reporting

The first level of reporting in Nordea is the ALCO and the Risk Committee, which review the details of the stress tests and implications on future capital need. The results, showing the implications of the stress tests on the adequacy of existing capital, are distributed to GEM and the Board of Directors. A similar governance process is used for subgroups and legal entities.

The results of the stress tests support senior management's understanding of the implications of the current capital strategy given potential market shocks. Based on this information senior management are able to ensure that Nordea holds enough capital against the impact of potential economic downturns and other stress events. Business Area involvement in defining and assessing the stress tests is seen as important to increase risk awareness throughout the organisation and the understanding of the relation between capital requirements and exposure to material risks.

The outcome of the stress tests demonstrates how Nordea's loan losses and capital ratios will change during a stress scenario. The outcomes are then analysed to decide the capital need during a downturn period in order to ensure that Nordea remains well capitalised.

Figure 8.1 Calculation process

9. Risk and capital in the life and pensions operation

The nature of life insurance leads Nordea Life & Pensions (NLP) to take risks that are quite different to those faced in the banking operation. The main risks in Nordea's life and pensions operations are market risks and life insurance risks.

9.1 Risk management system and governance

9.1.1 Risk management at NLP

NLP's risk management function is responsible for developing a consistent and coherent risk management system and control framework across NLP comprising strategies, processes and reporting procedures necessary to consistently identify, measure, monitor, manage and report on risk and its capital implications at an individual and aggregate level in accordance with Group Directives. This is implemented through the following governing documents for the management of risk and capital at NLP:

- NLP Risk Management Strategy
- NLP Risk Appetite Framework
- NLP Framework for Policies and Charters

These governing documents are organisationally embedded through the key risk and capital processes, regular reports to key stakeholders and additional instructions and documentation.

The risk management function is headed by the NLP Group CRO and anchored in local entities through the local CROs. The NLP Group CRO is responsible for the risk management overall as well as capital management relating to modelling, assessments and monitoring at the NLP Group level. Local CROs, reporting to the local CEOs and Group CRO, are responsible overall for risk management as well as capital management relating to modelling, assessments and monitoring at local entity level.

Figure 9.1 The ALM square

9.1.2 Framework for strategic risk & capital decisions

The Asset Liability Management (ALM) square is central to the implementation of NLP's risk management strategy in the day-to-day business. The ALM square sets out the different considerations that should be balanced when making business decisions in NLP on a short-term as well as long-term perspective including competitiveness, legal requirements, profitability and capital requirements (including economic value and regulatory/ solvency requirements).

9.2 Key risks in the life and pensions operation

NLP takes on financial risk both through investments in products with embedded guarantees and investments in market return products where policyholders have been promised a benefit or an absolute return under these portfolios. NLP carries the risk of fulfilling these guarantees to policyholders. Financial risk also arises from investment of the shareholders' equity.

Financial risk includes market risks such as interest rate risk, equity risk and property risk as well as credit risk and liquidity risk. These risks are mainly measured by Solvency capital requirements, exposure measurement on investment assets, Value-at-Risk analysis and stress and sensitivity analysis. Financial risks are monitored against the risk appetite and existing limits.

The major risks that NLP is exposed to are market risk and life & health insurance risk.

9.2.1 Market risk

Market risk arises at NLP mainly due to the mismatch between assets and liabilities and the sensitivity of the values of these assets and liabilities to changes in the level or in the volatility of market prices or rates. In addition, NLP is exposed to market risk through the investment of the shareholders' equity. Market risk is mitigated through liability driven investment where appropriate, aiming at reducing the asset-liability mismatch, while at the same time creating an investment return enabling NLP to meet any guarantees offered and meet customer's expectations.

For Nordea Group, market risk is measured through the following methodologies:

- Market scenario-based risk method: Measures market risk under defined scenarios taking account the movements in assets and liabilities.
- VaR market risk method: measures market risk from the investment of equity capital and subordinated funding separated from policyholders' assets.

9.2.2 Life and health insurance risk

Life and health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality rates, longevity rates, disability rates and surrender/lapse risks. The risk is generally measured through exposure measurement, experience analysis of mortality, morbidity lapse and expense risks, together with sensitivity and stress tests.

Life & health insurance risks are primarily controlled using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress testing and setting up adequate provisions for risks.

9.3 Capital management and solvency position

9.3.1 Solvency position

NLP is regulated under Solvency II and uses the standard formula for determining solvency capital requirements at the Group level taking into account double regulation for occupational pensions schemes applicable to the Swedish part of the business. NLP have applied, for and have had approval granted from local FSAs to use a volatility adjustment in Denmark and transitional measures for technical provisions in Norway.

NLP's Risk Appetite Framework and capital policy sets the solvency limit and solvency target range that NLP wish to operate within. The solvency position resulting from stress & scenario testing is reported to key stakeholders on a monthly basis including Group Risk Management & Control and GEM. The solvency position is further monitored on an on-going basis to ensure continuous compliance with the regulatory requirements including weekly reporting allowing time for business actions as appropriate.

9.3.2 Economic capital

NLP is included in the Nordea Group EC framework, described in section 8.2.

9.3.3 Financial buffers

For policyholders, financial buffers express the potential for receiving a bonus on top of the guarantees within the Traditional portfolio. For shareholders, financial buffers are important as they offer a P/L protection against insufficient investment returns. For NLP, a moderate financial buffer level is a prerequisite in order to achieve a stable P/L due to the mostly fee-based business models. At low financial buffer levels, risk increases and higher P/L volatility can be expected.

10. Regulatory development

The changes for financial institutions in the regulatory area related to capital and risk are extensive. In addition to the on-going regulatory updates of the capital adequacy framework, other related regulations are also emerging.

10.1 Current regulatory framework for capital adequacy

The Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR) for the European financial market entered into force 1 January 2014, followed by the Bank Recovery and Resolution Directive (BRRD) on 15 May 2014..The Regulation became applicable in all EU countries on 1 January 2014 while the Directive was implemented through national law within all EU member states during 2014, through national processes.

10.1.1 Regulatory minimum capital requirements

The CRR requires banks to comply with the following minimum capital requirements in relation to REA:

- CET1 capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Capital ratio of 8%.

10.1.2 Capital buffers

CRD IV introduced a number of capital buffer requirements. The capital buffer requirements are expressed in relation to REA to be covered by CET1 capital and represent additional capital to be held on top of minimum regulatory requirements. The levels and the phasing-in of the buffer requirements are subject to national discretion.

The mandatory buffers introduced are the capital conservation buffer (CCoB) of 2.5%, the countercyclical capital buffer (CCyB) and the buffer for globally systemically important institutions (G-SII) of 1-3.5%. The institution specific CCyB will, under normal circumstances, be in the range of 0-2.5%, depending on the buffer rate in the countries where the institution has their relevant exposures. In addition, CRD IV allows for a Systemic Risk Buffer (SRB) to be added as well as a buffer for other systemically important institutions (O-SIIs). These buffers should be seen in conjunction with the other buffers and should also be met with CET1 capital. The O-SII buffer can be set up to 2% and the SRB can be set up to 3% for a banks all exposures and up to 5% for a banks domestic exposures. These buffers are together to be seen as a combined buffer. The combined buffer requirement is the sum of the CCoB, CCyB and;

- where the SRB is applicable for all exposures, the highest of the SRB and the highest SII buffer,
- where the SRB is applicable only on domestic exposures, the sum of the highest SII buffer and the SRB.

Breaching the combined buffer requirement will restrict banks' capital distribution, such as the payment of dividends, in accordance with the regulations on Maximum Distributable Amount (MDA).

10.1.3 Risk exposure amount (REA)

For banks calculating REA according to the IRB approach, the transitional floor (Basel I floor) states that minimum own funds cannot be less than 80% of minimum own funds as calculated under Basel I. The CRR extends these transitional rules until 31 December 2017.

Table 10.1 Expected minimum requirements and combined buffer requirements

Percent (%)	2016	2017	2018	2019
Minimum capital requirment	8.0	8.0	8.0	8.0
- CET1	4.5	4.5	4.5	4.5
- T1	6.0	6.0	6.0	6.0
- Own funds	8.0	8.0	8.0	8.0
Combined buffer requirement	6.1	6.2	6.2	6.2
- of which CCoB	2.5	2.5	2.5	2.5
- of which CCyB	0.5	0.7	0.7	0.7
- of which SIFI/SRB	3.0	3.0	3.0	3.0
Total Own funds requirement excl. Pillar II	14.1	14.2	14.2	14.2

10.1.4 Basel I floor

For banks calculating REA according to the IRB approach, the transitional floor (Basel I floor) states that minimum own funds cannot be less than 80% of minimum own funds as calculated under Basel I. The CRR extends these transitional rules until 31 December 2017.

10.1.5 Nordic implementation

Some of the regulations in CRD IV/CRR are still being gradually phased-in. However, the CRR also allows local regulators to phase-in certain requirements faster.

10.1.5.1 Denmark

The CCoB will be phased-in from 2016 to 2019, where the buffer in 2016 was 0.625%. The CCyB is phased-in from 2015 to 2019, however the buffer has been set to 0%. In addition to this, the SRB requirement for systemically important institutions is phased-in between 2015 and 2019. Nordea Bank Danmark (together with five other institutions) has been identified as systemically important and is subject to a 2% SRB requirement when fully phased-in.

The buffer in 2016 was 0.8%. In addition, there is also a possible Pillar II requirement that is set on an individual basis. Finally a number of transitional rules are relevant for Nordea Bank Danmark. The shortfall deduction will in the period from 2014 to 2019 be changed step wise from a deduction 50/50 in Tier 1 and Tier 2 to a 100% deduction in CET1. Transitional rules regarding unrealised gains and losses and deduction for defined pension assets included in CET1 are also implemented.

As part of the implementation of BRRD in Denmark, mortgage institutions such as Nordea Kredit, have to fulfil a debt buffer requirement of 2%. The requirement is being phased-in starting 15 June 2016 with 0.6%, and fully implemented in June 2020. The debt buffer can be fulfilled using CET1 or Tier 2 capital instruments as well as senior debt instruments which fulfil certain criteria.

10.1.5.2 Finland

In Finland, the CCoB requirement is set to 2.5%. The O-SII buffer for credit institutions operating in Finland may be set to 0–2%. Nordea Bank Finland Plc has been defined as O-SII and the O-SII buffer was set to 2% from 7 January 2016. The Board of the Financial Supervisory Authority (FSA) has the power to impose binding macroprudential policy requirements. The CCyB is currently set to 0%. Discussions related to implementation of SRB in Finnish legislation are ongoing.

The Finnish FSA implemented Loan to Collateral (LTC) as a macroprudential instrument effective from 1 July 2016. The maximum loan-to-value(LTV) ratio is 95% for first-home purchases and 90% for the other residential mortgages granted by the Finnish credit institutions according to the Consumer Protection Act.

On June 2016, the Finnish FSA decided to introduce a risk weight floor of 10% for the residential mortgage portfolio according to article 458 of the CRR. The risk weight floor is expected to be implemented by 1 July 2017 at the latest.

10.1.5.3 Norway

In Norway, the CRD IV/CRR and associated regulatory standards are not yet incorporated into the EEA agreement. On 30 September 2016, the EEA Joint Committee in Brussel adopted nine decisions by a written procedure incorporating 31 legal acts into the EEA Agreement, all relating to the European financial supervisory framework. Incorporating the regulations establishing the European Financial Supervisory Authorities (ESAs) into the EEA Agreement allows for future incorporation of numerous acts aimed at rectifying flaws in the pre-crisis financial regulatory framework, and secure continued access for financial undertakings from the EEA EFTA States to the Internal Market. This is expected to entail that the Ministry of Finance in Norway in the future can incorporate CRD IV/CRR as well as other important EU regulatory frameworks.

The main provisions from CRD IV/CRR rules have been introduced into Norwegian regulation. A major deviation from CRD IV/CRR is that the Basel I floor related to REA is not removed and that the capital reduction applied to the SME segment is not implemented, as well as several other technical calculation rules. The minimum capital requirements are however harmonised with a minimum CET1 capital ratio of 4.5%, a minimum Tier 1 ratio of 6% and a minimum total capital ratio of 8%. In addition, a CCoB of 2.5% and a SRB of 3% apply. The current CCyB of 1.5% will be increased to 2% from 31 December 2017. Furthermore, Nordea Bank Norge is considered as a systemically important institution and must therefore hold an additional buffer which was increased from 1% to 2% from 1 July 2016 .

10.1.5.4 Sweden

As communicated by Swedish authorities already in 2011, the CET1 requirement for the four large Swedish banks are set to 12% from 2015. This has been achieved by setting the CCoB to 2.5% and by setting the SRB to 3% from 2015. Furthermore, there has been an additional SRB requirement of 2% included within Pillar II from September 2014. Moreover, on 14 March 2016 the Swedish FSA decided to increase the CCyB rate from 1,5% to 2% from 19 March 2017. Finally, there are also Pillar II add-ons for other risks and for the risk weight floor for residential mortgages, which is set to 25%. In 2015, the Swedish FSA announced that Nordea, at a Group level, was identified as a G-SII as well as an O-SII. However, neither the G-SII buffer (1%) nor the O-SII buffer (2%) will increase Nordea's buffer requirement since Nordea is already obliged to hold a SRB of 3%.

On 24 May 2016 the Swedish FSA published two new methods intented to raise the capital requirements for exposures to corporates for banks that use the IRB approach. The increase is the result of a more conservative calculation of PD and the introduction of a maturity floor. The new methods require banks to include a financial down-turn period every fifth year in the estimation of PD, as well as introducing a maturity floor of 2.5 years under Pillar II for banks that use the advanced IRB approach.

10.1.6 Buffers in the new legal structure

The buffers applied to the mortgage companies in Denmark and Norway were previously based on the requirements for Nordea Bank Danmark and Nordea Bank Norway. As a result of the new legal structure, where the main banks in Denmark, Norway and Finland has been merged with NBAB, the buffers for systemic importance applied to the mortgage companies will now be changed. On 3 January 2017, Finanstilsynet in Denmark announced that Nordea Kredit Realkreditaktieselskab will be subject to a 1.5% SRB requirement when fully phased-in. The buffer for 2017 is 0.9%. In Norway, the requirements for 2017 has not been announced on the O-SII buffer.

10.2 Proposal on amended CRR, CRD IV and BRRD

On 23 November 2016 the European Commission published a proposal amending the BRRD, and the CRD IV and the CRR by introducing the CRD V and CRR II. The proposals will now be discussed in the European Parliament and the Council before starting negotiations in the so called Trilogue where the European Commission, Parliament and Council need to agree before the proposal can be finalised and adopted. The amendments to the CRR II, being a regulation, will be directly applicable in all EU countries once implemented, whereas amendments to the CRD IV and BRRD, being directives, need to be implemented into national legislation before being applicable. The time for implementation is uncertain given the upcoming negotiations but it is stated that the amendments will start entering into force in 2019 at the earliest, with some parts being implemented later and subject to phase-in.

10.2.1 TLAC / MREL

The Financial Stability Board (FSB) published on 9 November 2015 the Total Loss-absorbing Capacity Term Sheet ('the TLAC standard'), which requires Global Systemically Important Banks (G-SIBs), referred to as G-SIIs in EU legislation, to have a sufficient amount of highly loss absorbing ("bailinable") liabilities to ensure smooth and fast absorption of losses and recapitalisation in resolution. The TLAC standard is included in the proposed amendments to the CRR, building on the existing framework of the BRRD which includes the Minimum Requirement for own funds and Eligible Liabilities (MREL). The purpose of MREL is to achieve the same objective as for the TLAC standard, although it is technically different from the TLAC standard and is applied for both G-SIIs and non G-SII institutions in EU.

In November 2016, the existing MREL framework in the current BRRD was proposed to be amended. According to the proposal, both G-SIIs and non G-SIIs should meet the so-called firm specific MREL requirement decided by the resolution authorities. The requirement should not exceed the sum of the loss absorption amount and recapitalisation amount, both of which are determined by the minimum capital requirement of 8% and the Pillar II capital requirement. On top of the firm specific MREL requirement, the resolution authorities can also decide to impose a MREL guidance, the breach of which does not automatically lead to MDA restrictions.

The TLAC requirement for G-SIIs need to be met by eligible instruments that are subordinated. In addition, the resolution authorities can decide to require non G-SIIs to meet the firm specific MREL requirement by subordinated eligible instruments. In order to make it possible for banks to issue eligible instruments in a cost efficient and harmonised way, the European Commission proposed in November 2016 to introduce a new insolvency hierarchy for non-preferred senior debt.

10.2.2 Pillar II

The proposed changes to the rules governing Pillar II introduces a split of Pillar II add-ons into Pillar II Requirements (P2R) and Pillar II Guidance (P2G), where the P2R will increase the MDA level while the P2G is a soft measure that does not affect the MDA level. Given how the current Pillar II framework has been implemented by the Swedish FSA ("fully flexible Pillar II guidance approach"), the suggested approach from the European Commission might result in a change to the existing Pillar II practice.

In April 2016, the Swedish National Debt Office (SNDO) published a proposal for MREL, providing details for the Swedish implementation of the EU MREL requirement. According to the proposal, Nordea needs to hold MREL eligible liabilities (MREL debt) additional to current own funds. The amount of the additional MREL debt required from Q4 2017 is proposed to be equal to the total capital requirement. The final proposal for the calibration of the requirement is expected to be published during Q1 2017, together with details about the form, extent and timing for the subordination requirement of the MREL debt.

10.2.3 Net Stable Funding Ratio (NSFR)

The European Commission proposes to introduce a binding NSFR that requires institutions to finance their long-term activities (assets and off-balance sheet items) with stable funding. The NSFR proposal aligns NSFR governance, compliance and supervisory actions with the EU Liquidity Coverage Ratio (LCR) requirement, specifically;

- Institutions are required to comply with NSFR requirements daily under both normal and stressed conditions,
- Institutions are required to ensure consistency between currency denomination of available stable funding (ASF) and required stable funding (RSF),
- Supervisors are allowed to set limits on significant currencies,
- The NSFR requirement is applied on individual and consolidated basis (possibility to receive a waiver for individual requirements), and
- Intragroup funding should receive symmetrical ASF and RSF factor.

Institutions will be required to comply with NSFR two years after the revisions enter into force, expected earliest from mid-2020 depending on negotiations.

Generally, the suggested NSFR is aligned with the Basel Committee on Banking Supervision (BCBS) standard, but the European Commission has included some adjustments as recommended by the European Banking Authority (EBA) to ensure that the NSFR does not hinder the financing of the European real economy.

10.2.4 Leverage ratio

The CRR introduced a non-risk based measure, the leverage ratio, to limit an excessive build-up of leverage on credit institutions' balance sheets in an attempt to contain the cyclicality of lending. The leverage ratio is calculated as the Tier 1 capital divided by an exposure measure, comprising of on-balance and off-balance sheet exposures with adjustments for certain items such as derivatives and securities financing transactions.

The proposal introduces a binding leverage ratio requirement of 3% of Tier 1, harmonised with the international BCBS standard. It further includes amendments to the calculation of the exposure measure with regards to exposures to public development banks, pass-through loans and officially granted export credits. Additionally, the initial margin received from clients for derivatives cleared through a Qualifying Central Counterparty (QCCP) can be excluded from the exposure measure.

10.2.5 Standardised Approach for Counterparty Credit Risk (SA-CCR)

In March 2014, the BCBS published a standard on a new standardised method to compute the exposure value of derivatives exposures, the so-called Standardised Approach for Counterparty Credit Risk, to address the shortcomings of existing standardised methods. The implementation of SA-CCR in the proposal is accomplished by removing the existing Standardised Approach and the Mark-to-Market Method and replacing them with the new SA-CCR.

10.2.6 Market risk

In January 2016, the BCBS concluded its work on the fundamental review of the trading book (FRTB) and published a new standard on the treatment of market risk. The European Commissions proposal incorporates the FRTB rules into EU regulation with some adjustments compared to the Basel version, such as postponing implementation to 2021 and including a three year phase-in period.

The key features of the framework includes a revised boundary for trading book and non-trading book (banking book) exposures, a revised internal model approach and a revised standardised approach. The revised internal model approach includes a shift from value-at-risk to an expected shortfall measure of risk under stress and the incorporation of the risk of market illiquidity. The revised standardised approach is composed of three components; the sensitivities-based method, the residual risk add-on and the default risk charge.

10.2.7 Small and Medium-sized Enterprises (SME) supporting factor

The European Commission proposes an extended SME supporting factor. The current SME supporting factor provides a capital reduction of 23.81% for exposures up to EUR 1.5 million towards SMEs. The proposal extends this discount with an additional 15% reduction for the part above the EUR 1.5 million threshold, intended to further stimulate the lending to SMEs.

10.2.8 Regulatory reporting and disclosure requirements
The proposals from the European Commission aim at enhancing proportionality in the regulatory reporting and disclosure requirements. In general, smaller and less complex institutions can expect a decrease in the substance and frequency of their regulatory reporting and disclosure requirements. Furthermore, the existing disclosure requirements are amended to better align to the internaltional BCBS standards on Pillar III disclosures.

10.3 Revisions to the Basel III capital framework
Basel III is a global, regulatory framework on bank capital adequacy, stress testing, and liquidity risk. It was agreed upon by the members of BCBS in 2010 and 2011, however some parts are yet to be finalised. More specifically, the BCBS have proposed revisions to the capital floor, standardised and IRB approaches for credit risk, the leverage ratio and operational risk. On 3 January 2017, the BCBS announced that they are working to finalise these reforms and expect to complete its work in the near future.

10.3.1 Revised capital floor (Basel I floor)
In December 2014, the BCBS published a consultative document on the design of a permanent floor, replacing the Basel I (transitional) floor applicable today. The BCBS proposal is that the floor should be based on the revised standardised approaches for credit, market and operational risks.

10.3.2 Revised standardised approach for credit risk
In December 2015, the BCBS published a second consultative paper on the revision of the standardised approach for credit risk. The proposal differs in several ways from the initial proposal published in December 2014. The previous proposal removed all references to external credit ratings and assigned risk weights based on a limited number of alternative risk drivers. The new proposal reintroduces the use of ratings for exposures to banks and corporates.

10.3.3 Revised IRB approach for credit risk
On 24 March 2016, the BCBS published a consultative document on proposed revisions to the IRB approach, affecting both the advanced and foundation approaches. The aim is to reduce the complexity of the regulatory framework and to improve comparability by seeking to decrease the variablitity in capital requirements for credit risk. The proposed revisions include restrictions to the use of the IRB approach for certain exposures, such as exposures towards institutions and large corporates, as well as introducing model-parameter floors.

10.3.4 Leverage ratio
There are ongoing discussions in the BCBS regarding a potential leverage ratio buffer for G-SIBs.

10.3.5 Operational risk
In 4 March 2016, the BCBS published a second consultative document on the revision of a simplified approach for operational risk. The Committee is proposing to remove the existing approaches and instead introduce a revised operational risk capital framework that will be based on a single non-model-based method for the estimation of operational risk capital; the Standardised Measurement Approach (SMA). The proposed SMA combines a financial statement-based measure of operational risk - the "Business Indicator" (BI) - with an individual firm's past operational losses.

10.3.6 Capital Adequacy treatment of IFRS 9
In addition to the revised framework, the BCBS on 11 October 2016, published a discussion paper and a consultative document on policy considerations associated with the regulatory treatment of accounting provisions related to IFRS 9 under the Basel III regulatory capital framework. The discussion paper presents proposals on a revised long-term regulatory treatment of provisions to be applied once the revisions to the SA and IRB approach become applicable. IFRS 9 enters into force in 2018 and the BCBS proposal is, during an interim period, to retain the current regulatory treatment of provisions as applied under both the SA and IRB approach to allow thorough consideration of the longer-term options for the regulatory treatment of provisions.

11. List of abbreviations

ABCP	Asset-Backed Commercial Paper
ADF	Actual Default Frequency
AIRB	Advanced Internal Ratings Based approach
ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
AR	Annual Report
ASF	Available Stable Funding
AT1	Additional Tier 1
AUM	Assets under management
AVA	Additional valuation adjustment
BA	Business Areas
BAC	Board Audit Committee
BCBS	Basel Committee on Banking Supervision
BI	Business Indicator
BRC	Bord Remuneration Committee
BRRD	Bank Recovery and Resolution Directive
BRIC	Board Risk Committee
CCF	Credit Conversion Factor
CCO	Chief Credit Officer
CCoB	Capital Conservation Buffer
CCP	Central Counterparties
CCR	Counterparty Credit Risk
CCY	Currency
CCyB	Countercyclical Capital Buffer
CDO	Collateralised debt obligation
CEM	Current Exposure Method
CET1	Common equity Tier 1
CEO	Chief Executive Officer
COO	Chief Operating Officer
CIRA	Compliance Independent Risk Assessment
CIU	Collective Investment Undertakings
CLN	Credit-Linked Notes
CLS	Continuous Linked Settlement
CO	Compliance Officer
COO	Chief Operating Officer
CRD	The EU's Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRU	Customer Responsible Unit
CVA	Credit valuation adjustment
EAD	Exposure at default
EBA	European Banking Authority
EC	Economic capital
EL	Expected loss
EP	Economic Profit
ESA	European Financial Supervisory Authority
ESG	Environment Social Governance
EU	European Union
FIRB	Foundation Internal Ratings Based approach
FRTB	Fundamental Review of the Trading Book
FSA	Financial Supervisory Authority
FSB	Financial Stability Board
FX	Foreign exchange
G-SIB	Global Systemically Important Bank
G-SII	Global Systemically important Institution
GC	Group Compliance
GCO	Group Compliance Officer
GCRM	Group Credit Risk Management
GDP	Gross Domestic Product
GEM	Group Executive Management
GIA	Group Internal Audit
GICS	Global Industries Classification Standard
GMCCR	Group Market and Counterparty Credit Risk
GOR	Group Operational Risk
GF	Group Functions
GRMC	Group Risk Management & Control
GWWR	General Wrong-Way Risk
ICAAP	Internal Capital Adequacy Assessment Process
ICR	Internal capital requirement
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
IMM	Internal Model Method
IRB	Internal Ratings Based approach
IRM	Incremental Risk Measure
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LoD	Line(s) of Defence
LTC	Loan-to-collateral
LTV	Loan-to-value
MDA	Maximum distributable amount
MREL	Minimum requirement for own funds and eligible liabilities
NBD	Nordea Bank Danmark
NBF	Nordea Bank Finland
NBN	Nordea Bank Norge
NBAB	Nordea Bank AB
NBSF	Net balance of stable funding
NLP	Nordea Life & Pensions
NSFR	Net stable funding ratio
O-SII	Other systemically important institutions
OTC	Over-the-counter
ORX	Operational Riskdata eXchange Association
P/L	Profit and loss

PD	Probability of default
PIT	Point-in-time
P2G	Pillar 2 II Guidance
P2R	Pillar 2 II Requirement
QRA	Quality and Risk Analysis
QCCP	Qualitied Central Counterparty
RAROCAR	Risk Adjusted Return on Capital At Risk
RCSA	Risk and Control Self-Assessment
REA	Risk exposure amount
RFF	Rolling Financial Forecast
RIRB	Retail Internal Ratings Based approach
RSF	Required Stable Funding
S&P	Standard & Poor's
SA	Standardised approach
SCRA	Specific Credit Risk Adjustment
SMA	Supervisory Formula Method
SFSA	Swedish FSA
SFT	Securities Financing Transactions
SII	Systemically important institutions
SIIR	Structural Interest Income Risk
SNDO	Swedish National Debt Office
SMA	Standardised Measurement approach
SME	Small and Medium-sized Enterprises
SPE	Special Purpose Entity
SRB	Systemic Risk Buffer
SREP	Supervisory Review and Evaluation Process
SWWR	Specific Wrong-Way risk
sVaR	Stressed Value-at-Risk
T2	Tier 2
TALM	Group Treasury & ALM
TMTP	Transitional Method for Technical Provisions
TLAC	Total Loss Absorbing Capacity
TPRM	Third Party Risk Management
TTC	Through-the-cycle
VA	Volatility Adjustment
VaR	Value-at-Risk
VCF	Value Creation Framework

Signing of the Capital and Risk Management Report

The Board of Directors and the President and Group CEO attest that the disclosures in the Nordea Group's Capital and Risk Management Report, provided according to Part Eight of Regulation (EU) 575/2013, have been prepared in accordance with the internal controls and procedures in the Policy for disclosure of capital adequacy information in the Nordea Group approved by the Board of Directors.

The policy ensures that the disclosed information is subject to an internal control framework with defined responsibilities and independent review through several levels of the organisation. A steering committee is appointed to approve the progress on the report, review the report as it takes form and support the process by ensuring management attention and priority. The policy's control framework stipulates that all inputs to the Capital and Risk Management Report shall be independently reviewed and verified. The steering committee is responsible to provide assurance to the Board of Directors and the President and Group CEO on the process and that the Capital and Risk Management Report has been prepared in accordance with the policy.

3 February 2017

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Tom Knutzen
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member

Lars G Nordström
Board member

Gerhard Olsson
Board member

Hans Christian Riise
Board member

Sarah Russell
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Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Casper von Koskull
President and Group CEO